Morien Resources Corp.

Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

(Canadian dollars)

KPMG LLP
1959 Upper Water Street
Suite 1500
Purdy's Wharf Tower I
Halifax NS B3J 3N2

Telephone (902) 492-6000
Fax (902) 492-1307
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Morien Resources Corp.

We have audited the accompanying consolidated financial statements of Morien Resources Corp., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Morien Resources Corp. as at December 31, 2015 and December 31, 2014, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards**.**

KPMG LLP

Chartered Accountants
April 25, 2016
Halifax, Canada

MORIEN RESOURCES CORP.

Consolidated Statements of Financial Position
(Canadian dollars)

	Notes	December 31, 2015	December 31, 2014
ASSETS			
Current assets:			
Cash		**$ 2,616,577**	$ 2,802,939
Receivables	**6**	**10,221**	92,320
Prepaid expenses		**17,513**	22,771
Assets held for sale	**7**	**-**	4,307,333
		2,644,311	7,225,363
Non-current assets:			
Long-term receivable	**8**	**2,778,654**	-
TOTAL ASSETS		**$ 5,422,965**	$ 7,225,363
LIABILITIES & EQUITY			
Current liabilities:			
Trade and other payables		**$ 110,028**	$ 121,125
TOTAL LIABILITIES		**110,028**	121,125
SHAREHOLDERS' EQUITY			
Share capital	**12**	**$ 25,427,254**	$ 26,501,350
Contributed surplus		**17,675,080**	17,584,433
Accumulated other comprehensive income		**269,791**	-
Deficit		**(38,059,188)**	(36,981,545)
TOTAL EQUITY		**$ 5,312,937**	$ 7,104,238
TOTAL LIABILITIES AND EQUITY		**$ 5,422,965**	$ 7,225,363

Contingent liability (Note 17)
Comparative figures (Note 18)
Subsequent events (Note 19)

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board:

signed *"John P. A. Budreski"* *Director*

signed *" John P. Byrne"* *Director*

MORIEN RESOURCES CORP.

Consolidated Statements of Comprehensive Loss
(Canadian dollars)

	Notes		For the year ended December 31, 2015		2014
Royalty revenue		**$**	**34,994**	$	118,737
Corporate and administration	**14**		**1,072,732**		895,190
Exploration and evaluation expenses	**15**		**89,764**		87,440
Other income			**(13,327)**		(11,333)
Foreign exchange gain			**(4,201)**		(8,245)
Operating expenses			**(1,144,968)**		(963,052)
Finance income			**32,331**		11,151
Finance expense			**-**		(5,302)
Net finance income			**32,331**		5,849
Loss from operations			**(1,077,643)**		(838,466)
Gain on disposal of exploration and evaluation assets	**9**		**-**		674,165
Impairment of assets held for sale	**7**		**-**		(14,232,797)
Net loss		**$**	**(1,077,643)**	$	(14,397,098)
Other comprehensive income:					
Items which may subsequently be recycled through profit and loss					
Fair value adjustment on long-term receivable, net of tax of nil	**8**	**$**	**269,791**	$	-
Total comprehensive loss		**$**	**(807,852)**	$	(14,397,098)
Basic and diluted loss per share		**$**	**(0.02)**	$	(0.28)
Basic and diluted weighted average number of shares outstanding			**57,746,723**		51,338,998

The accompanying notes are an integral part of these consolidated financial statements.

MORIEN RESOURCES CORP.

Consolidated Statements of Changes in Equity

(Canadian dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance at January 1, 2014	49,256,240	$ 24,178,166	$ 17,337,960	$ -	$ (22,584,447)	$ 18,931,679
Total comprehensive income for the period:						
Net income	-	-	-	-	(14,397,098)	(14,397,098)
Private placements, net of share issue costs (note 12)	10,686,008	2,323,184	-	-	-	2,323,184
Warrants issued under private placement (note 13)	-	-	46,134	-	-	46,134
Share-based compensation	-	-	200,339	-	-	200,339
Balance at December 31, 2014	59,942,248	$ 26,501,350	$ 17,584,433	$ -	$ (36,981,545)	$ 7,104,238
Balance at January 1, 2015	**59,942,248**	**$ 26,501,350**	**$ 17,584,433**	**$ -**	**$ (36,981,545)**	**$ 7,104,238**
Total comprehensive loss for the period:						
Net loss	**-**	**-**	**-**	**-**	**(1,077,643)**	**(1,077,643)**
Other comprehensive income	**-**	**-**	**-**	**269,791**	**-**	**269,791**
Cancellation of shares on execution of sunset clause (Note 12)	**(6,010)**	**-**	**-**	**-**	**-**	**-**
Buyback under share restructuring (Note 12)	**(274,624)**	**(94,383)**	**-**	**-**	**-**	**(94,383)**
Normal course issuer bid purchase of common shares (Note 12)	**(4,261,000)**	**(979,713)**	**-**	**-**	**-**	**(979,713)**
Share-based compensation	**-**	**-**	**90,647**	**-**	**-**	**90,647**
Balance at December 31, 2015	**55,400,614**	**$ 25,427,254**	**$ 17,675,080**	**$ 269,791**	**$ (38,059,188)**	**$ 5,312,937**

The accompanying notes are an integral part of these consolidated financial statements.

MORIEN RESOURCES CORP.

Consolidated Statements of Cash Flows

(Canadian dollars)

	Notes	For the year ended December 31, 2015		2014	
Cash flows from operating activities:					
Net loss		**$**	**(1,077,643)**	$	(14,397,098)
Item not involving cash:					
Share-based compensation			**90,647**		200,339
Gain on sale of exploration and evaluation assets			**-**		(674,165)
Impairment of exploration and evaluation assets held for sale	**7**		**-**		14,232,797
Net finance income			**(32,331)**		(5,849)
Change in non-cash working capital			**(125,270)**		(91,605)
Cash flows from operating activities		**$**	**(1,144,597)**	$	(735,581)
Cash flows from financing activities:					
Purchase of shares for cancellation			**(1,074,096)**		-
Issue of common shares for cash, net of issue costs			**-**		2,369,318
Repayment of shareholder loan			**-**		(150,000)
Interest paid			**-**		(5,302)
Cash flows from financing activities		**$**	**(1,074,096)**	$	2,214,016
Cash flows from investing activities:					
Proceeds from sale	**7**		**2,000,000**		-
Proceeds from sale of exploration and evaluation assets net of costs to sell	**9**		**-**		977,226
Interest received			**32,331**		11,151
Cash flows from investing activities		**$**	**2,032,331**	$	988,377
Increase (decrease) in cash		**$**	**(186,362)**	$	2,466,812
Cash, beginning of year			**2,802,939**		336,127
Cash, end of year		**$**	**2,616,577**	$	2,802,939

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations

Morien Resources Corporation ("Morien" or the "Corporation"), a corporation domiciled in Canada, was formed when Advanced Primary Minerals Corporation ("APM") amalgamated with Erdene Resources Inc. ("ERI") on November 9, 2012 pursuant to a statutory plan of arrangement under the provisions of the *Canada Business Corporations Act*. The address of the Corporation's registered office is 99 Wyse Road, Suite 1480, Dartmouth, Nova Scotia, B3A 4S5. The consolidated financial statements of the Corporation as at and for the years ended December 31, 2015 and 2014 comprise the Corporation and its subsidiary Advanced Primary Minerals USA Corp ("APMUSA"). The Corporations subsidiary 6531954 Canada Limited ("6531954") was wound up in 2015. The principal business of the Corporation is the identification, purchase, exploration and development of mineral properties.

2. Basis of presentation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The consolidated financial statements were authorized for issue by the Board of Directors on April 25, 2016.

b) Basis of measurement and change in accounting policy

The consolidated financial statements have been prepared on the historical cost basis.

Items included in the financial statements of each of the Corporation's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of Morien Resources Corp.

c) Use of estimates and judgments

The preparation of the financial statements requires the Corporation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from these estimates. The more significant areas requiring the use of management estimates and assumptions are discussed below.

Critical accounting estimates:

Estimate of recoverability for non-financial assets

When there are indicators that an asset may be impaired, the Corporation is required to estimate the asset's recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use.

Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset.

2. Basis of presentation

c) Use of estimates and judgments (continued)

Future cash flow estimates are based on expected production and sales volumes, mineral prices (considering current and historical prices, price trends and related factors), resources, operating costs, restoration and rehabilitation costs and future capital expenditure.

Share-based payments

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and expected lives based on information available at the time the fair value is measured.

Provisions for site restoration

Management's assumption that there are currently no provisions required for site restoration is based on facts and circumstances that existed during the year.

The following accounting policies involve judgments or assessments made by management:

Taxation

The Corporation's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the statement of financial position. Deferred tax assets, including those arising from tax loss carry-forwards, capital losses and temporary differences, are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, mineral prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditure, dividends and other capital management transactions.

Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the statement of financial position and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or the entire carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by all subsidiaries of the Corporation.

a) Basis of consolidation

The consolidated financial statements include those of Morien and its wholly owned subsidiaries: Advanced Primary Minerals USA Corp, incorporated under the laws of Delaware, USA and, prior to windup in 2015, 6531954 Canada Limited (Canada).

3. Summary of significant accounting policies (continued)

a) Basis of consolidation (continued)

i) Subsidiaries

Subsidiaries are those entities over which the Corporation has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Corporation controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation and cease to be consolidated from the date on which control is transferred out of the Corporation. A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

ii) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

i) Foreign currency transactions

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for: exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from cumulative translation account to profit or loss on repayment of the monetary items.

ii) Foreign operations

The results and financial position of entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement presented are translated at monthly average exchange rates; and
- all resulting exchange differences are recognized as a separate component of equity (“cumulative translation account”)

On the loss of control of a foreign operation, all the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are recognized in the income statement as part of the gain or loss on sale.

3. Summary of significant accounting policies (continued)

c) Financial instruments

i) Financial assets

The Corporation initially recognizes loans and receivables and deposits on the date that they originate. All other financial assets are recognized initially on trade date at which the Corporation becomes party to the contractual provision of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or the rights to receive the contractual cash flows on the financial asset are transferred.

The Corporation has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise receivables and cash.

Cash comprises cash on hand and demand deposits.

Available- for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale assets are designated on acquisition and are carried at fair value. Changes in fair value of an available-for-sale financial asset are recognized in the statement of other comprehensive loss.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes levels to classify the inputs to valuation techniques used to measure fair value.

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts, volatility measurements used to value option contracts and observable credit default swap spreads to adjust for credit risk where appropriate), or inputs that are derived principally from or corroborated by observable market data or other means.

Level 3: Inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

3. Summary of significant accounting policies (continued)

c) Financial instruments (continued)

ii) Financial liabilities

The Corporation initially recognizes other financial liabilities on the trade date at which the Corporation becomes party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation derecognizes financial liabilities when its contractual obligations are discharged or cancelled or expire.

The Corporation has the following non-derivative other financial liabilities: trade and other payables and due to shareholder.

iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

d) Impairment

i) Financial assets (including receivables)

Financial assets, other than those at fair value through profit or loss, are assessed for objective evidence of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against accounts receivable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non-financial assets

The carrying amounts of the Corporation’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets which generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets (the “cash-generating-unit” or “CGU”).

3. Summary of significant accounting policies (continued)

d) Impairment (continued)

ii) Non-financial assets (continued)

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

e) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax assets and deferred income tax liabilities of the same taxable entity are offset when they relate to taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities. The principal temporary differences arise from amortization and depreciation on property, plant and equipment, tax losses carried forward and fair value adjustments on assets acquired in business combinations.

3. Summary of significant accounting policies (continued)

f) Share-based compensation

Equity-settled share-based awards to employees and others providing similar services are measured at fair value of the equity instruments at the date of grant. Fair value is measured using the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting period, based on the Corporation's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. For share-based awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no-true-up for differences between expected and actual outcomes.

Equity-settled share-based award transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

g) Revenue

The Corporation recognizes royalty revenue based upon amounts contractually due pursuant to the underlying royalty agreements subject to (i) the royalty being fixed and determinable and (ii) the collectability of the royalty being reasonably assured.

h) Earnings per share

The Corporation presents basic and diluted earnings per share date for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of shares outstanding adjusted for the effects of all dilutive potential common shares. All share options are currently anti-dilutive. As a result basic and diluted earnings per share are the same.

4. Future changes in accounting policies

The following new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these consolidated statements:

(a) Amendments to IFRS 9 - Financial Instruments

The IASB has issued IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

The Corporation intends to adopt IFRS 9 for the annual period beginning January 1, 2018, but does not expect IFRS 9 to have a material impact on the financial statements. The classification and measurement of the Corporation's financial assets is not expected to change under IFRS 9 because of the nature of the Corporation's operations and the types of financial assets it holds.

(Canadian dollars)

4. Future changes in accounting policies (continued)

(b) Clarification of Acceptable Methods of Depreciation and Amortization (amendments to IAS 16)

The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefit embodied in the asset.

The Corporation intends to adopt the amendments to IAS 16 in its financial statements for the annual period beginning on January 1, 2016 and doesn't expect the amendments to have a material impact to the financial statements.

(c) Disclosure Initiative: Amendments to IAS 1

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures.

The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016 and doesn't expect the amendments to have a material impact to the financial statements.

(d) IFRS 16 Leases: IFRS 16 will replace IAS 17 Leases

On January 13, 2016 the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

5. Financial instruments

Credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2015	**December 31, 2014**
Cash	**$ 2,616,577**	$ 2,802,939
Receivables	**10,221**	92,320
	$ 2,626,798	$ 2,895,259

The Corporation manages credit risk by holding the majority of its cash with high quality financial institutions in Canada, where management believes the risk of loss to be low.

5. Financial instruments (continued)

Credit risk (continued):

Receivables in 2014 included royalties' from Banks Island Gold ("Banks"). During 2015 Banks ran into financial difficulties and in January 2016 filed for bankruptcy. As an unsecured creditor, management feels the likelihood of collection of outstanding royalties is remote. Banks was a startup operation with all the inherent risks of a company in this early stage. Banks accounted for nil receivables as at December 31, 2015 (2014 – $31,246). Receivables include recoveries from Vulcan Materials Company, the USA's largest aggregate producer, for management and expenses assisting Vulcan on the Black Point project (see note 9). Vulcan accounted for $1,672 of receivables as at December 31, 2015 (2014 – $36,029). Management considers the credit risk on the Vulcan receivable to be low.

Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. As of December 31, 2015, the Corporation had a cash balance of $2,616,577 (December 31, 2014 - $2,802,939) to settle current liabilities of $110,028 (December 31, 2014 - $121,125). The Corporation has sufficient working capital to carry out all budgeted programs in 2016.

Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Corporation has no interest-bearing debt and is not exposed to any significant interest rate risk.

(b) Foreign currency risk

Morien operates in Canada, and equity financings are in Canadian dollars; therefore, the Corporation is not exposed to foreign currency risk. APMUSA is based in the United States but is not currently in active operations; therefore, the exposure to foreign currency risk is limited. The Corporation does not use any form of hedging against fluctuations in foreign exchange.

The Corporation's exposure to USD dollar currency risk was as follows:

	December 31, 2015	**December 31, 2014**
Cash	**$ 14,789**	$ 31,615
	$ 14,789	$ 31,615

Sensitivity to a plus or minus 10% change in the USD dollar exchange rate would affect comprehensive loss and deficit by approximately $1,480 (2014 - $3,160).

(Canadian dollars)

5. Financial instruments (continued)

Market risk (continued):

(c) Price risk

The Company is exposed to commodity price risk. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors prices for the commodities underlying the Corporation's royalties. None of the properties on which the Corporation owns royalties are currently in production. At this point the Corporation doesn't enter into any hedging to offset risk.

Fair value

During the years ended December 31, 2015 and 2014, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities. The fair values of the Corporation's financial instruments are considered to approximate the carrying amounts. The following table provides the disclosures of the fair value of financial assets and liabilities and the level in the hierarchy.

	December 31, 2015			**December 31, 2014**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets classified as loans and receivables:						
Cash	**$ 2,616,577**	**$ -**	**$ -**	$ 2,802,939	$ -	$ -
Receivables	**-**	**10,221**	**-**	-	92,320	-
Financial asset classified as available-for-sale long-term receivable	**-**	**-**	**2,778,654**	-	-	-
Financial liabilities at amortized cost:						
Trade and other payables	**$ -**	**$ 110,028**	**$ -**	$ -	$ 121,125	$ -

The long-term receivable relating to the sale of the Corporation's 25% working interest in the Donkin Coal Project is a financial asset categorized as level 3 because the fair value measurement of this financial asset is based on significant inputs not observable in the market.

Management assessed the probability of collection of the two remaining outstanding payments and applied a probability weighting to the analysis. In light of the progress Kameron has made towards development of the mine in 2015 (dewatering of tunnels, purchasing equipment, construction of buildings and mine support infrastructure and hiring personnel), management increased the probability of collection of the first payment from 70% to 80% and left the assigned probability of the second future payment at 80%. The resultant amounts have been discounted at a risk free rate of 0.48% to arrive at a fair value for the long term receivable of $2,778,654 at December 31, 2015.

The fair value estimates are not necessarily indicative of the amounts Morien will receive at the settlement of the milestone payments.

(Canadian dollars)

6. Receivables

		December 31, 2015		December 31, 2014
Royalties receivable	**$**	**-**	$	31,246
Sales tax receivable		**8,549**		24,206
Other		**1,672**		36,868
	$	**10,221**	$	92,320

The Corporation's exposure to credit and currency risks is disclosed in Note 5.

7. Assets held for sale

On January 7, 2015, the Corporation signed an agreement with Kameron Collieries ULC ("Kameron") to sell the Corporation's 25% working interest in the Donkin Coal Project ("Donkin Project") in Cape Breton, Nova Scotia. Pursuant to the agreement, Kameron agreed to pay Morien aggregate cash consideration of $5.5 million; $2.0 million on closing, $2.0 million on or before the earlier of the sale of first domestic coal and the 2nd anniversary of closing, and $1.5 million on or before the earlier of the first export sale of coal and the 3rd anniversary of closing. Morien is also entitled to a gross production royalty of 2% on the first 500,000 tonnes of coal sales (net of certain coal handling and preparation costs) per calendar quarter and 4% on tonnage above 500,000.

The transaction closed on February 27, 2015 and the Corporation received its first cash payment of $2.0 million. Kameron is now the 100% owner and operator of the Donkin Project. Details of the transaction are as follows:

Fair value of cash consideration	$	4,508,863
Costs to sell		(201,530)
Assets held for sale at December 31, 2014	$	4,307,333
Book value of assets		(18,540,130)
Impairment recognized in 2014	$	(14,232,797)

8. Long-term receivable

Each reporting period, the Corporation revalues the remaining $3.5 million cash consideration owed to the Corporation by Kameron. The fair value adjustment is recorded, net of any tax effect, in accumulated other comprehensive income until the funds are received, at which point the adjustment will flow through the statement of loss. The revaluation resulted in other comprehensive income of $269,791 during 2015. In management's view, the collection of these future amounts is highly dependent on the mine proceeding towards commercial production. (See note 5 – Fair value).

As the future amounts to be received by the Corporation are highly dependent on the development and operation of the project, they may be higher or lower than initially estimated. Changes in these estimates will be recorded in future periods as these uncertainties are resolved and the actual cash payments are received. These amounts may differ materially from the amounts initially estimated.

(Canadian dollars)

9. Sale of exploration and evaluation assets

On April 11, 2014, the Corporation entered into agreements ("Agreements") with Vulcan Materials Company ("Vulcan") and the Municipality of the District of Guysborough for the development of the Black Point Project in Guysborough County, Nova Scotia. Under the terms of the Agreements, Vulcan assumed Morien's interest in the Black Point Project and became manager and operator of the project in exchange for milestone payments totaling $1,800,000 and a royalty stream payable on all material sold from the project over the life of the mine. The first payment of $1,000,000 was received on signing and transfer of interest to Vulcan. A second payment of $800,000 is due upon the approval and receipt of all environmental permitting necessary for the mining and shipping of aggregate from the Project. Details of the sale recorded in 2014 are as follows:

Cash on closing	$	1,000,000
Book value of assets		(303,061)
Costs to sell		(22,774)
Gain on sale of Black Point	$	674,165

10. Income taxes and deferred tax liability

The Corporation's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to income (loss) before income taxes as a result of the following:

	For the year ended December 31,			
		2015		2014
Statutory tax rates		**31.0%**		31.0%
Income taxes (recovery) computed at the statutory rates	**$**	**(334,069)**	$	(4,463,100)
Benefit of tax deductions not recognized		**305,097**		(11,719)
Impairment loss not recognized		**-**		4,412,167
Expenses not deductible for tax purposes		**29,803**		63,356
Effect of foreign tax rates		**(831)**		(704)
Provision for income taxes	**$**	**-**	$	-

The enacted or substantively enacted tax rate in Canada of 31.0% (2014 - 31.0%) and in the USA of 39.0% (2014 – 39.0%) where the Corporation operates are applied in the tax provision calculation.

The following temporary differences and non-capital losses have not been recognized in the consolidated financial statements.

		2015			2014	
	Canada	**USA**	**Total**	Canada	USA	Total
Non-capital losses carried forward	**$4,666,038**	**$11,297,774**	**$15,963,812**	$ 4,662,988	$ 9,241,962	$ 13,904,950
Property, plant & equipment	**9,834**	**-**	**9,834**	9,834	-	9,834
Share issuance costs	**127,216**	**-**	**127,216**	123,113	-	123,113
Intangible assets	**724,214**	**703,652**	**1,427,866**	724,214	698,660	1,422,874
Long-term receivable	**721,346**	**-**	**721,346**	-	-	-
Deferred resource expenses	**1,126,579**	**-**	**1,126,579**	-	-	-
	$7,375,227	**$12,001,426**	**$19,376,653**	$ 5,520,149	$ 9,940,622	$ 15,460,771

As at December 31 2015, the Corporation has non-capital losses available to be carried forward and applied against taxable income of future years. The non-capital losses expire from 2026 to 2035.

(Canadian dollars)

11. Capital management

The Corporation's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to finance its exploration programs and ensure the Corporation remains in sound financial position. The Company defines capital that it manages as its equity attributable to common shareholders of the Corporation, which is comprised of share capital, contributed surplus, accumulated other comprehensive income and deficit.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust the capital structure, the Corporation (upon approval from its Board of Directors, as required) may issue additional capital, primarily through equity financings. The Board of Directors reviews and approves any material transaction out of the ordinary course of business, including proposals on acquisitions, major investments, as well as annual capital and operating budgets. The Company is not subject to externally imposed capital requirements.

The Company principally utilizes equity to finance its exploration and administrative obligations.

Capital Structure	**December 31, 2015**	**December 31, 2014**
Shareholders' Equity	**$ 5,312,937**	$ 7,104,238
Net capital	**$ 5,312,937**	$ 7,104,238

12. Share Capital

The Corporation has an unlimited number of common shares authorized for issue without par value. The number of common shares outstanding at year-end is as follows:

	2015		**2014**	
	Shares	**$**	**Shares**	**$**
Issued and outstanding at January 1	**59,942,248**	**26,501,350**	49,256,240	24,178,166
Issued for cash	**-**	**-**	10,686,008	2,323,184
Cancellation of shares on execution of sunset clause	**(6,010)**	**-**	-	-
Buyback under share restructuring	**(274,624)**	**(94,383)**	-	-
Normal course issuer bid purchases	**(4,261,000)**	**(979,713)**	-	-
Issued and outstanding at December 31	**55,400,614**	**25,427,254**	59,942,248	26,501,350

	2015		**2014**	
	Warrants	**$**	**Warrants**	**$**
Issued and outstanding at January 1	**341,728**	**46,134**	-	-
Issued for cash	**-**	**-**	341,728	46,134
Issued and outstanding at December 31	**341,728**	**46,134**	341,728	46,134

<u>Share cancellations</u>

In April 2015, the Corporation acted on a sunset clause related to an arrangement dated October 15, 2002 between 2016517 Ontario Ltd., 2016964 Ontario Limited and Highwood Resources Ltd., a predecessor company to Morien. By acting on the sunset clause, 6,010 shares being held under a depository agreement were cancelled.

Effective June 15, 2015, the Corporation purchased 274,624 shares from small and odd-lot shareholders via a share restructuring whereby shareholders owing less than 1,000 shares were bought out for cash at $0.25 per share.

(Canadian dollars)

12. Share Capital (continued)

Share cancellations (continued)

Under the terms of a normal course issuer bid ("NCIB"), Morien purchased and cancelled 4,261,000 shares in the year ended December 31, 2015 at a total cost of $979,713, including $19,216 in transaction costs.

Issuance of common shares and warrants

On September 26, 2014, the Corporation closed a private placement financing which resulted in the issuance of 7,236,008 shares at $0.20 per share generating gross proceeds of $1,447,202. Share issue costs of $112,884 were paid in conjunction with the private placement resulting in net proceeds of $1,334,318. A total of 341,728 broker warrants with a fair value of $46,134 were issued in conjunction with the private placement. Each warrant entitles the holder to purchase one share of Morien at $0.25 until September 26, 2016.

On December 18, 2014, the Corporation closed a private placement financing with Atlantic Royalty LLC, a company in the Cline Group, which resulted in the issuance of 3,450,000 shares at $0.30 per share generating net proceeds of $1,035,000.

13. Stock options and warrants

(a) Stock options

The Corporation has an incentive stock option plan whereby it can grant options to employees, officers, directors and consultants of Morien to acquire up to 10% of the outstanding shares at the time of grant. The board of directors of the Corporation shall determine the exercise price, term and vesting provisions of options granted. Under Morien's stock option plan, the exercise price of each option may not be less than the market price of its shares at the date of grant less a discount permitted by the TSX-V. Options granted under the Morien plan will have a term not to exceed 5 years so long as the Corporation is classified as a Tier 2 issuer by the TSX-V.

The changes in stock options for the years ended December 31, 2015 and 2014 were as follows:

	December 31, 2015		December 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	**5,375,000**	**$ 0.32**	3,955,000	$ 0.36
Granted	**-**	**-**	1,882,500	0.25
Expired	**(390,000)**	**0.69**	(462,500)	0.37
Outstanding at December 31	**4,985,000**	**$ 0.29**	5,375,000	$ 0.32
Exercisable at December 31	**4,985,000**	**$ 0.29**	4,650,688	$ 0.33

(Canadian dollars)

13. Stock options and warrants (continued)

(a) Stock options (continued)

The following table summarizes information concerning outstanding and exercisable options at December 31, 2015:

Expiry date	Number of options outstanding		Weighted average exercise price	Remaining contractual life (years)
March 22, 2016	57,500	$	1.49	0.22
July 5, 2017	150,000	$	0.45	1.51
August 27, 2017	410,000	$	0.36	1.66
November 30, 2017	2,485,000	$	0.27	1.92
October 6, 2019	1,882,500	$	0.25	3.77
	4,985,000	$	0.29	2.56

(b) Share-based compensation

There were no options granted in 2015. The share based compensation expense recognized in 2015 relates to vesting of options granted in the prior year. The fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model with weighted-average assumptions for grants as follows:

		Year-ended December 31, 2014
Share price at grant date	$	0.19
Exercise price	$	0.25
Risk-free interest rate		1.36%
Expected life		4.2 years
Expected volatility		138%
Weighted average grant date fair value	$	0.15

Expected volatility is estimated by considering historic average share price volatility.

(c) Warrants

As described in note 12, the Corporation issued 341,728 broker warrants in conjunction with the September 26, 2014 private placement. Each warrant entitles the holder to purchase one common share of the Corporation at a price of $0.25 for a 24 month period.

The following table summarizes the continuity of the warrants for the years ended December 31, 2015 and 2014:

	December 31, 2015			December 31, 2014		
	Number of warrants		Weighted average exercise price	Number of warrants		Weighted average exercise price
Outstanding at January 1	**341,728**	**$**	**0.25**	-	$	-
Broker warrants issued	-		-	341,728		0.25
Outstanding at December 31	**341,728**	**$**	**0.25**	341,728	$	0.25
Exercisable at December 31	**341,728**	**$**	**0.25**	341,728	$	0.25

(Canadian dollars)

13. Stock options and warrants (continued)

(c) Warrants (continued)

The fair value of the warrants were estimated at the time of grant using the Black-Scholes option pricing model with weighted-average assumptions for grants as follows:

		Year-ended December 31, 2014
Share price at grant date	$	0.21
Exercise price	$	0.25
Risk-free interest rate		1.13%
Expected life		2.0 years
Expected volatility		137.1%
Weighted average grant date fair value	$	0.13

14. Corporate and administration

	For the year ended December 31			
		2015		**2014**
Employee compensation costs	**$**	**589,019**	$	401,253
Share-based compensation		**90,647**		181,666
Office, regulatory, shareholder and other costs		**393,066**		312,271
	$	**1,072,732**	$	895,190

15. Exploration and evaluation expenses

	For the year ended December 31			
		2015		**2014**
Employee compensation costs	**$**	**110,068**	$	154,835
Share-based compensation		**-**		18,673
Other expenses		**25,948**		25,550
Partner recoveries		**(46,252)**		(111,618)
	$	**89,764**	$	87,440

The Corporation recovered costs from Vulcan for Morien management assisting with permitting the Black Point quarry.

Costs include allocations of management services for time spent on efforts to identify and evaluate potential properties and companies to invest in or partner with.

(Canadian dollars)

16. Related Parties

Compensation of key management personnel:

The total remuneration of the Directors and other key management personnel were as follows:

	For the years ended December 31,	
	2015	**2014**
Directors' fees	**83,000**	103,000
Share-based compensation to directors	**-**	64,400
Key management compensation and benefits	**312,748**	233,018
Share-based compensation to key management	**90,647**	71,038
	486,395	471,456

Key management compensation and benefits includes CEO salary costs and management fees charged from Erdene Resource Development Corporation for the services of a part-time CFO and other key management personnel.

17. Contingent liability

In connection with the sale of the Corporation's 25% interest in the Donkin Coal Project, the Corporation gave an indemnification to Kameron Collieries ULC with respect to certain possible litigation matters related to the Donkin Coal Project and other related matters. No such claims or litigation have been initiated and the financial amount of potential claims cannot be reasonably estimated, although it is possible that such claims could be material. The Corporation has concluded that it is not probable that liability will result from these matters or from the indemnity and therefore no amount has been accrued in the financial statements.

18. Comparative figures

Certain comparative information for 2014 has been reclassified to conform to the presentation adopted in the 2015 financial statements.

19. Subsequent events

- Subsequent to year end, the Corporation cancelled 634,500 Common Shares at an average price of $0.23 per share under an NCIB. Under the terms of a new NCIB dated January 26, 2016, Morien may acquire up to 1,198,000 shares in a 30 day period, up to a maximum of 4,455,000 shares in the period up to January 31, 2017, representing approximately 10% of the public float of Morien prior to commencement of the NCIB. Such purchases will be made through the facilities of the TSX Venture Exchange. Of the shares purchased subsequent to year end, 333,500 were under the new NCIB.
- In February 2016, the Corporation received confirmation from the successor to International Paper Inc., the lessor of 1,052 acres of mineral rights to APMUSA pursuant to a February 1, 2001 lease for land owned by the Corporation in Hancock County, Georgia but subject to an option to purchase by the lessor for $1 per acre, that the option expired without exercise. As a result, the Corporation has clear, unencumbered title to said land and is in the process of evaluating options for the asset.
- On January 26, 2016, 125,000 options with an exercise price of $0.22 were granted to a director.