Morien Resources Corp.

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Canadian dollars)

KPMG LLP
Purdy's Wharf Tower One
1959 Upper Water Street, Suite 1500
Halifax Nova Scotia B3J 3N2
Canada
Telephone (902) 492-6000
Fax (902) 429-1307

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Morien Resources Corp.

Opinion

We have audited the consolidated financial statements of Morien Resources Corp. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of comprehensive (loss) income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated results of operations, and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs")

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

KPMG

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as of the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Douglas Reid.

Halifax, Canada

February 25, 2019

MORIEN RESOURCES CORP.

Consolidated Statements of Financial Position
(Canadian dollars)

	Notes	December 31, 2018	January 1, 2018 Note 3	December 31, 2017
ASSETS				
Current assets:				
Cash		**$ 3,070,981**	$ 3,856,941	$ 3,856,941
Marketable securities	**5**	**-**	278,487	278,487
Trade receivables		**342,593**	109,819	109,819
Prepaid expenses		**15,718**	28,364	28,364
TOTAL ASSETS		**$ 3,429,292**	$ 4,273,611	$ 4,273,611
LIABILITIES & EQUITY				
Current liabilities:				
Trade and other payables		**$ 121,246**	$ 77,736	$ 77,736
Unearned revenue	**7**	**150,000**	50,000	-
TOTAL LIABILITIES		**$ 271,246**	$ 127,736	$ 77,736
SHAREHOLDERS' EQUITY				
Share capital	**8**	**$ 4,026,932**	$ 4,036,415	$ 4,036,415
Contributed surplus	**8**	**2,109,815**	1,243,925	1,243,925
Deficit		**(2,978,701)**	(1,134,465)	(1,208,618)
Accumulated other comprehensive income		**-**	-	124,153
TOTAL EQUITY		**$ 3,158,046**	$ 4,145,875	$ 4,195,875
TOTAL LIABILITIES AND EQUITY		**$ 3,429,292**	$ 4,273,611	$ 4,273,611

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) Income

(Canadian dollars)

	Notes		2018		2017
			For the years ended December 31,		
Royalty revenue	**11**	**$**	**920,282**	$	166,092
Corporate and administration expenses	**12**		**625,420**		736,703
Share-based compensation	**9**		**906,140**		-
Exploration and evaluation expenses			**47,685**		38,219
Other income			**(8,461)**		(6,350)
Foreign exchange (gain) loss			**(12,545)**		16,368
Operating expenses			**1,558,239**		784,940
Finance income			**60,343**		30,120
Loss from operations			**(577,614)**		(588,728)
Realized gain on available-for-sale marketable securities	**5**		**5,242**		-
Realized gain on receipt of long-term receivable	**6**		**-**		991,137
Other income	**13**		**-**		151,757
Net (loss) income before tax			**(572,372)**		554,166
Deferred income tax recovery	**10**		**-**		(22,774)
Net (loss) income		**$**	**(572,372)**	$	576,940
Other comprehensive income (loss):					
Items which may subsequently be recycled through profit and loss					
Unrealized gain on available-for-sale marketable securities, net of deferred tax of $22,774	**5**	**$**	**-**	$	123,691
Fair value adjustment on long-term receivable, net of tax of nil	**6**		**-**		235,809
Realized gain on receipt of long-term receivable	**6**		**-**		(991,137)
Other comprehensive loss			-		(755,328)
Total comprehensive loss		**$**	**(572,372)**	$	(54,697)
Basic (loss) income per share	**9**	**$**	**(0.01)**	$	0.01
Diluted (loss) income per share	**9**	**$**	**(0.01)**	$	0.01

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

MORIEN RESOURCES CORP.

Consolidated Statements of Changes in Equity

(Canadian dollars)

	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		-	-	-	-	576,940	576,940
Other comprehensive loss		-	-	-	(631,637)	-	(631,637)
Reduction of stated capital	8	-	(21,804,126)	(16,000,000)	-	37,804,126	-
Dividends paid to shareholders	8	-	-	-	-	(272,013)	(272,013)
Normal course issuer bid purchase of common shares	8	(1,629,000)	(237,449)	-	-	(751,895)	(989,344)
Options exercised	8	3,045,000	1,372,705	(487,405)	-	-	885,300
Balance at December 31, 2017		54,402,614	$ 4,036,415	$ 1,243,925	$ 124,153	$ (1,208,618)	$ 4,195,875
Balance at December 31, 2017, as previously presented		54,402,614	$ 4,036,415	$ 1,243,925	$ 124,153	$ (1,208,618)	$ 4,195,875
Change in accounting policy IFRS 9	3		-	-	(124,153)	124,153	-
Change in accounting policy IFRS 15	3		-	-	-	(50,000)	(50,000)
Restated total equity as at January 1, 2018		**54,402,614**	**$ 4,036,415**	**$ 1,243,925**	**$ -**	**$ (1,134,465)**	**$ 4,145,875**
Total comprehensive income for the period:							
Net loss		**-**	**-**	**-**	**-**	**(572,372)**	**(572,372)**
Dividends paid to shareholders	**8**	**-**	**-**	**-**	**-**	**(536,873)**	**(536,873)**
Normal course issuer bid purchase of common shares	**8**	**(1,521,500)**	**(112,233)**	**-**	**-**	**(734,991)**	**(847,224)**
Options exercised	**8**	**250,000**	**102,750**	**(40,250)**	**-**	**-**	**62,500**
Share-based compensation	**9**	**-**	**-**	**906,140**	**-**	**-**	**906,140**
Balance at December 31, 2018		**53,131,114**	**$ 4,026,932**	**$ 2,109,815**	**$ -**	**$ (2,978,701)**	**$ 3,158,046**

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 years ended December 31, 2018	2017
Cash flows from operating activities:			
Net (loss) income		**$ (572,372)**	$ 576,940
Items not involving cash:			
Share-based compensation	9	**906,140**	-
Additions to unearned revenue	7	**100,000**	-
Deferred income taxes	10	**-**	(22,774)
Gain on sale of marketable securities	5	**(5,242)**	-
Gain on collection of long-term receivable	6	**-**	(991,137)
Net finance income		**(60,343)**	(30,120)
Net change in non-cash working capital		**(176,618)**	(101,728)
Cash flows from operating activities		**$ 191,565**	$ (568,819)
Cash flows from financing activities:			
Proceeds on exercise of stock options	9	**62,500**	885,300
Dividends paid	8	**(536,873)**	(272,013)
Purchase of shares for cancellation	8	**(847,224)**	(989,344)
Cash flows from financing activities		**$ (1,321,597)**	$ (376,057)
Cash flows from investing activities:			
Purchase of marketable securites	5	**-**	(51,067)
Proceeds on sale of marketable securities	5	**283,729**	-
Collection of long term receivable	6	**-**	3,500,000
Interest received		**60,343**	30,120
Cash flows from investing activities		**$ 344,072**	$ 3,479,053
(Decrease) increase in cash		**$ (785,960)**	$ 2,534,177
Cash, beginning of period		**3,856,941**	1,322,764
Cash, end of period		**$ 3,070,981**	$ 3,856,941

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

1. Nature of operations

Morien Resources Corporation ("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 consolidated financial statements of the Corporation as at and for the years ended December 31, 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 projects.

2. Basis of presentation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as outlined in the CPA Canada Handbook.

The consolidated financial statements were authorized for issuance by the Board of Directors on February 25, 2019.

This is the first set of the Corporation's annual financial statements in which certain amendments or amendments to standards under IFRS 2, IFRS 9 and IFRS 15 are applied. Changes to significant accounting policies are described in Note 3.

b) Basis of measurement

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 the Corporation.

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.

Long-term receivable

Each reporting period, management assigned a probability assessment to the likelihood of collection of the Kameron Collieries ULC ("Kameron") milestone payments related to the Donkin Coal Mine ("Donkin"), which were then discounted at a risk-free rate. Management's probability assessment was subject to significant uncertainty; therefore, changes to the assessment could have a material impact to the fair value estimates.

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.

2. Basis of presentation (continued)

The Corporation makes assumptions in applying valuation techniques including estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee behaviors and corporate performance. Such assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Income taxes

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 underlying the Corporation's royalties, commodity prices, reserves, capital expenditures, 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

Except as described below, the accounting policies applied in these consolidated interim financial statements are the same as those applied in the Corporation's consolidated financial statements as at and for the year ended December 31, 2017. The accounting policies have been applied consistently by all subsidiaries of the Corporation.

IFRS 2 – Share-based Payments

The Corporation adopted the IASB issued amendments to IFRS 2, Share-based Payments with a date of initial application of January 1, 2018. These amendments deal with variations in the final settlement arrangements including; accounting for cash settled share-based payments, classification of share-based payments settled net of tax obligations, and accounting for modifications of share-based payment transactions from cash-settled to equity. There was no impact of the adoption these amendments on the Corporation's consolidated financial statements at January 1, 2018.

For additional information about the Corporation's accounting policies relating to share-based compensation, see Note 3(e).

IFRS 9 - Financial Instruments

The Corporation adopted IFRS 9 Financial Instruments with a date of initial application of January 1, 2018 using the modified retrospective approach. Accordingly, the information presented for 2017 has not been restated and is presented, as previously reported, under IAS 39 and related interpretations.

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. IFRS 9 also replaces the 'incurred loss' model in IAS 39 with a forward-looking expected credit loss ("ECL") model. The ECL model required

3. Summary of significant accounting policies (continued)

considerable judgement, including consideration of how changes in economic factors affect ECL's, which will be determined on a probability-weighted basis. The new impairment model is applied at each balance sheet date to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments.

The Corporation adopted the practical expedient to determine ECL on receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The provision matrix and ECL model applied did not have a material impact on receivables or other financial assets of the Corporation.

Impairment losses, if incurred, would be recorded in the consolidated statement of comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statement of comprehensive income. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through profit and loss ("FVTPL") and fair value through other comprehensive income ("FVOCI"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

IFRS 9 requires all equity investments to be measured at fair value. The default approach is for all changes in fair value to be recognized in profit or loss. However, for eligible equity investments that are not held for trading, entities can make an irrevocable election at initial recognition for each separate investment to classify the investments at FVOCI with all subsequent changes in fair value being recognized in other comprehensive income ("OCI").

The Corporation's financial instruments are accounted for as follows under IFRS 9 as compared to the previous policy in accordance with IAS 39:

	IAS 39	IFRS 9
Financial Assets		
Cash	Fair value	Amortized cost
Marketable securities	FVOCI	FVTPL or election at FVOCI
Receivables	Loans and receivables, at amortized cost	Amortized cost
Financial Liabilities		
Trade and other payables	Other financial liabilities, at amortized cost	Amortized cost

3. Summary of significant accounting policies (continued)

As a result of the adoption of IFRS 9, the Corporation's accounting policy for financial instruments has been updated as follows:

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes party to the contractual provisions of the instruments. A financial asset is derecognized either when the Corporation has transferred substantially all the risks and rewards of ownership of the financial assets or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

The Corporation classifies and measures financial assets and liabilities on initial recognition as described below:

- Cash and equivalents include cash, term deposits, treasury bills and money market investments with original maturities of less than 90 days and are classified as and measured at amortized cost.
- Receivables are classified as and measured at amortized cost using the effective interest method less any allowance for impairment.
- Marketable securities, including equity instruments, are measured as FVTPL and are recorded at fair value on settlement date, net of transaction costs, unless the asset is not held for trading purposes and the Corporation makes an irrevocable election to designate the asset as FVOCI. This election is made on an instrument by instrument basis. Subsequent to initial recognition, changes in fair value are recognized in income.
- Trade and other payables are classified and measured at amortized cost. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

IFRS 15 – Revenue from Contracts with Customers

The Corporation adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of January 1, 2018 using the modified retrospective approach. Accordingly, the information presented for 2017 has not been restated and is presented, as previously reported, under IAS 18 and related interpretations.

IFRS 15 provides guidance on revenue recognition and relevant disclosures. The Corporation has identified the performance obligations in its royalty contracts and recognizes revenue when a performance obligation is satisfied. Under the terms of the Black Point Aggregate Project ("Black Point") royalty agreement with Vulcan Materials Company ("Vulcan"), the Corporation receives advanced minimum royalty payments ("Advanced Payments") until the project goes into production. Black Point is not currently in production; at such time when production starts, the unearned revenue from the Advanced Payments will be recorded as revenue as the production royalties are earned. With the adoption of IFRS 15, the Black Point Advanced Payments received in 2017 and 2018 are classified as unearned revenue (see Note 7 – Unearned revenue).

The adoption of IFRS 15 resulted in a change to the timing of recognition of the Corporation's revenue and opening retained earnings at January 1, 2018.

(Canadian dollars)

3. Summary of significant accounting policies (continued)

Summary of effects of change under IFRS 9 and IFRS 15

The following summarizes the effects of change under IFRS 9 and IFRS 15 on opening retained earnings and accumulated other comprehensive income:

Deficit		
Closing balance, December 31, 2017	$	(1,208,618)
IFRS 9 transition adjustment of OCI related to marketable securities to deficit		124,153
IFRS 15 transition adjustment of royalty revenue to unearned revenue		(50,000)
Opening balance under IFRS 9 and IFRS 15, January 1, 2018	**$**	**(1,134,465)**

Accumulated other comprehensive income		
Closing balance, December 31, 2017	$	124,153
IFRS 9 transition adjustment of OCI related to marketable securities to deficit		(124,153)
Opening balance under IFRS 9, January 1, 2018	$	-

a) Basis of consolidation

The consolidated financial statements include those of Morien and its wholly owned subsidiary Advanced Primary Minerals USA Corp, incorporated under the laws of Delaware, USA.

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.

3. Summary of significant accounting policies (continued)

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.

c) Financial instruments

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. Investments in common shares that have direct listings on an exchange are classified as Level 1.

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.

d) 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.

3. Summary of significant accounting policies (continued)

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 tax losses carried forward and fair value adjustments on assets acquired in business combinations.

e) 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.

f) Revenue

Revenue is comprised of revenue earned in the period, primarily 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.

Under the terms of the Donkin royalty agreement with Kameron, the coal sales price used to calculate Morien's royalty revenue is subject to certain deductions for handling and transportation costs.

3. Summary of significant accounting policies (continued)

g) Earnings per share

The Corporation presents basic and diluted earnings per share data 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.

4. Future changes in accounting policies

Amendments to IAS 12 – Income taxes

This amendment is effective for annual periods beginning on or after January 1, 2019 to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits - i.e. in profit or loss, Other Comprehensive Income, or equity.

The Corporation intends to adopt this amendment in its financial statements for the annual period beginning January 1, 2019. The extent of the impact of adoption of the amendment has yet to be determined.

IFRS 16 – Leases

IFRS 16 – Leases (“IFRS 16”) will replace existing guidance in IFRS and related interpretations and requires lessees to bring most leases on the balance sheet. Lessor accounting remains similar to the current standard. The new standard is effective for years beginning on January 1, 2019. Management does not expect the adoption of IFRS 16 to have a material impact on the consolidated financial statements.

5. Marketable securities

In the year ended December 31, 2017, the Corporation purchased certain publicly traded marketable securities. The cost of purchases in 2017 was $51,067. At December 31, 2017, the fair value of these securities was $278,487. In 2017, under IAS 39, the Corporation classified these investments as available for sale and recognized other comprehensive income on the unrealized gain of $146,465 (before deferred income tax of $22,774). On adoption of IFRS 9 (Note 3), the investments were classified as fair value through profit and loss. During the year ended December 31, 2018, the Corporation sold these securities for proceeds of $283,729, realizing a net gain of $5,242 in profit and loss after factoring in the effect of the IFRS 9 accounting policy changes disclosed in Note 3.

6. Receivable from Kameron

On January 7, 2015, the Corporation signed an agreement with Kameron to sell the Corporation’s 25% working interest in 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 December 2017, the Corporation collected the final milestone payment of $1.5 million from Kameron. Receipt of this payment resulted in a fair value adjustment of $235,809 in 2017.

(Canadian dollars)

6. Receivable from Kameron (continued)

As a result of collecting the remaining milestone payments from Kameron, the Corporation realized a gain of $991,137 in 2017.

7. Unearned revenue

The Corporation received Advanced Payments in 2018 of $100,000 (2017 – $50,000), in relation to its interest in Black Point. All Advanced Payments will be credited against future production royalties from Black Point and are therefore recorded as unearned revenue until such time Black Point begins production. The balance of unearned revenue relates solely to the cumulative Black Point Advanced Payments received in 2017 and 2018.

8. 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:

	December 31, 2018		December 31, 2017	
	Shares	**$**	Shares	$
Issued and outstanding at January 1	**54,402,614**	**4,036,415**	52,986,614	24,705,285
Normal course issuer bid purchases	**(1,521,500)**	**(112,233)**	(1,629,000)	(237,449)
Stock options exercised	**250,000**	**102,750**	3,045,000	1,372,705
Reduction in stated capital			-	(21,804,126)
Issued and outstanding at December 31	**53,131,114**	**4,026,932**	54,402,614	4,036,415

Under the terms of a normal course issuer bid, Morien purchased and cancelled 1,521,500 shares in the year ended December 31, 2018 (2017 – 1,629,000) at a total cost of $847,224 (2017 – $989,344), including $9,378 in transaction costs (2017 – $9,724). The total cost of $847,224 reduces share capital by $112,233 (2017 – $237,449) and increases the deficit by $734,991 (2017 – $751,895).

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. 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 by $16,000,000 via the Board of Directors' approval. The combined reduction of share capital and contributed surplus was applied to deficit which was reduced by $37,804,126.

The Corporation declared and paid quarterly dividends of $0.0025 per share in 2018 and a special dividend of $.005 per share in December 2017 for total dividends paid of $536,873 (2017 – $272,013).

9. Stock options and per share amounts

(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 the Corporation's stock option plan, the exercise price of each option may not be less than the market price of its shares

(Canadian dollars)

9. Stock options and per share amounts (continued)

at the date of grant less a discount permitted by the TSX Venture Exchange (**"**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 years ended December 31, 2018 and 2017 were as follows:

	December 31, 2018			December 31, 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	**(250,000)**		**0.25**	(3,045,000)		0.29
Outstanding at December 31	**4,192,500**	**$**	**0.44**	2,157,500	$	0.25
Exercisable at December 31	**4,192,500**	**$**	**0.44**	2,157,500	$	0.25

During the year ended December 31, 2018, the Corporation received net proceeds of $62,500 (2017 – $885,300) on the exercise of options.

The following table summarizes information concerning outstanding and exercisable options at December 31, 2018:

Expiry date	**Number of options outstanding**		**Weighted average exercise price**	**Remaining contractual life (years)**
October 6, 2019	1,632,500	$	0.25	0.76
January 26, 2021	125,000	$	0.22	2.07
June 30, 2021	150,000	$	0.31	2.50
May 11, 2023	2,285,000	$	0.60	4.36
	4,192,500	$	0.44	2.83

(b) Share-based compensation

During 2018, 2,285,000 options granted to directors and employees gave rise to share-based compensation of $906,140 (no options were granted in 2017). 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, 2018
Share price at grant date	$	0.57
Exercise price	$	0.60
Risk-free interest rate		2.19%
Expected dividend yield		1.75%
Expected life (years)		4.7
Expected volatility		111%
Weighted average grant date fair value	$	0.40

Expected volatility is estimated by considering historic average share price volatility. All options granted in 2018 vested immediately and have a five-year term.

(Canadian dollars)

9. Stock options and per share amounts (continued)

(c) Per share amounts

Per share amounts were calculated on the weighted average number of shares outstanding as outlined below.

	For the years ended December 31			
		2018		2017
Net (loss) income for the year	**$**	**(572,372)**	$	576,940
Weighted average number of common shares				
- Basic		**53,834,354**		53,396,333
- Diluted		**57,428,676**		58,598,833
Net (loss) income per weighted average common share				
- Basic	**$**	**(0.01)**	$	0.01
- Diluted	**$**	**(0.01)**	$	0.01

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 years ended December 31,			
		2018		2017
Statutory tax rates		**31.0%**		31.0%
Income taxes (recovery) computed at the statutory rates	**$**	**(177,435)**	$	171,791
Benefit of tax deductions not recognized		**(103,741)**		110,255
Impact of gain on long-term receivable		**-**		(307,252)
Non-taxable portion of capital gain		**(813)**		-
Expenses not deductible for tax purposes		**281,135**		850
Effect of foreign tax rates		**854**		1,582
Provision for income taxes	**$**	**-**	$	(22,774)

The enacted or substantively enacted tax rate in Canada of 31.0% (2017 - 31.0%) and in the USA of 24.65% (2017 – 24.9%) where the Corporation operates are applied in the tax provision calculation.

The following table reflects the Corporation’s recognized deferred income tax assets (liabilities).

	For the years ended December 31,			
		2018		2017
Non-capital losses carried forward	$	-	$	22,774
Marketable securities		-		(22,774)
Net deferred income tax assets (liabilities)	$	-	$	-

(Canadian dollars)

10. Income taxes and deferred tax liability (continued)

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

	2018			2017		
	Canada	**USA**	**Total**	Canada	USA	Total
Non-capital losses carried forward	**$5,115,942**	**$11,574,227**	**$16,690,169**	$ 5,515,338	$ 10,540,979	$ 16,056,317
Property, plant & equipment	**9,834**	**-**	**9,834**	9,834	-	9,834
Share issuance costs	**20,995**	**-**	**20,995**	65,793	-	65,793
Intangible assets	**724,214**	**309,199**	**1,033,413**	724,214	402,304	1,126,518
Resource properties	**1,128,299**	**-**	**1,128,299**	-	-	-
Unearned revenue	**150,000**		**150,000**	1,128,299	-	1,128,299
	$7,149,284	**$11,883,426**	**$19,032,710**	$ 7,443,478	$ 10,943,283	$ 18,386,761

As at December 31, 2018, 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 2025 to 2038.

11. Royalty revenue

	For the years ended December 31	
	2018	2017
Donkin (Kameron Collieries ULC)	**$ 920,282**	$ 116,092
Black Point (Vulcan Materials Company)	**-**	50,000
	$ 920,282	**$ 166,092**

The Corporation owns a life-of-mine, gross production royalty for Donkin of 2% on the revenue from the first 500,000 tonnes of coal sales per calendar quarter, net of certain coal handling and transportation costs, and 4% on the revenue from any coal sales from quarterly tonnage above 500,000 tonnes, net of certain coal handling and transportation costs. The Donkin royalty is payable to the Corporation on a quarterly basis.

The Corporation owns a life-of-mine production royalty for Black Point operated by Vulcan. In 2017, Vulcan began making quarterly Advanced Payments of $25,000 to the Corporation related to Black Point. The amount of $50,000 previously recorded as revenue in 2017 has been reclassed to unearned revenue on January 1, 2018 in accordance with the adoption of IFRS 15, retrospectively without restatement (see Note 3). In accordance with IFRS 15, the $100,000 in quarterly Advanced Payments received from Vulcan in 2018 are also reflected in unearned revenue (see Note 7).

12. Corporate and administration expenses

	For the years ended December 31		
	2018	2017	Change
Employee and service agreement fees	**$ 318,914**	$ 377,754	$ (58,840)
Investor relations and communications	**72,481**	88,634	(16,153)
Office and sundry	**22,562**	32,806	(10,244)
Professional fees	**73,087**	76,667	(3,580)
Regulatory compliance	**122,893**	148,422	(25,529)
Travel and accommodations	**15,483**	12,420	3,063
	$ 625,420	$ 736,703	$ (111,283)

(Canadian dollars)

13. Other income

In 2017, the Corporation received a payment of $151,757 from Glencore PLC ("Glencore"). The payment was triggered on production at Donkin. The payment fulfils all obligations under the Corporation's prior alliance agreement with Glencore.

In 2016, the Corporation received a $400,000 milestone payment from Vulcan following receipt of the positive provincial and federal environmental approvals on Black Point. Morien is due to receive an additional $400,000 milestone payment from Vulcan upon the completion of related and pending permitting agreements for Black Point. In April 2018, Vulcan was granted a 2-year extension by the Nova Scotia provincial government for Black Point and must commence work on Black Point by April 2020 unless granted a further extension.

14. Related parties

Key management personnel:
The Corporation has defined key management personnel as senior executive officers, as well as the Board of Directors. The total remuneration of key management personnel was as follows:

	For the years ended December 31,	
	2018	2017
Directors' fees	**$ 64,000**	$ 81,000
Share-based compensation to directors	**210,000**	-
Share-based compensation to senior executive officers	**640,500**	-
Senior executive officers' compensation and benefits	**215,160**	214,242
	$ 1,129,660	$ 295,242

Senior executive officers' compensation and benefits includes part-time Executive Chair salary costs, CFO contract costs and management fees charged from Erdene Resource Development Corporation for the services of a part-time CFO (ended September 1, 2018) and the President and CEO.

15. 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 business plans and ensure the Corporation remains in sound financial position. The Corporation 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 adjusts 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 Corporation is not subject to externally imposed capital requirements.

16. Financial instruments

Credit risk:

Credit risk is the risk of financial loss to the Corporation of a customer or counterparty to a financial instrument fails to meet its obligations.

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

	December 31, 2018	December 31, 2017
Cash	**$ 3,070,981**	$ 3,856,941
Trade receivables	**342,593**	109,819
	$ 3,413,574	$ 3,966,760

The Corporation manages credit risk by holding the majority of its cash with Schedule 1 Canadian banks, where management believes the risk of loss to be low. Trade receivables in 2018 include $342,593 of a royalty receivable from Kameron. The Corporation has an allowance for doubtful accounts at year-end of nil (2017 – $ nil), as management considers the credit risk on the Kameron receivable to be low. No amounts were written off during the year (2017 - $ nil).

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, 2018, the Corporation had a cash balance of $3,070,981 (December 31, 2017 - $3,856,941) to settle current liabilities of $121,246 (December 31, 2017 - $77,736).

The marketable securities, having a fair value of $278,487 as at December 31, 2017, were sold in 2018, realizing a gain of $5,242 in the year ended December 31, 2018.

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.

(Canadian dollars)

16. Financial instruments (continued)

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

	December 31, 2018	December 31, 2017
Cash	**$ 140,814**	$ 164,655

Sensitivity to a plus or minus 10% change in the USD dollar exchange rate would affect comprehensive loss and deficit by approximately $14,100 (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 at December 31, 2018, the Corporation has not entered into any hedging to offset risk.

(d) Equity price risk

The Corporation is exposed to equity price risk through its marketable securities which it holds from time to time. The Corporation manages exposure to equity price risk within acceptable parameters as approved by the Board of Directors.

Fair value

During the years ended December 31, 2018 and 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.

	December 31, 2018			December 31, 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial assets:						
Cash	**$ 3,070,981**	**$ -**	**$ -**	$ 3,856,941	$ -	$ -
Marketable securities	**-**	**-**	**-**	278,487	-	-