



Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Canadian dollars)

(Unaudited)

Prepared by Management – See Notice to Reader

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice to this effect. These unaudited condensed interim consolidated financial statements have been prepared by management of the Corporation. Management have compiled the unaudited condensed interim consolidated statements of financial position of Morien Resources Corp. as at September 30, 2019 and December 31, 2018 (audited) and the unaudited condensed interim consolidated statements of comprehensive loss, change in equity and cash flows for the three and nine months ended September 30, 2019 and 2018. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 30, 2019 and 2018 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	December 31
	2019	2018
	\$	\$
ASSETS		
Current		
Cash	3,347,121	3,070,981
Trade receivables	290,059	342,593
Prepaid expenses	8,958	15,718
Total assets	3,646,138	3,429,292
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables	162,678	121,246
Unearned revenue [note 4]	233,139	150,000
Total liabilities	395,817	271,246
Shareholders' equity		
Share capital	4,345,238	4,026,932
Contributed surplus	2,001,332	2,109,815
Deficit	(3,096,249)	(2,978,701)
Total shareholders' equity	3,250,321	3,158,046
Total liabilities and shareholders' equity	3,646,138	3,429,292

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

On behalf of the Board:

/s/ John P. Byrne
John P. Byrne, Director

/s/ Charles Pitcher
Charles Pitcher, Director

MORIEN RESOURCES CORP.**Condensed Interim Consolidated Statements of Income and Comprehensive Income**

(Unaudited – in Canadian dollars)

	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
		As		As
		Restated		Restated
		Note 3		Note 3
	\$	\$	\$	\$
Royalty revenue [note 5]	252,225	240,944	540,034	622,374
OPERATING EXPENSES				
Corporate and administration	145,981	160,988	540,925	528,997
Exploration and evaluation	28,844	1,426	125,656	1,426
Share-based compensation [note 6]	—	—	58,600	948,200
Other income	—	(8,461)	—	(8,461)
Foreign exchange loss (gain)	4,552	311	7,679	(7,523)
	179,377	154,264	732,860	1,462,639
Finance income	16,539	14,667	49,236	43,073
Income (loss) from operations	89,387	101,347	(143,590)	(797,192)
Gain on sale of land [note 7]	938,007	—	938,007	—
Realized gain on available-for-sale marketable securities	—	—	—	5,242
Net and comprehensive income (loss) for the period	1,027,394	101,347	794,417	(791,950)
Basic and fully diluted income (loss) per share	0.02	0.00	0.01	(0.01)
Weighted average number of common shares outstanding [000's]				
Basic	53,399	53,488	53,339	53,977
Diluted	56,768	57,930	57,119	57,324

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
	#	\$	\$	\$	\$
Balance at January 1, 2018	54,402,614	4,036,415	1,243,925	(1,134,465)	4,145,875
Net loss for the period restated [note 3]	—	—	—	(791,950)	(791,950)
Dividends paid to shareholders	—	—	—	(403,534)	(403,534)
Normal course issuer bid purchase of common shares	(992,500)	(74,798)	—	(510,480)	(585,278)
Share-based compensation	—	—	948,200	—	948,200
Balance at September, 2018	53,410,114	3,961,617	2,192,125	(2,840,429)	3,313,313
Balance at January 1, 2019	53,131,114	4,026,932	2,109,815	(2,978,701)	3,158,046
Net 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 [note 6]	—	—	58,600	—	58,600
Balance at September 30, 2019	52,756,864	4,345,238	2,001,332	(3,096,249)	3,250,321

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)

	Nine months ended September 30	
	2019	2018
		As Restated
		Note 3
	\$	\$
OPERATING ACTIVITIES		
Net income (loss) for the period	794,417	(791,950)
Items not involving cash:		
Share-based compensation [note 6]	58,600	948,200
Realized gain on available-for-sale marketable securities	—	(5,242)
Additions to unearned revenue [note 4]	83,139	75,000
Net finance income	(49,236)	(43,073)
Gain on sale of land [note 7]	(938,007)	—
Net change in non-cash working capital	100,726	(124,810)
Cash provided by operating activities	49,639	58,125
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	267,062	—
Dividends paid	(399,365)	(403,534)
Purchase of shares for cancellation	(628,439)	(585,278)
Cash used in financing activities	(760,742)	(988,812)
INVESTING ACTIVITIES		
Proceeds on sale of land, net of transaction costs [note 7]	938,007	—
Proceeds on sale of available-for-sale marketable securities	—	283,729
Interest received	49,236	43,073
Cash provided by investing activities	987,243	326,802
Net change in cash during the period	276,140	(603,885)
Cash, beginning of period	3,070,981	3,856,941
Cash, end of period	3,347,121	3,253,056

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

MORIEN RESOURCES CORP.

Notes to Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - in Canadian dollars)

For the nine months ended September 30, 2019 and 2018

1. Nature of operations

Morien Resources Corp. (“Morien” or the “Corporation”) is a corporation domiciled in Canada. The address of the Corporation’s registered office is 99 Wyse Road, Suite 1480, Dartmouth, Nova Scotia, B3A 4S5. The condensed interim consolidated financial statements of the Corporation as at September 30, 2019 and 2018 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, 2018. 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 2018 annual consolidated financial statements which have been prepared in accordance with IFRS.

This is the second set of the Corporation’s quarterly financial statements in which certain new standards or amendments to standards under IFRS 2, IFRS 9 and IFRS 15, effective January 1, 2018 have been applied to the prior period. Impacts on the prior period comparative financial statements as a result of the changes to the IFRS standards, are described in Note 3.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 25, 2019.

3. Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

Restatement of comparative figures

During the preparation of the annual consolidated financial statements for the year ended December 31, 2018, the Corporation determined that the initial adoption of IFRS 9 and IFRS 15 on January 1, 2018 had not been correctly accounted for. As a result, the consolidated financial statements for the 2018 prior period have been restated to conform with the new accounting policies.

IFRS 9 - Financial Instruments

The adoption of IFRS 9 in 2018 requires changes in fair value of equity investments to be recognized in profit or loss. The realized gain on available-for-sale marketable securities of \$5,242, recognized for the nine months ended June 30, 2018, is restated from other comprehensive income to profit and loss, with no effect on the total comprehensive loss.

MORIEN RESOURCES CORP.**Notes to Condensed Interim Consolidated Statements of Cash Flows**

(Unaudited - in Canadian dollars)

For the nine months ended September 30, 2019 and 2018

3. Summary of significant accounting policies (continued)

IFRS 15 - Revenue from Contracts with Customers

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 in 2018, the Black Point Advanced Payments are classified as unearned revenue (see Note 5 – Unearned revenue). The Advanced Payments of \$75,000 for the nine months ended September 30, 2018 were restated as unearned revenue, increasing the net loss by \$75,000.

The following table outlines the impact of the adjustments by financial statement line item in the Corporation’s condensed interim consolidated statement of comprehensive loss and the condensed interim consolidated statement of cash flows for the nine months ended June 30, 2018. Only those line items impacted by the restatement have been disclosed.

Condensed Interim Consolidated Statements of Comprehensive Loss	As Previously Reported \$	IFRS 9 Adjustments \$	IFRS 15 Adjustments \$	As Restated \$
Royalty revenue	697,374	—	(75,000)	622,374
Loss from operations	(722,192)	—	(75,000)	(797,192)
Realized gain on available-for-sale marketable securities	152,169	(146,927)	—	5,242
Net loss before tax	(570,023)	(146,927)	(75,000)	(791,950)
Deferred income tax expense	22,774	(22,774)	—	—
Net loss for the period	(592,797)	(124,153)	(75,000)	(791,950)
Realized gain on available-for-sale marketable securities	(59,329)	59,329	—	—
Fair value adjustment on available-for-sale marketable securities	(64,824)	64,824	—	—
Other comprehensive loss	(124,153)	124,153	—	—
Total comprehensive loss	(716,950)	—	(75,000)	(791,950)
Condensed Interim Consolidated Statements of Cash Flows	As Previously Reported	IFRS 9 Adjustments	IFRS 15 Adjustments	As Restated
Cash used in operating activities:				
Net loss for the period	(592,797)	(124,153)	(75,000)	(791,950)
Deferred income taxes	22,774	(22,774)	—	—
Realized gain on available-for-sale marketable securities	(152,169)	146,927	—	(5,242)
Additions to unearned revenue	—	—	75,000	75,000

MORIEN RESOURCES CORP.

Notes to Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - in Canadian dollars)

For the nine months ended September 30, 2019 and 2018

3. Summary of significant accounting policies (continued)

Future changes in accounting policies

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 the Corporation’s fiscal year beginning on January 1, 2019 and is to be applied retrospectively. The new standard had no impact on the Corporation’s condensed consolidated interim financial statements.

IFRIC Interpretation 23 - Uncertainty Over Income Tax Treatments

In June 2017, the IASB issued IFRS Interpretations Committee Interpretation 23 Uncertainty over Income Tax Treatments (“IFRIC 23”), which is applied to the determination of taxable profit or loss, unused tax losses, unused tax credits, tax rates and tax bases, when there is uncertainty about income tax treatment under IAS 12 Income Taxes. IFRIC 23 is effective for the Corporation’s fiscal year beginning on January 1, 2019 and is to be applied retrospectively. The new standard had no impact on the Corporation’s condensed consolidated interim financial statements.

4. Unearned revenue

The Corporation received Advanced Payments for the nine months ended September 30, 2019 of \$83,139 (2018 – \$75,000), 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 since 2017.

5. Royalty revenue

	Nine months ended September 30	
	2019	2018
		As Restated
		Note 3
	\$	\$
Donkin Mine (Kameron Collieries)	540,034	622,374

In 2017 the Donkin Coal Mine went into commercial production. The Corporation receives a quarterly royalty on sales based on 2% of the first 500,000 tonnes of coal sales (net of certain coal handling and transportation costs) per calendar quarter and 4% of the revenue from coal sales from quarterly tonnage above 500,000 tonnes, net of certain coal handling and transportation costs.

6. 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.

MORIEN RESOURCES CORP.**Notes to Condensed Interim Consolidated Statements of Cash Flows**

(Unaudited - in Canadian dollars)

For the nine months ended September 30, 2019 and 2018

6. Stock options (continued)

The following table summarizes the changes in the outstanding stock options for the nine months ended September 30, 2019:

	Number of options	Weighted average exercise price \$
Outstanding at December 31, 2018	4,192,500	0.44
Granted	200,000	0.48
Outstanding at March 31, 2019	4,392,500	0.44
Exercised	(965,750)	0.25
Outstanding at June 30, 2019	3,426,750	0.50
Exercised	(102,500)	0.25
Outstanding at September 30, 2019	3,324,250	0.51

The following is a summary of the outstanding stock options as at September 30, 2019:

Expiry date	Number of options outstanding	Weighted average exercise price \$	Remaining contractual life (years)
October 6, 2019	564,250	0.25	0.02
January 26, 2021	125,000	0.22	1.33
June 30, 2021	150,000	0.31	1.75
May 11, 2023	2,285,000	0.60	3.61
January 7, 2024	200,000	0.48	4.27
	3,324,250	0.51	2.87

Share-based compensation

On January 7, 2019, the Corporation granted 200,000 share purchase options with an exercise price of \$0.48 to an officer of the Corporation. The options expire January 7, 2024 and vested immediately. Share-based compensation expense was \$58,600 for the nine months ended September 30, 2019 (2018 - \$948,200). 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:

	Nine months ended September 30, 2019
Share price at grant date	\$0.46
Exercise price	\$0.48
Risk-free interest rate	1.91%
Expected life	5.0
Expected volatility	98%
Weighted average grant date fair value	\$0.29

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

7. 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.

MORIEN RESOURCES CORP.**Notes to Condensed Interim Consolidated Statements of Cash Flows**

(Unaudited - in Canadian dollars)

For the nine months ended September 30, 2019 and 2018

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:

	September 30, 2019	December 31, 2018
	\$	\$
Cash	3,347,121	3,070,981
Trade receivables	290,059	342,593
	3,637,180	3,413,574

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 is considered to be low.

Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. As of September 30, 2019, the Corporation had a cash balance of \$3,347,121 (December 31, 2018 - \$3,070,981) to settle current liabilities of \$162,678 (December 31, 2018 - \$121,246).

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, 2019	December 31, 2018
	\$	\$
Cash	945,736	140,814

Sensitivity to a plus or minus 10% change in the USD dollar exchange rate would affect comprehensive income and deficit by approximately \$94,570 (December 31, 2018 - \$14,100).

MORIEN RESOURCES CORP.**Notes to Condensed Interim Consolidated Statements of Cash Flows**

(Unaudited - in Canadian dollars)

For the nine months ended September 30, 2019 and 2018

8. Financial instruments (continued)

(c) Commodity price risk

The Corporation is exposed to commodity price risk. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Corporation monitors prices for the commodities underlying the Corporation's royalties. At this point the Corporation doesn't enter into any hedging to offset risk.

(d) Equity price risk

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 period ended September 30, 2019 and year ended December 31, 2018, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities. The fair values of the Corporation's financial instruments are considered to approximate the carrying amounts. The following table provides the disclosures of the fair value of financial assets and liabilities and the level in the hierarchy.

	September 30, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
Financial assets:						
Cash	3,347,121	—	—	3,070,981	—	—