



Condensed Interim Consolidated Financial Statements

For the three months and nine months ended September 30, 2020 and 2019

*(Canadian dollars)*  
*(Unaudited)*

Prepared by Management – See Notice to Reader

## **NOTICE TO READER**

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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, 2020 and December 31, 2019 (audited) and the unaudited condensed interim consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the three and nine months ended September 30, 2020 and 2019. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 30, 2020 and 2019 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

(Unaudited – in Canadian dollars)

	September 30 2020	December 31 2019
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	2,801,675	3,239,321
Trade receivables	—	310,511
Prepaid expenses	6,913	41,390
<b>TOTAL ASSETS</b>	<b>2,808,588</b>	<b>3,591,222</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	50,492	123,758
<b>Non-current liabilities</b>		
Unearned revenue [note 5]	344,840	260,933
<b>Total liabilities</b>	<b>395,332</b>	<b>384,691</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	4,385,185	4,526,090
Contributed surplus	2,111,523	1,921,847
Deficit	(4,083,452)	(3,241,406)
<b>Total shareholders' equity</b>	<b>2,413,256</b>	<b>3,206,531</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,808,588</b>	<b>3,591,222</b>

Commitments [note 10]

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

On behalf of the Board:

“Mary C. Ritchie”, Director

“John P. Byrne”, Director

# MORIEN RESOURCES CORP.

## Condensed Interim Consolidated Statements of Income and Comprehensive Income (Loss)

(Unaudited – in Canadian dollars)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Royalty revenue [note 4]	—	252,225	<b>206,350</b>	540,034
Operating expenses				
Corporate and administration	<b>146,175</b>	145,981	<b>503,038</b>	540,925
Exploration and evaluation	—	28,844	—	125,656
Share-based compensation [note 7]	—	—	<b>189,676</b>	58,600
Foreign exchange (gain) loss	<b>19,482</b>	4,552	<b>(26,262)</b>	7,679
	<b>165,657</b>	179,377	<b>666,452</b>	732,860
Finance income	<b>3,484</b>	16,539	<b>21,702</b>	49,236
(Loss) income from operations	<b>(162,173)</b>	89,387	<b>(438,400)</b>	(143,590)
Gain on sale of land [note 8]	—	938,007	—	938,007
Net and comprehensive income (loss) for the period	<b>(162,173)</b>	1,027,394	<b>(438,400)</b>	794,417
Basic and fully diluted (loss) income per share	<b>0.00</b>	0.02	<b>(0.01)</b>	0.01
Weighted average number of common shares outstanding [000's]				
Basic	<b>51,416</b>	53,399	<b>52,202</b>	53,339
Diluted	<b>51,416</b>	53,714	<b>52,743</b>	53,710

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

## MORIEN RESOURCES CORP.

### Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited – in Canadian dollars)

	#	Common shares \$	Contributed surplus \$	Deficit \$	Total shareholders' equity \$
At January 1, 2019	53,131,114	4,026,932	2,109,815	(2,978,701)	3,158,046
Net and comprehensive income for the period	—	—	—	794,417	794,417
Dividends paid to shareholders	—	—	—	(399,365)	(399,365)
Normal course issuer bid purchase of common shares	(1,442,500)	(115,839)	—	(512,600)	(628,439)
Options exercised	1,068,250	434,145	(167,083)	—	267,062
Share-based compensation	—	—	58,600	—	58,600
At September 30, 2019	52,756,864	4,345,238	2,001,332	(3,096,249)	3,250,321
Net and comprehensive income for the period	—	—	—	98,899	98,899
Dividends paid to shareholders	—	—	—	(132,555)	(132,555)
Normal course issuer bid purchase of common shares	(388,000)	(32,196)	—	(111,501)	(143,697)
Options exercised	534,250	213,048	(79,485)	—	133,563
<b>At December 31, 2019</b>	<b>52,903,114</b>	<b>4,526,090</b>	<b>1,921,847</b>	<b>(3,241,406)</b>	<b>3,206,531</b>
Net and comprehensive loss for the period	—	—	—	<b>(438,400)</b>	<b>(438,400)</b>
Dividends paid to shareholders	—	—	—	<b>(132,155)</b>	<b>(132,155)</b>
Normal course issuer bid purchase of common shares	<b>(1,671,000)</b>	<b>(140,905)</b>	—	<b>(271,491)</b>	<b>(412,396)</b>
Share-based compensation	—	—	<b>189,676</b>	—	<b>189,676</b>
<b>At September 30, 2020</b>	<b>51,232,114</b>	<b>4,385,185</b>	<b>2,111,523</b>	<b>(4,083,452)</b>	<b>2,413,256</b>

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

# MORIEN RESOURCES CORP.

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - in Canadian dollars)

For the Nine Months Ended September 30

	2020	2019
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(438,400)	794,417
Items not involving cash:		
Share-based compensation	189,676	58,600
Foreign exchange (gain) loss on financial assets	(26,262)	7,679
Additions to unearned revenue [note 5]	83,907	83,139
Net finance income	(21,702)	(49,236)
Gain on sale of land	—	(938,007)
Changes in non-cash working capital:		
Trade receivables	310,511	52,534
Prepaid expenses	34,477	6,760
Trade and other payables	(73,266)	41,432
<b>Cash provided by operating activities</b>	<b>58,941</b>	<b>57,318</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from exercise of stock options	—	267,062
Dividends paid	(132,155)	(399,365)
Purchase of shares for cancellation	(412,396)	(628,439)
<b>Cash used in financing activities</b>	<b>(544,551)</b>	<b>(760,742)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds on sale of land, net of transaction costs	—	938,007
Interest received	21,702	49,236
<b>Cash provided by investing activities</b>	<b>21,702</b>	<b>987,243</b>
Effect of exchange rate fluctuations on cash held in foreign currency	26,262	(7,679)
(Decrease) increase in cash	(437,646)	276,140
Cash, beginning of period	3,239,321	3,070,981
<b>Cash, end of period</b>	<b>2,801,675</b>	<b>3,347,121</b>

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

# MORIEN RESOURCES CORP.

## Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the nine months ended September 30, 2020 and 2019

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### 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 1701 Hollis Street, Suite 800, Halifax, Nova Scotia, B3J 3M8. The condensed interim consolidated financial statements of the Corporation as at and for the nine months ended September 30, 2020 and 2019 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

#### 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, 2019. 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 2019 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 of the Corporation on November 23, 2020.

#### Recent events

Commencing in mid-March, the outbreak of COVID-19 has resulted in numerous measures to combat the spread of the coronavirus. These measures, including physical distancing and travel restrictions, have resulted in material disruption to businesses, and have had a material impact on the economy, including equity and capital markets.

The extent and duration of impacts that COVID-19 may have on the Corporation over the remainder of the year and going forward is not known at this time, but could be material, and will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

Although not directly related to COVID-19, there will be a cessation in revenues from the Donkin coal mine (“Donkin” or “Mine”) throughout the remainder of 2020 and indefinitely thereafter. Kameron Collieries ULC (“Kameron”), owner of the Mine, announced they would be ceasing operations on March 30, 2020 due to adverse geologic conditions, and this has happened. The Mine has been put on a schedule of care and maintenance for an indeterminate period of time.

The second source of operating cash for the Corporation is the advanced minimum royalty payments received from Vulcan Materials Company (“Vulcan”) in relation to the Black Point project (“Black Point”). The advanced minimum royalty payments are recorded as received.

On April 8, 2020, due to the announcement that Kameron had ceased operations at Donkin, the Board of Directors suspended the Corporation’s quarterly dividend until further notice. The Board will re-assess the payment of a dividend when the future of Donkin is better understood.

# MORIEN RESOURCES CORP.

## Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the nine months ended September 30, 2020 and 2019

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### 2. Basis of presentation (continued)

The Corporation has suspended its research and exploration of new mineral properties and its evaluation of prospective royalty acquisitions until the impact of COVID-19 and the status of the Donkin Mine are better understood.

### 3. Significant accounting policies

The accounting policies applied in these condensed interim consolidated financial statements are the same as those applied in the Corporation's consolidated financial statements as at and for the year ended December 31, 2019.

### 4. Royalty revenue

	For the Nine Months Ended September 30	
	2020	2019
	\$	\$
Donkin Mine (Kameron Collieries)	206,350	287,809

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. As noted in Note 2, Kameron has ceased operations at the Mine.

The Corporation owns a life-of-mine production royalty for Black Point operated by Vulcan. In 2017, Vulcan began making quarterly advanced minimum royalty payment ("Advanced Payments") to the Corporation related to Black Point. The quarterly Advanced Payments received from Vulcan in 2020 and 2019 are reflected in unearned revenue (see Note 5 – Unearned revenue).

### 5. Unearned revenue

The Corporation received Advanced Payments for the nine months ended September 30, 2020 of \$83,907 (2019 – \$83,139), 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 through to September 30, 2020. In March 2020, Vulcan applied for a second two-year extension for Black Point and was subsequently granted approval in April 2020 by the Nova Scotia provincial government. The cumulative Advanced Payments are classified as long-term liabilities as production at Black Point will likely not occur in the next fiscal year.

### 6. Share capital

The Corporation has an unlimited number of common shares authorized for issue without par value.

Under the Corporation's normal course issuer bid ("NCIB"), Morien is able until January 31, 2021, to purchase in any 30-day period, up to 2% of its issued and outstanding shares outstanding at the time of the purchase, up to the maximum of 3,926,400 common shares.



# MORIEN RESOURCES CORP.

## Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the nine months ended September 30, 2020 and 2019

### 6. Share capital (continued)

The Corporation has authorized, issued and outstanding, 51,232,114 common shares as at September 30, 2020 (December 31, 2019 – 52,903,114).

	Shares	\$
At January 1, 2019	53,131,114	4,026,932
Options exercised	1,602,500	647,193
Normal course issuer bid purchase of common shares	(1,830,500)	(148,035)
<b>At December 31, 2019</b>	<b>52,903,114</b>	<b>4,526,090</b>
Normal course issuer bid purchase of common shares	(1,671,000)	(140,905)
<b>At September 30, 2020</b>	<b>51,232,114</b>	<b>4,385,185</b>

The Corporation purchased and cancelled 1,671,000 shares in the nine months ended September 30, 2020 (2019 – 1,442,500) at a total cost of \$412,396 (2019 – \$628,439), including \$9,229 in transaction costs (2019 – \$8,768). The total cost of \$412,396 reduces share capital by \$140,905 (2019 – \$115,839) and increases the deficit by \$271,491 (2019 – \$512,600).

The Corporation declared and paid a quarterly dividend of \$0.0025 per share in the nine months ended September 30, 2020 for total dividends paid of \$132,155 (2019 – \$399,365). On April 8, 2020, the Board of Directors suspended the Corporation's quarterly dividend program indefinitely (see Note 2).

### 7. 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 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 following table summarizes the changes in the outstanding stock options for the nine months ended September 30, 2020:

	Number of options	Weighted average exercise price \$
At January 1, 2019	4,192,500	0.44
Granted	200,000	0.48
Exercised	(1,602,500)	0.25
Expired	(60,000)	0.43
<b>At December 31, 2019</b>	<b>2,730,000</b>	<b>0.56</b>
Granted	1,800,000	0.20
<b>At September 30, 2020</b>	<b>4,530,000</b>	<b>0.42</b>

# MORIEN RESOURCES CORP.

## Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the nine months ended September 30, 2020 and 2019

### 7. Stock options and per share amounts (continued)

The following is a summary of the outstanding stock options as at September 30, 2020:

Expiry date	Number of options outstanding	Weighted average exercise price \$	Remaining contractual life (years)
January 26, 2021	125,000	0.22	.32
June 30, 2021	150,000	0.31	.75
May 11, 2023	2,255,000	0.60	2.61
January 7, 2024	200,000	0.48	3.27
May 20, 2025	1,800,000	0.20	4.64
<b>At September 30, 2020</b>	<b>4,530,000</b>	<b>0.42</b>	<b>3.32</b>

#### (b) Share-based compensation

During the nine months ended September 30, 2020, 1,800,000 options granted to officers and directors gave rise to share-based compensation of \$189,676. In the previous period in 2019, 200,000 options were granted to an officer giving rise to share-based compensation of \$58,600. 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	
	2020	2019
Share price at grant date	\$0.17	\$0.46
Exercise price	\$0.20	\$0.48
Risk-free interest rate	0.41%	1.91%
Expected dividend yield	1.81%	2.19%
Expected life (years)	5.0	5.0
Expected volatility	95%	98%
Weighted average grant date fair value	\$0.10	\$0.29

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

#### (c) Diluted earnings per share amounts

Diluted earnings per share is calculated based on the following:

	For the Nine months Ended September 30	
	2020	2019
Net (loss) income for the period	<b>(\$438,400)</b>	\$794,417
Basic weighted average number of shares [000's]	<b>52,202</b>	53,339
Basic earnings (loss) per share	<b>(\$ 0.01)</b>	\$ 0.01
Effect of dilutive stock options [000's]	<b>541</b>	372
Diluted weighted average number of shares [000's]	<b>52,743</b>	53,710
Diluted earnings (loss) per share	<b>(\$ 0.01)</b>	\$ 0.01

# MORIEN RESOURCES CORP.

## Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the nine months ended September 30, 2020 and 2019

### 7. Stock options and per share amounts (continued)

The following table lists the number of stock options excluded from the computation of diluted earnings per share because the exercise prices exceeded the average market value of the shares of \$0.28 during the nine months ended September 30, 2020 (2019 – \$0.46).

	For the Nine Months Ended September 30	
	2020	2019
Stock options	2,605,000	2,485,000

### 8. Gain on sale of land

On August 30, 2019, the Corporation sold its land holdings in Georgia for proceeds of \$1,017,106 before transaction costs. The cost basis of the land had been previously written off, producing a net cash gain of \$938,007 after selling commissions and legal costs.

### 9. Financial instruments

#### Credit risk

Credit risk is the risk of financial loss to the Corporation if 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:

	September 30, 2020	December 31, 2019
	\$	\$
Cash	2,801,675	3,239,321
Trade receivables	—	310,511
	2,801,675	3,549,832

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. The credit risk on the Kameron receivables was considered low at December 31, 2019 and not applicable at September 30, 2020.

#### 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, 2020, the Corporation had a cash balance of \$2,801,675 (December 31, 2019 - \$3,239,321) to settle current liabilities of \$50,492 (December 31, 2019 - \$123,758).

# MORIEN RESOURCES CORP.

## Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the nine months ended September 30, 2020 and 2019

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### 9. 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, 2020	December 31, 2019
	\$	\$
Cash	<b>997,816</b>	953,662

Sensitivity to a plus or minus 10% change in the USD dollar exchange rate would affect comprehensive income and deficit by approximately \$99,780 (December 31, 2019 - \$95,370).

(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 does not enter into any hedging to offset risk.

#### Fair value

During the period ended September 30, 2020 and year ended December 31, 2019, 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 fair value of the Corporation's financial assets, consisting solely of Level 1 cash as at September 30, 2020, was \$2,801,675 (December 31, 2019 - \$3,239,321).

### 10. Commitments

The Corporation leases shared office space on a short-term basis. Total future minimum lease payments for this space in fiscal year 2020, is \$11,700. The Corporation has terminated its lease agreement, effective December 31, 2020.