Morien Resources Corp.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

(Canadian dollars)
(Unaudited)

Prepared by Management – See Notice to Reader

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice to this effect. These unaudited condensed interim consolidated financial statements have been prepared by management of the Corporation. Management have compiled the unaudited condensed interim consolidated statements of financial position of Morien Resources Corp. as at September 30, 2018 and December 31, 2017 and the unaudited condensed interim consolidated statements of comprehensive (loss) income, change in equity and cash flows for the three and nine months ended September 30, 2018 and 2017. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 30, 2018 and 2017 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

MORIEN RESOURCES CORP.

Condensed Interim Consolidated Statements of Financial Position
(Canadian dollars)
(Unaudited)

	Notes		September 30, 2018		December 31, 2017
ASSETS					
Current assets:					
Cash		**$**	**3,253,056**	$	3,856,941
Marketable securities	**4**		**-**		278,487
Receivables			**302,086**		109,819
Prepaid expenses			**3,783**		28,364
TOTAL ASSETS		**$**	**3,558,925**	$	4,273,611
LIABILITIES & EQUITY					
Current liabilities:					
Trade and other payables		**$**	**120,612**	$	77,736
TOTAL LIABILITIES			**120,612**		77,736
SHAREHOLDERS' EQUITY					
Share capital	**7**	**$**	**3,961,617**	$	4,036,415
Contributed surplus			**2,192,125**		1,243,925
Deficit			**(2,715,429)**		(1,208,618)
Accumulated other comprehensive income			**-**		124,153
TOTAL EQUITY		**$**	**3,438,313**	$	4,195,875
TOTAL LIABILITIES AND EQUITY		**$**	**3,558,925**	$	4,273,611

Comparative figures (Note 10)

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

Approved on behalf of the Board:

Signed *"John P.A. Budreski"*
________________________________ Director

Signed *"John P. Byrne"*
________________________________ Director

MORIEN RESOURCES CORP.

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

(Canadian dollars)

(Unaudited)

	Notes	For the three months ended September 30, 2018	2017	For the nine months ended September 30, 2018	2017
Royalty income	6	**$ 265,944**	$ 41,441	**$ 697,374**	$ 45,597
Corporate and administration expenses		**160,988**	138,703	**528,997**	568,947
Share-based compensation	9	**-**	-	**948,200**	-
Exploration and evaluation expenses		**1,426**	607	**1,426**	17,783
Other income		**(8,461)**	-	**(8,461)**	-
Foreign exchange (gain) loss		**311**	8,013	**(7,523)**	17,369
Operating expenses		**154,264**	147,323	**1,462,639**	604,099
Finance income		**14,667**	7,420	**43,073**	18,985
Income (loss) from operations		**126,347**	(98,462)	**(722,192)**	(539,517)
Realized gain on available-for-sale marketable securities	4	**-**	-	**152,169**	-
Realized gain on receipt of long-term receivable	5	**-**	-	**-**	641,578
Other income		**-**	-	**-**	151,756
Net income (loss) before tax		**$ 126,347**	$ (98,462)	**$ (570,023)**	$ 253,817
Deferred income tax expense		**-**	-	**22,774**	-
Net income (loss)		**$ 126,347**	$ (98,462)	**$ (592,797)**	$ 253,817
Other comprehensive income (loss):					
Items which may subsequently be recycled through profit and loss					
Realized gain on receipt of long-term receivable	5	**$ -**	$ -	**$ -**	$ (641,578)
Fair value adjustment on long-term receivable, net of tax of nil	5	**-**	1,397	**-**	77,348
Realized gain on sale of available-for-sale marketable securities, net of deferred tax of $10,833		**-**	-	**(59,329)**	-
Unrealized (loss) gain on available-for-sale marketable securities, net of deferred tax of $11,891 (2017 - Nil)		**-**	(83,359)	**(64,824)**	149,618
Other comprehensive loss		**-**	(81,962)	**(124,153)**	(414,612)
Total comprehensive income (loss)		**$ 126,347**	$ (180,424)	**$ (716,950)**	$ (160,795)
Basic earnings (loss) per share		**$ 0.00**	$ (0.00)	**$ (0.01)**	$ 0.00
Diluted earnings (loss) per share		**$ 0.00**	$ (0.00)	**$ (0.01)**	$ 0.00
Weighted average number of common shares outstanding					
Basic		**53,487,842**	52,948,407	**53,977,471**	52,942,847
Diluted		**57,930,342**	57,714,353	**57,323,506**	57,988,156

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

MORIEN RESOURCES CORP.

Condensed Interim Consolidated Statements of Changes in Equity for the nine months ended September 30, 2018 and 2017

(Canadian dollars)
(Unaudited)

	Notes	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance at January 1, 2017		52,986,614	$ 24,705,285	$ 17,731,330	$ 755,790	$ (38,565,776)	$ 4,626,629
Total comprehensive income for the period:							
Net income		-	-	-	-	253,817	253,817
Other comprehensive loss		-	-	-	(415,073)	-	(415,073)
Reduction of stated capital	7	-	(21,804,126)	(16,000,000)	-	37,804,126	-
Normal course issuer bid purchase of common shares	7	(574,500)	(325,328)	-	-	-	(325,328)
Options exercised		1,535,750	723,728	(245,925)	-	-	477,803
Balance at September 30, 2017		53,947,864	$ 3,299,559	$ 1,485,405	$ 340,717	$ (507,833)	$ 4,617,848
Balance at January 1, 2018		**54,402,614**	**$ 4,036,415**	**$ 1,243,925**	**$ 124,153**	**$ (1,208,618)**	**$ 4,195,875**
Total comprehensive income for the period:							
Net income		**-**	**-**	**-**	**-**	**(592,797)**	**(592,797)**
Other comprehensive loss		**-**	**-**	**-**	**(124,153)**	**-**	**(124,153)**
Dividends paid to shareholders		**-**	**-**	**-**	**-**	**(403,534)**	**(403,534)**
Normal course issuer bid purchase of common shares	7	**(992,500)**	**(74,798)**	**-**		**(510,480)**	**(585,278)**
Share-based compensation		**-**	**-**	**948,200**	**-**	**-**	**948,200**
Balance at September 30, 2018		**53,410,114**	**$ 3,961,617**	**$ 2,192,125**	**$ -**	**$ (2,715,429)**	**$ 3,438,313**

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

MORIEN RESOURCES CORP.

Condensed Interim Consolidated Statements of Cash Flows

(Canadian dollars)
(Unaudited)

	Notes	For the nine months ended September 30, 2018		2017
Cash flows from operating activities:				
Net (loss) income		$	**(592,797)**	$ 253,817
Item not involving cash:				
Share-based compensation			**948,200**	-
Deferred income taxes			**22,774**	-
Gain on sale of marketable securities			**(152,169)**	-
Gain on collection of long-term receivable	5		**-**	(641,578)
Net finance income			**(43,073)**	(18,985)
Net change in non-cash working capital			**(124,810)**	1,980,970
Cash flows from operating activities		$	**58,125**	$ 1,574,224
Cash flows from financing activities:				
Proceeds on exercise of stock options			**-**	477,803
Dividends paid			**(403,534)**	-
Purchase of shares for cancellation			**(585,278)**	(325,328)
Cash flows from financing activities		$	**(988,812)**	$ 152,475
Cash flows from investing activities:				
Purchase of marketable securites	4		**-**	(51,067)
Proceeds on sale of marketable securities			**283,729**	
Interest received			**43,073**	18,985
Cash flows from investing activities		$	**326,802**	$ (32,082)
(Decrease) increase in cash		$	**(603,885)**	$ 1,694,617
Cash, beginning of period			**3,856,941**	1,322,764
Cash, end of period		$	**3,253,056**	$ 3,017,381

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

1. Nature of operations

Morien Resources Corp. ("Morien" or the "Corporation") is a corporation domiciled in Canada. The address of the Corporation's registered office is 99 Wyse Road, Suite 1480, Dartmouth, Nova Scotia, B3A 4S5. The condensed interim consolidated financial statements of the Corporation as at September 30, 2018 and 2017 comprise the Corporation and its subsidiary Advanced Primary Minerals USA Corp ("APMUSA"). The principal business of the Corporation is the identification and purchase of mineral properties.

2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34").

These financial statements were prepared using the same accounting policies and methods of computation and are subject to the same use of estimates and judgments as the Corporation's consolidated financial statements for the year ended December 31, 2017. They do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Corporation's 2017 annual consolidated financial statements which have been prepared in accordance with IFRS.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2018.

3. New Accounting Policy

Adoption of IFRS 15: Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It has replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Corporation has adopted IFRS 15 using the modified retrospective approach with the effect of initially applying this standard recognized at the date of initial application — January 1, 2018. Accordingly, the information presented for 2017 has not been restated and is presented, as previously reported, under IAS 18 and related interpretations. Because the adoption of IFRS 15 did not result in a change to the timing and measurement of the Corporation's revenue, there was no impact on retained earnings at January 1, 2018.

The following is the significant accounting policy that has been amended as a result of adoption of IFRS 15.

Revenue Recognition

Revenue is comprised of revenue earned in the period from royalty interests.

For royalty interests, revenue recognition occurs when the relevant commodity is transferred to the end customer by the operator of the royalty property. Revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty agreement.

(Canadian dollars)

4. Marketable securities

In 2016 and 2017, the Corporation purchased certain publicly traded marketable securities which management classified as available-for-sale. During the nine months ended September 30, 2018, the Corporation sold these marketable securities for proceeds of $283,729, realizing a gain of $152,169. The cost to purchase these securities for the nine months ended September 30, 2017 was $51,067. As at September 30, 2017 the fair value of these securities was $281,640. In the nine months ended September 30, 2017, the Corporation recognized a $149,618 unrealized gain on these marketable securities as other comprehensive income.

5. Receivables from Kameron

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 Mine ("Donkin") 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. The transaction closed on February 27, 2015.

Each reporting period the Corporation revalued the remaining $3.5 million of milestone payments owed to the Corporation by Kameron by applying a probability assessment. In February 2017 the Corporation received $2.0 million of the remaining $3.5 million due from Kameron and therefore management increased the probability of collection of this amount from 80% to 100% in the 2016 financial statements. The fair value adjustment was recorded, net of any tax effect, in accumulated other comprehensive income (loss) until the funds were received, at which point the adjustment flowed through the statement of income (loss). In the nine months ended September 30, 2017, as a result of collecting a milestone payment from Kameron, the Corporation realized a gain of $641,578 and a fair value adjustment of the long-term receivable resulting in other comprehensive income of $77,348.

6. Royalty revenue

	For the three months ended September 30		For the nine months ended September 30	
	2018	**2017**	**2018**	**2017**
Donkin Mine (Kameron Collieries)	**$ 240,944**	$ 16,441	**$ 622,374**	$ 20,597
Black Point (Vulcan Materials)	**25,000**	25,000	**75,000**	25,000
	$ 265,944	$ 41,441	**$ 697,374**	$ 45,597

In 2017 the Donkin Coal Mine went into commercial production. The Corporation receives a quarterly royalty on sales based on 2% on the first 500,000 tonnes of coal sales (net of certain coal handling and transportation costs) per calendar quarter and 4% on tonnage above 500,000 tonnes. In the third quarter of 2017, Vulcan Materials began making minimum quarterly royalty payments of $25,000 to the Corporation related to the Black Point Project. Minimum royalties are subject to an annual inflationary adjustment and will be credited against any future production royalties from Black Point.

(Canadian dollars)

7. Share Capital

In the first nine months of 2018, no stock options (2017 – 1,535,750 for gross proceeds of $477,803) were exercised.

Under the terms of a normal course issuer bid ("NCIB"), 992,500 shares were purchased in the first nine months of 2018 (2017 – 574,500) at a total cost of $585,278 (2017 - $325,328).

As approved by shareholders at the Corporation's Annual General Meeting held on June 14, 2017, the stated capital of the Corporation's common shares was reduced to $2,160,000 effective June 14, 2017. The reduction will allow management the flexibility to take certain corporate actions, including declaring or paying dividends. For more information, refer to the Corporation's Management Information Circular dated May 12, 2017, which can be found on the Corporation's website (www.morienres.com) or under the Corporation's profile on www.sedar.com. In conjunction with the reduction in the stated capital, the Corporation also reduced the contributed surplus of the Corporation via Board of Directors approval.

8. 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:

	September 30, 2018	December 31, 2017
Cash	**$ 3,253,056**	$ 3,856,941
Receivables	**302,086**	109,819
	$ 3,555,142	$ 3,966,760

The Corporation manages credit risk by holding the majority of its cash with Schedule 1 banks in Canada, where management believes the risk of loss to be low. Receivables include royalty payments from Kameron Collieries and Vulcan Materials. The credit risk on the Kameron and Vulcan receivables is considered 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 September 30, 2018, the Corporation had a cash balance of $3,253,056 (December 31, 2017- $3,856,941) to settle current liabilities of $120,612 (December 31, 2017 - $77,736).

The Corporation also holds marketable securities of a privately held company with a carrying cost of nil. The amount or timing of an expected return is unknown.

8. Financial instruments (continued)

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. 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:

	September 30, 2018	December 31, 2017
Cash	**$ 176,454**	$ 164,655
	$ 176,454	$ 164,655

Sensitivity to a plus or minus 10% change in the USD dollar exchange rate would affect comprehensive loss and deficit by approximately $17,700 (December 31, 2017 - $16,500).

(c) Commodity price risk

The Corporation 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 Corporation monitors prices for the commodities underlying the Corporation's royalties. At this point the Corporation doesn't enter into any hedging to offset risk.

(d) Equity price risk

As of September 30, 2018, the Corporation has no exposure to equity price risk through its marketable securities. Based on its holdings as of December 31, 2017, sensitivity to a plus or minus 10% change in the market value of its marketable securities would affect comprehensive loss by $27,800. The Corporation manages exposure to equity price risk within acceptable parameters as approved by the Board of Directors.

(Canadian dollars)

8. Financial instruments (continued)

Fair value

During the nine months ended September 30, 2018 and year ended December 31, 2017, 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.

	September 30, 2018			December 31, 2017		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets:						
Cash	**$ 3,253,056**	**$ -**	**$ -**	$ 3,856,941	$ -	$ -
Marketable securities	**-**	**-**	**-**	278,487	-	-

9. 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 the Corporation'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 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 period ended September 30, 2018 and 2017 were as follows:

	September 30, 2018		September 30, 2017	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at January 1	**2,157,500**	**$ 0.25**	5,202,500	$ 0.27
Granted	**2,285,000**	**$ 0.60**	-	-
Exercised	**-**	**-**	(1,535,750)	$ 0.31
Outstanding at September 30	**4,442,500**	**$ 0.43**	3,666,750	$ 0.26
Exercisable at September 30	**4,442,500**	**$ 0.43**	3,666,750	$ 0.26

(Canadian dollars)

9. Stock options (continued)

The following table summarizes information concerning outstanding and exercisable options as at September 30, 2018:

Expiry date	Number of options outstanding		Weighted average exercise price	Remaining contractual life (years)
October 6, 2019	1,882,500	$	0.25	1.02
January 26, 2021	125,000	$	0.22	2.33
June 30, 2021	150,000	$	0.31	2.75
May 11, 2023	2,285,000	$	0.60	4.61
	4,442,500	$	0.43	2.96

Share-based compensation

On May 11, 2018, the Corporation granted 2,285,000 share purchase options with an exercise price of $0.60 to certain officers, directors and individuals providing services to the Corporation. The options expire May 11, 2023 and vested immediately. Share based compensation expense was $948,200 for the nine months ended September 30, 2018 (September 30, 2017 - Nil). 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:

		For the nine months ended September 30
Share price at grant date	$	0.58
Exercise price	$	0.60
Risk-free interest rate		2.30%
Expected life		4.7 years
Expected volatility		117%
Weighted average grant date fair value	$	0.41

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

10. Comparative figures

Certain comparative figures have been restated to conform to the current period's presentation.