



Condensed Interim Consolidated Financial Statements

For the three months and six months ended June 30, 2020 and 2019

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

	June 30 2020	December 31 2019
	\$	\$
ASSETS		
Current		
Cash	3,101,176	3,239,321
Trade receivables	—	310,511
Prepaid expenses	10,626	41,390
TOTAL ASSETS	3,111,802	3,591,222
LIABILITIES		
Current liabilities		
Trade and other payables	73,372	123,758
Non-current liabilities		
Unearned revenue [note 5]	316,520	260,933
Total liabilities	389,892	384,691
SHAREHOLDERS' EQUITY		
Share capital	4,457,742	4,526,090
Contributed surplus	2,111,523	1,921,847
Deficit	(3,847,355)	(3,241,406)
Total shareholders' equity	2,721,910	3,206,531
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,111,802	3,591,222

Commitments [note 9]

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 Loss and Comprehensive Loss

(Unaudited – in Canadian dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Royalty revenue [note 4]	—	118,959	206,350	287,809
Operating expenses				
Corporate and administration	153,088	207,612	356,863	394,921
Exploration and evaluation	—	56,494	—	96,812
Share-based compensation [note 7]	189,676	—	189,676	58,600
Foreign exchange (gain) loss	38,698	232	(45,744)	3,126
	381,462	264,338	500,795	553,459
Finance income	4,012	17,211	18,218	32,698
Net and comprehensive loss for the period	(377,450)	(128,168)	(276,227)	(232,952)
Basic and fully diluted income (loss) per share	(0.01)	0.00	(0.01)	0.00
Weighted average number of common shares outstanding [000's]				
Basic	52,322	53,621	52,599	53,308
Diluted	52,322	54,061	53,397	53,959

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 loss for the period	—	—	—	(232,952)	(232,952)
Dividends paid to shareholders	—	—	—	(266,660)	(266,660)
Normal course issuer bid purchase of common shares	(534,500)	(45,655)	—	(219,514)	(265,169)
Options exercised	965,750	394,272	(152,835)	—	241,437
Share-based compensation	—	—	58,600	—	58,600
At June 30, 2019	53,562,364	4,375,549	2,015,580	(3,697,827)	2,693,302
Net and comprehensive income for the period	—	—	—	1,126,268	1,126,268
Dividends paid to shareholders	—	—	—	(265,260)	(265,260)
Normal course issuer bid purchase of common shares	(1,296,000)	(102,380)	—	(404,587)	(506,967)
Options exercised	636,750	252,921	(93,733)	—	159,188
At December 31, 2019	52,903,114	4,526,090	1,921,847	(3,241,406)	3,206,531
Net and comprehensive loss for the period	—	—	—	(276,227)	(276,227)
Dividends paid to shareholders	—	—	—	(132,155)	(132,155)
Normal course issuer bid purchase of common shares	(764,500)	(68,348)	—	(197,567)	(265,915)
Share-based compensation	—	—	189,676	—	189,676
At June 30, 2020	52,138,614	4,457,742	2,111,523	(3,847,355)	2,721,910

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 Six Months Ended June 30	
	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(276,227)	(232,952)
Items not involving cash:		
Share-based compensation	189,676	58,600
Foreign exchange (gain) on financial assets	(45,744)	3,126
Additions to unearned revenue [note 5]	55,587	55,435
Net finance income	(18,218)	(32,698)
Changes in non-cash working capital:		
Trade receivables	310,511	175,286
Prepaid expenses	30,764	7,560
Trade and other payables	(50,386)	48,169
Cash provided by operating activities	195,963	82,526
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	—	241,437
Dividends paid	(132,155)	(266,660)
Purchase of shares for cancellation	(265,915)	(265,169)
Cash used in financing activities	(398,070)	(290,392)
INVESTING ACTIVITIES		
Interest received	18,218	32,698
Cash provided by investing activities	18,218	32,698
Effect of exchange rate fluctuations on cash held in foreign currency	45,744	(3,126)
(Decrease) increase in cash	(138,145)	(178,294)
Cash, beginning of period	3,239,321	3,070,981
Cash, end of period	3,101,176	2,892,687

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 six months ended June 30, 2020 and 2019

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 six months ended June 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 August 24, 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 six months ended June 30, 2020 and 2019

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 Six Months Ended June 30	
	2020	2019
	\$	\$
<u>Donkin Mine (Kameron Collieries)</u>	<u>206,350</u>	<u>287,809</u>

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 six months ended June 30, 2020 of \$55,587 (2019 – \$55,435), 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 June 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 six months ended June 30, 2020 and 2019

6. Share capital (continued)

The Corporation has authorized, issued and outstanding, 52,138,614 common shares as at June 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)
At December 31, 2019	52,903,114	4,526,090
Normal course issuer bid purchase of common shares	(764,500)	(68,348)
At June 30, 2020	52,419,114	4,457,742

The Corporation purchased and cancelled 764,500 shares in the six months ended June 30, 2020 (2019 – 534,500) at a total cost of \$265,915 (2019 – \$265,169), including \$8,105 in transaction costs (2019 – \$7,147). The total cost of \$265,915 reduces share capital by \$68,348 (2019 – \$45,655) and increases the deficit by \$197,567 (2019 – \$219,514).

The Corporation declared and paid a quarterly dividend of \$0.0025 per share in the six months ended June 30, 2020 for total dividends paid of \$132,155 (2019 – \$266,660). 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 six months ended June 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
At December 31, 2019	2,730,000	0.56
Granted	1,800,000	0.20
At June 30, 2020	4,530,000	0.42

MORIEN RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the six months ended June 30, 2020 and 2019

7. Stock options and per share amounts(continued)

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

Expiry date	Number of options outstanding	Weighted average exercise price \$	Remaining contractual life (years)
January 26, 2021	125,000	0.22	.58
June 30, 2021	150,000	0.31	1.00
May 11, 2023	2,255,000	0.60	2.86
January 7, 2024	200,000	0.48	3.52
May 20, 2025	1,800,000	0.20	4.89
At June 30, 2020	4,530,000	0.42	3.57

(b) Share-based compensation

During the six months ended June 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 Six months Ended June 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 Six months Ended June 30	
	2020	2019
Net loss for the period	(\$276,227)	(\$232,952)
Basic weighted average number of shares [000's]	52,599	53,308
Basic earnings (loss) per share	(\$ 0.01)	\$ 0.00
Effect of dilutive stock options [000's]	798	
Diluted weighted average number of shares [000's]	53,397	53,959
Diluted earnings (loss) per share	(\$ 0.01)	(\$ 0.00)

MORIEN RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the six months ended June 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 \$0.34 during the six months ended June 30, 2020 (2019 – \$0.49).

	For the Six months Ended June 30	
	2020	2019
Stock options	2,455,000	2,285,000

8. 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:

	June 30, 2020	December 31, 2019
	\$	\$
Cash	3,101,176	3,239,321
Trade receivables	—	310,511
	3,106,379	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 June 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 June 30, 2020, the Corporation had a cash balance of \$3,101,176 (December 31, 2019 - \$3,239,321) to settle current liabilities of \$73,372 (December 31, 2019 - \$123,758).

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.

MORIEN RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the six months ended June 30, 2020 and 2019

8. Financial instruments (continued)

(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:

	June 30, 2020	December 31, 2019
	\$	\$
Cash	997,422	953,662

Sensitivity to a plus or minus 10% change in the USD dollar exchange rate would affect comprehensive income and deficit by approximately \$99,740 (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 June 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 June 30, 2020, was \$3,101,176 (December 31, 2019 - \$3,239,321).

9. 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.