

Melkior Resources Inc.

Condensed Interim Financial Statements

For the nine-month period ended May 31, 2015

(Unaudited)

The attached financial statements have been prepared by Management of Melkior Resources Inc. and have not been reviewed by an auditor.

Melkior Resources Inc.

3208, Richmond Road, Ottawa, Ontario, Canada, K2H 5B6

Tel.: (613) 721-2919 Fax: (613) 680-1091

Melkior Resources Inc.

Condensed Interim Statements of Financial Position

May 31, 2015

(In Canadian dollars)

	May 31, 2015	August 31, 2014
	\$	\$
Assets		
<i>Current assets</i>		
Cash (Note 5)	224,509	254,579
Sales tax receivable and other receivables	27,147	26,899
Tax credits receivable	3,037	8,488
Prepaid expenses	14,607	10,288
Listed shares (Note 6)	115,893	185,406
	<u>385,193</u>	<u>485,660</u>
<i>Non-current assets</i>		
Exploration and evaluation assets (Note 7)		
Mining properties	419,254	418,711
Exploration and evaluation expenses	7,350,625	7,141,048
	<u>7,769,879</u>	<u>7,559,759</u>
Total assets	<u>8,155,072</u>	<u>8,045,419</u>
Liabilities		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities	25,143	29,341
Shareholders' Equity		
Share capital (Note 8)	42,894,423	42,582,023
Contributed surplus	4,207,498	4,121,898
Deficit	<u>(38,971,992)</u>	<u>(38,687,843)</u>
Total equity	<u>8,129,929</u>	<u>8,016,078</u>
Total liabilities and equity	<u>8,155,072</u>	<u>8,045,419</u>

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

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on July 16, 2015.

(s) Jens E. Hansen _____

Jens E. Hansen
President and Director

(s) Norman Farrell _____

Norman Farrell
Director

Melkior Resources Inc.

Condensed Interim Statements of Comprehensive loss

May 31, 2015

(In Canadian dollars)

	Three-month period ended		Nine-month period ended	
	May 31, 2015	May 31, 2014	May 31, 2015	May 31, 2014
	\$	\$	\$	\$
Expenses				
Salaries and employee benefits				
Expenses	7,810	255	13,077	413
Office Expenses	11,858	21,261	46,726	65,902
Travelling and promotion	2,987	2,660	3,621	4,806
Investors and shareholders relations	17,940	13,269	36,080	46,635
Professional and consulting fees	8,303	13,872	65,759	73,343
Exploration	3,310	2,799	3,810	4,873
Stock-based compensation	-	-	-	16,000
Write-off of exploration and evaluation				
Assets	1,693	512,854	10,558	514,304
	53,900	566,968	179,630	726,274
Operating loss	(53,900)	(566,968)	(179,630)	(726,274)
Interest income	1,258	673	4,040	1,821
Other income	-	1,226	1,186	33,402
Change in value of listed shares	(9,187)	(8,213)	(74,442)	(27,588)
Loss before income taxes	(7,930)	(573,282)	(69,217)	(718,639)
Deferred income taxes recovery	-	8,870	-	19,700
Net loss and comprehensive loss for the period	(61,829)	(564,412)	(248,847)	(698,939)
Basic and diluted net loss per share	(0.00)	(0.01)	(0.00)	(0.01)
Weighted average number of outstanding common shares	131,799,537	123,748,233	130,397,742	122,529,647

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

Melkior Resources Inc.

Condensed Interim Statements of Changes in Equity

May 31, 2015

(In Canadian dollars)

	Number of shares outstanding	Capital Stock	Contributed surplus	Deficit	Total Equity
		\$	\$	\$	\$
Balance at September 1, 2014	123,989,537	42,582,023	4,121,898	(38,687,843)	8,016,078
Common shares issued in private placement	7,810,000	390,500	-	-	390,500
Value attributed to warrants	-	(78,100)	78,100	-	-
Share issue expenses	-	-	7,500	(35,303)	(27,803)
Net loss and comprehensive loss	-	-	-	(248,847)	(248,847)
Balance at May 31, 2015	131,799,537	42,894,423	4,207,498	(38,971,992)	8,129,929

	Number of shares outstanding	Capital stock	Contributed surplus	Deficit	Total Equity
		\$	\$	\$	\$
Balance at September 1, 2013	119,522,870	42,448,723	4,030,898	(35,039,749)	11,439,872
Common shares issued in private placement	4,066,667	210,000	-	-	210,000
Common shares issued capitalized in exploration and evaluation expense	400,000	16,000	-	-	16,000
Value attributed to warrants	-	(73,000)	73,000	-	-
Share issue expenses	-	-	2,000	(6,550)	(4,550)
Flow through premium	-	(19,700)	-	-	(19,700)
Stock-based compensation	-	-	16,000	-	16,000
Net loss and comprehensive loss	-	-	-	(698,939)	(698,939)
Balance May 31, 2014	123,789,537	42,582,023	4,121,898	(35,744,939)	10,958,982
Net loss and comprehensive loss	-	-	-	(2,942,904)	(2,942,904)
Balance at August 31, 2014	123,989,537	42,582,023	4,121,898	(38,687,843)	8,016,078

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

Melkior Resources Inc.

Condensed Interim Statements of Cash Flows

May 31, 2015

(In Canadian dollars)

	Nine months ended	
	May 31, 2015	May 31, 2014
	\$	\$
Operating activities		
Net loss	(248,847)	(698,939)
Non-cash items:		
Stock-based compensation	-	16,000
Change in value of listed shares	74,442	27,588
Interest accrued on short-term investments	(1,138)	(1,821)
Write-off of exploration and evaluation assets	10,558	514,304
Deferred income taxes recovery	-	(19,700)
	<u>(114,035)</u>	<u>(162,569)</u>
Changes in non-cash working capital items		
Sales tax receivable and other receivables	1,412	(9,313)
Prepaid expenses	(4,319)	2,237
Accounts payable and accrued liabilities	(4,198)	10,369
	<u>(7,105)</u>	<u>3,293</u>
Cash flows used in operating activities	<u>(172,089)</u>	<u>(159,276)</u>
Investing activities		
Additions to mining properties	(2,673)	-
Tax credits cashed	-	23,434
Exploration and evaluation expenses	(218,005)	(207,535)
Cash flows used in investing activities	<u>(220,678)</u>	<u>(184,101)</u>
Financing activities		
Issuance of common shares	390,500	210,000
Share issue expenses	(27,803)	(4,550)
Cash flows from financing activities	<u>362,697</u>	<u>205,450</u>
Net changes in cash	(30,070)	(137,927)
Cash, beginning of period	254,579	437,185
Cash, end of period	<u>224,509</u>	<u>299,258</u>

See note 9 on supplemental disclosure of cash flow information

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

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

1. General information, nature of operations and going concern assumption

Melkior Resources Inc. (the "Company"), incorporated under the Canada Business Corporations Act, is a junior mining exploration company operating in Canada. The Company's operations include the acquisition and exploration of mining properties. The address of registered office is 3208, Richmond Road, Ottawa, Ontario, Canada, K2H 5B6. The Company's shares are listed on the TSX Venture Exchange under the symbol "MKR" and on the OTCQX Exchange in the U.S. under the symbol "MKRIF" and on the Frankfurt Stock Exchange under the symbol "MEK".

The financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income or cash flows from its operations, cast a doubt regarding the Company's ability to continue as a going concern. As at May 31, 2015, the Company has a cumulated deficit of \$38,971,992 (\$38,687,843 as at August 31, 2014). These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and continued support of suppliers and creditors. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. These adjustments could be material.

2. Summary of significant accounting policies

The significant accounting policies and measurement bases used in the preparation of these interim financial statements are described below.

a) Statement of compliance with IFRS

The Company applies IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of May 31, 2015. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended August 31, 2014. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending August 31, 2015 could result in restatement of these unaudited condensed interim financial statements.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

2. Summary of significant accounting policies (Cont'd)

The preparation of the condensed consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgements in applying the Company's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

b) Functional and presentation currency

The financial statements are presented in Canadian currency which is also the functional currency of the Company.

c) Exploration and evaluation expenses and mining properties

Exploration and evaluation ("E&E") expenses are costs incurred in the course of initial search for mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake E&E activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake E&E activities has been obtained, all costs of acquiring mineral rights or options to acquire such rights (option agreement), expenses related to the E&E of mining properties less refundable tax credits related to these expenses, are recognized as E&E assets. Expenses related to E&E include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the E&E phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 2d); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, E&E assets related to the mining property are transferred to property and equipment in mining assets under construction. Before the reclassification, E&E assets are tested for impairment (see Note 2d) and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, however these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

2. Summary of significant accounting policies (Cont'd)

Disposal of interest in connection with option agreement

On the disposal of interest in connection with option agreement, the Company does not recognize expenses related to E&E performed on the property by the acquirer. In addition, the cash or the shares consideration received directly from the acquirer is credited against the carrying amount of costs previously capitalized to the property, and the surplus is recognized as a gain on disposal of E&E assets in profit or loss.

d) Impairment of exploration and evaluation assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- ◆ the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- ◆ no further exploration or evaluation expenditures in the area are planned or budgeted;
- ◆ no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- ◆ sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

e) Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the president and the Board of Directors. The president and the Board of Directors have joint responsibility for allocating resources and assessing performance. The Company is of the opinion that there is only a single segment of business being the exploration and evaluation of mineral resources in Canada.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

2. Summary of significant accounting policies (Cont'd)

f) Provisions

Provisions are recognized when present legal and constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

No liability is recognized if an outflow of economic resources as a result of a present obligation is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's financial statements.

IFRS 9, Financial Instruments

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

4. Judgments, estimates and assumptions

When preparing the financial statements, management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

4.1 Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company and have the most significant effect on the financial statements.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See note 1 for more information.

4.2 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses are a subjective process involving judgment and a number of estimates and interpretations in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

In assessing impairment, the Company must make estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expense will be recovered from either future exploration or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

See note 7 for exploration and evaluation assets impairment analysis.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

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(in Canadian dollars)

4.2 Estimation uncertainty (Cont'd)

The total write-off of the exploration and evaluation assets recognized in profit or loss amounts to \$8,698 for the nine months ended May 31, 2015 (\$514,304 – May 31, 2014). The total impairment loss of the exploration and evaluation assets recognized in profit or loss amounts to \$1,860 for the nine months ended May 31, 2015 (\$NIL – May 31, 2014). No reversal of impairment losses has been recognized for the reporting periods.

No testing for impairment was conducted on the Vaillant (Raglan), Launay, Tiblemont, Carscallen and Big Marsh properties despite the fact that the carrying value of the Company's net assets is superior to its market capitalization and despite the fact that no significant fieldwork was undertaken on these properties during the year.

Management judged that there was no testing for impairment required this year on these properties, because despite unfavorable change of the overall climate of the sector as well as the general situation of the economy that have had an impact on the Company's capacity to raise additional capital in order to pursue its exploration activities, coupled with a decrease in share price, the Company has sufficient funds to respect its short term obligations and has both the intention and capacity to keep these properties until the economic context improves and the Company can thus pursue exploration activities on these properties after raising additional capital.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (Note 8).

Tax credits receivable

The calculation of the Company's refundable tax credit on qualifying exploration expenditures incurred and refundable credits involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit, exploration and evaluation assets, and income tax expense in future periods.

5. Cash

	May 31, 2015	August 31, 2014
	\$	\$
Cash	102,299	254,579
Cash for Canadian mining properties exploration	122,210	-
Total Cash	224,509	254,579

On October 20, 2014, the Company raised \$390,500 in a private placement of which \$331,925 is subject to the restrictions imposed by flow through financing arrangement. As at May 31, 2015, the Company had incurred expenditures of \$209,715 according to the restrictions imposed by this financing arrangement and had an obligation of \$122,210.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

6. Listed shares

All of the listed securities held by the Company were acquired through prior year's property option and sales transactions with the below listed companies. The Company does not purchase shares of publically listed companies on the open market. As at May 31, 2015, the following securities were included in the listed shares:

	Acquisition Cost	Fair value adjustment	Fair value
Common shares	\$	\$	\$
Arrowhead Gold Corp. - 243,750 common shares	1,248,000	(1,235,812)	12,188
Northcore Resources Inc. - 50,000 common shares	60,000	(58,500)	1,500
Green Swan Capital Corp. - 1,800,000 common shares	180,000	(126,000)	54,000
Lakeside Minerals Inc. - 187,500 common shares	52,500	(52,500)	-
Zara Resources Inc. - 316,000 common shares	27,429	(25,849)	1,580
Leo Resources Inc. - 22,500 common shares	-	1,125	1,125
Total	1,567,929	(1,497,536)	70,393
Preferred shares			
Zara Resources Inc. - 455,000 shares	45,500	-	45,500
Total	45,500	-	45,500
Total listed shares	1,613,429	(1,497,536)	115,893

On January 26, 2015, the Company received 91,000 common shares of Zara Resources Inc. ("Zara"), as payment for the accrued dividends on the Zara preferred shares. These shares were initially recorded a value of \$4,929, which is equal to the accrued dividends receivable as at January 26, 2015.

As at August 31, 2014, the following securities were included in the listed shares:

	Acquisition Cost	Fair value adjustment	Fair value
Common shares	\$	\$	\$
Arrowhead Gold Corp. - 243,750 common shares	1,248,000	(1,232,157)	15,843
Northcore Resources Inc. - 50,000 common shares	60,000	(55,000)	5,000
Green Swan Capital Corp. - 1,800,000 common shares	180,000	(81,000)	99,000
Lakeside Minerals Inc. - 187,500 common shares	52,500	(45,937)	6,563
Zara Resources Inc. - 225,000 common shares	22,500	(21,375)	1,125
Leo Resources Inc. - 22,500 common shares	-	12,375	12,375
Total	1,563,000	(1,423,094)	139,906
Preferred shares			
Zara Resources Inc. - 455,000 shares	45,500	-	45,500
Total	45,500	-	45,500
Total listed shares	1,608,500	(1,423,094)	185,406

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

7. Exploration and evaluation assets

During the nine months ended May 31, 2015, the Company incurred mining properties costs of \$2,673 (August 2014 - \$19,473) and exploration and evaluation expenses of \$218,005 (August 2014 - \$219,289). The Company also had write-offs of \$8,898 (August 2014 – \$611,670) and impairment losses of \$1,660 (August 2014 – \$2,868,535) of mining properties and exploration and evaluation expenses.

Mining properties	August 31,				May 31, 2015
	2014	Acquisitions	Impairment	Write-off	
	\$	\$	\$	\$	\$
Quebec					
Valliant (Raglan)	3,300	-	-	-	3,300
Kenty Lake	-	1,693	-	(1,693)	-
Launay	251,256	-	-	-	251,256
Tiblemont	9,984	84	-	-	10,068
Ontario					
Carscallen (Timmins)	139,805	460	-	-	140,265
Big Marsh (Timmins)	14,366	-	-	-	14,366
Long Lac	-	236	-	(236)	-
Rim Nickel (McFaulds)	-	200	(200)	-	-
	418,711	2,673	(200)	(1,929)	419,254

Mining properties	August 31, 2013				August 31, 2014
	Acquisitions	Impairment	Write-off		
	\$	\$	\$	\$	\$
Quebec					
Valliant (Raglan)	3,300	-	-	-	3,300
Launay	241,767	9,489	-	-	251,256
Tiblemont	-	9,984	-	-	9,984
Ontario					
Carscallen (Timmins)	139,805	-	-	-	139,805
Big Marsh (Timmins)	14,366	-	-	-	14,366
Fripp (Timmins)	16,850	-	-	(16,850)	-
Henderson	5,375	-	-	(5,375)	-
Long Lac	19,885	-	-	(19,885)	-
Rim Nickel (McFaulds)	400,053	-	(400,053)	-	-
	841,401	19,473	(400,053)	(42,110)	418,711

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

7. Exploration and evaluation assets (Cont'd)

Exploration and evaluation expenses	August 31, 2014	Expenditures	Impairment	Write-off	May 31, 2015
	\$	\$	\$	\$	\$
Quebec					
Launay	648,791	2,130	-	-	650,921
Tiblmont	790	-	-	-	790
Ontario					
Carscallen (Timmins)	6,259,875	206,197	-	-	6,466,072
Big Marsh (Timmins)	231,592	1,250	-	-	232,842
Bristol (Timmins)	-	6,368	-	(6,368)	-
Long Lac	-	400	-	(400)	-
Rim Nickel (McFaulds)	-	1,660	(1,660)	-	-
	<u>7,141,048</u>	<u>218,005</u>	<u>(1,660)</u>	<u>(6,768)</u>	<u>7,350,265</u>

Exploration and evaluation expenses	August 31, 2013	Expenditures	Impairment	Write-off	Tax credits	August 31, 2014
	\$	\$	\$	\$	\$	\$
Quebec						
Launay	640,065	13,967	-	-	(5,241)	648,791
Kenty Lake	-	1,450	-	(1,450)	-	-
Tiblmont	-	1,000	-	-	(210)	790
Ontario						
Carscallen (Timmins)	6,071,272	188,603	-	-	-	6,259,875
Big Marsh (Timmins)	230,425	1,167	-	-	-	231,592
Fripp (Timmins)	48,348	-	-	(48,348)	-	-
Bristol (Timmins)	36,161	-	-	(36,161)	-	-
Henderson	55,830	-	-	(55,830)	-	-
Long Lac	415,304	12,467	-	(427,771)	-	-
Rim Nickel (McFaulds)	2,467,847	635	(2,468,482)	-	-	-
	<u>9,965,252</u>	<u>219,289</u>	<u>(2,468,482)</u>	<u>(569,560)</u>	<u>(5,451)</u>	<u>7,141,048</u>

All impairment charges (or reversals, if any) are included within Impairment of exploration and evaluation assets in profit or loss. All write-off are presented separately and included within Write-off of exploration and evaluation assets in profit or loss.

Quebec

a) Launay

The Company holds 136 claims located in Launay township, Quebec. Certain claims are subject to a 1% Net Smelter Return ("NSR") royalty.

On November 5, 2013, the Company announced that it had entered into an option and joint-venture agreement with Beaufield Resources Inc. ("Beaufield") on its wholly owned Launay gold project (the "Project") located in Launay Township, in the province of Quebec.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

7. Exploration and evaluation assets (Cont'd)

Under the terms of the agreement, Beaufield will have the option to earn an interest of up to 50% in the Project by incurring exploration expenditures aggregating \$1,250,000 over five years, with a minimum \$250,000 of exploration expenditures in the first year. Beaufield will earn 10% interest for each \$250,000 of exploration expenses.

As at May 31, 2015, Beaufield incurred \$372,314 of exploration expenditures on this property and has earned its initial 10% interest in the property. Melkior has remained the operator.

b) *Ungava and Kenty Lake*

The Company holds a 49% interest in the Delta-Kenty property located in the Ungava region in Quebec. During the year ended August 31, 2014, management had determined that Kenty Lake property no longer fit into the Company's strategic plans and would not renew the claims when they expired. As a result the Company has written off the deferred exploration expenses of \$NIL of Kenty Lake property (\$1,450 on the Ungava property in 2014).

c) *Valliant (Raglan)*

On April 16, 2013, the Company acquired 33 claims, located in the Ungava nickel, copper platinum group belt of northern Quebec by map staking. The claims are located 25 kilometers east of the Company's 49% owned Kenty Lake property. These claims were acquired by the Company through map staking and as a result Melkior has a 100% ownership in the claims and there is no NSR.

d) *Tiblemont*

The Company owns 100% interest in 3 mineral claims in Tiblemont Township located 43 km east of Val-d'Or, Quebec. The Company owns a 100% interest in 30 adjacent claims covering 480 hectares. The three new Tiblemont claims were acquired for 200,000 common shares (valued at \$8,000 based on the closing market price on the date of issuance) and a 2% Net Smelter Return Royalty with an optional buy back of 1% for \$1,000,000.

e) *Other property in Quebec*

The Company holds claims in the Vauquelin property. The Vauquelin property and deferred exploration expenses were written off in 2005.

Ontario

f) *Timmins*

i) *Carscallen*

The Company holds a 100% interest in the Carscallen property, west of Timmins. Some claims are subject to a 1.5% NSR royalty while another group of claims is subject to a 2% NSR of which the Company has the right to buy out half (1%) of the NSR for \$1,000,000.

In October and November, 2010, the Company signed three agreements to acquire 100% interests in additional mining claims in consideration of \$10,000 cash and two 2% NSR royalties of which 1% can be repurchased for \$500,000 each.

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Notes to the Condensed Interim Financial Statements

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7. Exploration and evaluation assets (Cont'd)

On October 4, 2013, the Company announced that it has signed a memorandum of understanding ("MOU") with the First Nations. Under the new Ontario Mining Act, mineral exploration companies are required to undertake consultation with the First Nations that have traditional rights and treaty rights on the lands being explored. The MOU indicates a recognition and respect for these rights as part of the consultation process. As part of the MOU, the Company has to issue 200,000 common shares, with a deemed value of \$8,000 based on the closing market price, in recognition of the importance of the assistance provided in this process. The Company issued the shares on December 23, 2013. The Company will pay 2% of all exploration costs eligible for assessment credit to the Mattagami First Nations.

ii) *Bristol*

In 2009, the Company staked the claims in the Bristol Township, West Timmins. On August 19, 2009, the Company signed a letter of intent with Northcore Resources Inc. ("Northcore") whereby Northcore can acquire a 50% interest in the Bristol property. Northcore issued 1,000,000 of its common shares to the Company (valued at \$60,000 as per the value on the Toronto Venture stock exchange of Northcore shares on August 19, 2009) and will undertake \$400,000 of exploration work over a period of 48 months on the claims to earn the 50% interest.

On July 11, 2013, the Company and Northcore amended the August 19, 2009 option agreement. The amendments to the agreement allow Northcore until October 31, 2016 to incur \$200,000 of exploration expenses to acquire a 50% interest in the Bristol property.

The Company is the operator.

During the year ended August 31, 2014, the Company assessed that this project no longer fell within the Company's strategic plans. Management assessed the property as impaired and the Company recognized a write-off of exploration and evaluation expenses of \$6,369 (2014 - \$36,161).

iii) *Big Marsh*

The Company holds claims in the Carscallen Township near Timmins, subject to two 2% NSR, half (1%) of which may be repurchased for \$1,000,000 each.

h) *Long Lac*

The Company acquired the Long Lac property through staking in Beardmore-Geraldton and owns 100% of two blocks. During the year ended August 31, 2014, management had determined that this property no longer fit into the Company's strategic plans and would not renew the claims when they expired. As a result a write-off of property cost and deferred exploration expenses of \$236 and \$400 respectively (2014 - \$19,885 and \$427,771 respectively).

j) *Rim Nickel - McFaulds*

Rim Nickel East

The Company holds 100% of the Rim Nickel East property located in the McFaulds Lake area. The property is subject to a 2% NSR royalty half (1%) of which can be repurchased by the Company for \$2,000,000.

During the year ended August 31, 2014, management had reviewed the existing data and determined that the Company would continue active exploration on this property. However, the claim package would be significantly reduced to focus on the claims with the greatest potential and therefore an impairment charge was recorded for all of property costs and deferred exploration expenses.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

8. Share capital

Authorized:

The Company's authorized share capital consists of:

- a) an unlimited number of common shares of no par value, voting and participating
- b) an unlimited number of preferred shares with an 8% non-cumulative dividend, redeemable at the request of the Company at paid up capital.

2015 Fiscal year issuances

On October 20, 2014, the Company sold a total of 781 units, at a price of \$500 per unit, for total gross proceeds of \$390,500. Each unit consisted of 8,500 flow through and 1,500 non-flow through common shares and 10,000 common share purchase warrants, each warrant entitling the holder thereof to acquire one additional common share of the Company at a price of \$0.05 per share for a period of 24 months. All warrants issued in the private placement carry an accelerator clause to which takes effect after 12 months if the Company's stock trades above \$0.10 ("the triggering event"). The accelerator clause requires the warrant to be exercised within 30 days of the triggering event prior to the warrant expiring. An amount of \$78,100 related to warrants was recorded to contributed surplus.

In connection with this private placement, the Company paid a finders' fee of up to \$27,803 cash commission and 555,750 warrants, valued at \$7,500, using the Black Scholes valuation model, for a total share issue expenses of \$35,303 accounted into the deficit. The broker's warrants had the same terms as the placement warrants.

b) Stock option plan

The Company maintains a stock option plan (the "Plan") pursuant to which options to purchase common shares may be granted for its eligible directors, officers and employees of the Company as well as persons providing ongoing services to the Company.

The number of shares to be delivered upon the exercise of all options granted under the plan shall not exceed 10,948,000, being slightly less than 10% of the Company's issued and outstanding shares at the time.

Unless indicated otherwise by the Board at the time of grant, 1/6 of options granted shall vest every three months from the date of the grant.

In the event that an optionee ceases to be an eligible person prior to the expiry date of his options, the options shall expire 12 months after the termination date or on the expiry date, whichever comes first (except for persons providing investor relations activities who will remain subject to a 30 day expiry period). In the event of termination with cause, the options of an eligible person shall expire on the date of the notice of termination.

Options shall no longer be subject to a 4 month hold period from the date of grant.

The purchase price of the common shares, upon exercise of each option granted under the Plan, shall be a price fixed for such option by the Board of Directors upon grant of each such option, but such price shall not be less than the market price at closing of transactions the day prior to the grant. Each option, unless sooner terminated in accordance with the terms, conditions and limitations thereof, or unless sooner exercised, shall expire on the date determined by the Board of Directors when the option is granted or, failing such determination, not later than upon the fifth anniversary of the grant of the option.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

8. Share capital (Cont'd)

The total number of options granted to any one individual in any 12 month period, will not exceed 5% of the issued common shares. The total number of options granted to a consultant, in any 12 month period, will not exceed 2% of the issued common shares at the time of grant. The total number of options granted to persons providing investor relations activities, in any 12 month period, will not exceed 2% of the issued common shares at the time of grant. These options must vest in stages over a 12 month period from the date of grant with no more than 25% of the options vesting in any three month period.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

A summary of changes of the Company's common share purchase options is presented below for the nine months ending May 31, 2015, and the year ended August 31, 2014:

	May 31, 2015		August 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted Average exercise price
		\$		\$
Balance at beginning of the period	8,100,000	0.18	8,900,000	0.20
Granted	-	-	600,000	0.10
Cancelled/forfeited	(1,100,000)	0.20	(700,000)	0.28
Expired	(600,000)	0.36	(700,000)	0.27
Balance at end of the period	<u>6,400,000</u>	0.16	<u>8,100,000</u>	0.18
Exercisable at the end of the period	<u>6,400,000</u>	0.16	<u>8,100,000</u>	0.18

During the nine months ended May 31, 2015, 1,100,000 stock options granted to consultants were forfeited. The options had a weighted average exercise price of \$0.20 and expired between July and April 2018.

The following table summarizes information about common share purchase options outstanding and exercisable as at May 31, 2015 and August 31, 2014:

May 31, 2015			August 31, 2014		
Number of options	Exercise Price	Expiry date	Number of options	Exercise Price	Expiry date
	\$			\$	
1,200,000	0.20	July 16, 2015	600,000	0.36	December 30, 2014
1,500,000	0.27	December 23, 2015	1,600,000	0.20	July 16, 2015
3,100,000	0.10	April 30, 2018	1,900,000	0.27	December 23, 2015
600,000	0.10	December 18, 2018	3,400,000	0.10	April 30, 2018
6,400,000			<u>600,000</u>	0.10	December 18, 2018
			8,100,000		

There were no stock options granted in the nine months ended May 31, 2015.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

8. Share capital (Cont'd)

c) Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares, as follows:

	<u>May 31, 2015</u>		<u>August 31, 2014</u>	
	<u>Number of warrants</u>	<u>Weighted average exercise price</u>	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
		\$		\$
Balance at beginning of the period	4,668,667	0.06	10,080,999	0.36
Issued	7,810,000	0.05	4,066,667	0.05
Expired	(602,000)	0.10	(9,478,999)	0.38
Balance at end of the period	<u>11,876,667</u>	0.05	<u>4,668,667</u>	0.06

Warrants outstanding as at May 31, 2015, and August 31, 2014 are as follows:

	<u>May 31, 2015</u>		<u>August 31, 2014</u>	
<u>Expiry date</u>	<u>Number of warrants</u>	<u>Exercise Price</u>	<u>Number of warrants</u>	<u>Exercise Price</u>
		\$		\$
October 16, 2015	3,400,000	0.05	602,000	0.10
December 23, 2015	666,667	0.06	3,400,000	0.05
October 20, 2016	7,810,000	0.05	666,667	0.06
	<u>11,876,667</u>		<u>4,668,667</u>	

d) Warrants issued as compensation

A summary of changes of the Company's warrants issued as compensation is presented below:

	<u>May 31, 2015</u>		<u>August 31, 2014</u>	
	<u>Number of warrants</u>	<u>Weighted average exercise price</u>	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
		\$		\$
Balance at beginning of the period	120,000	0.05	-	-
Issued	555,750	0.05	120,000	0.05
Balance at end of the period	<u>675,750</u>	0.05	<u>120,000</u>	-

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

8. Share capital (Cont'd)

The average fair value of the broker's warrants issued of \$0.01 was determined using the Black-Scholes option pricing model and based on the following average assumptions:

	May 31, 2015
Share price at the date of grant	\$0.04
Exercise price at the date of grant	\$0.05
Risk free interest rate	1.10%
Expected volatility	87.98%
Expected dividend	-
Expected life (years)	2
Estimated fair value per warrant	\$0.014
Estimated fair value	\$7,500

The underlying expected volatility was determined by reference to historical data of the Company's shares on the TSX Venture Exchange over the expected average life of the warrants issued as compensation.

e) Policies and processes for managing capital

The capital of the Company consists of the items included in shareholders' equity of \$8,129,929 as of May 31, 2015 (\$8,016,078 as of August 31, 2014). The Company's objectives when managing capital are to safeguard its ability to continue its operations as well as its acquisition and exploration programs. As needed, the Company raises funds through private placements. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve. The Company doesn't use long term debts since it doesn't generate operating revenues. There is no dividend policy. The Company doesn't have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, unless the Company closes a flow-through private placement where the funds are restricted in use for exploration expenses. The Company complied with the requirements in the fiscal years.

9. Statement of cash flows

	May 31,	
	2015	2014
	\$	\$
Additional information		
Additions of E&E expenses included in accounts payable and accrued liabilities	19,012	7,950
Common shares to be issued included in E&E expenses	-	8,000

10. Compensation to key management and related party disclosures

The Company's related parties include a company controlled by an officer and key management, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

10. Compensation to key management and related party disclosures (cont'd)

a) Compensation to key management

The Company's key management personnel are members of the Board of Directors (of which the president of the Company is a member) as well as the chief financial officer. Key management compensation is as follows:

	Nine months ended	
	May 31, 2015	May 31, 2014
	\$	\$
Short-term benefits		
Salaries including benefits	836	874
Professional fees	26,356	20,828
Professional fees capitalized in E&E expenses	17,650	19,390
Total short-term benefits	44,842	41,092
Stock-based compensation	-	16,000
Total compensation	44,842	57,092

b) Transactions with other related party

In the normal course of operations for the nine months ended May 31, 2015, and 2014, in addition to the amounts listed above in the compensation to key management, a company controlled by a Company's officer charged rent totaling \$13,500 (\$13,500 in 2014) expensed in office expenses.

As at May 31, 2015, the balance due to the related parties amounted to \$2,685 (August 31, 2014 - \$4,610) and was recorded in accounts payable and accrued liabilities.

11. Financial Instruments

a) Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the statement of financial position are as follows:

	May 31, 2015		August 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
<i>At amortized cost</i>				
Cash	224,509	224,509	254,579	254,579
Other receivables ⁽¹⁾	783	783	22,024	22,024
	225,292	225,292	276,603	276,603
<i>At fair value through profit or loss</i>				
Listed shares	70,393	70,393	139,906	139,906
Preferred shares	45,500	45,500	45,500	45,500
	115,893	115,893	185,406	185,406
Financial liabilities				
<i>At amortized cost</i>				
Accounts payable and accrued liabilities	25,143	25,143	16,963	16,963

(1) Other receivables does not include sales tax receivable.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

11. Financial Instruments (Cont'd)

The carrying value of cash, other receivables, accounts payable and accrued liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

b) Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. Listed common shares of companies in quoted mining exploration companies measured at fair value as at May 31, 2015, and August 31, 2014, are classified in Level 1. Preferred shares of mining exploration companies measured at fair value as at May 31, 2015, and August 31, 2014, are classified in Level 2.

c) Financial instrument risk

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities are summarized in Note 11 a).

The most significant financial risks to which the Company is exposed are described below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to other price risk.

The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial instruments for speculative purposes.

Other price risk sensitivity

The Company is exposed to fluctuations in the market prices of its listed shares in quoted mining exploration companies. The fair value of the listed shares represents the maximum exposure to price risk. If the quoted stock price for these securities had changed by $\pm 20\%$ as at May 31, 2015, and August 31, 2014, net loss and equity would have changed by \$14,079 and \$37,081 respectively.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

As at May 31, 2015

(in Canadian dollars)

11. Financial Instruments (cont'd)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. As at May 31, 2015, and August 31, 2014, the Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	May 31, 2015	August 31, 2014
	\$	\$
Cash	224,509	254,579
Other receivables	783	22,024
Total	225,292	276,603

The other receivables are from joint exploration costs and management fees charged to Beaufield Resources Inc. on the Launay project as well as dividends receivable from the preferred shares acquired from Zara Resources Inc. upon disposal of the River bank claims. The exposure to credit risk for the Company's receivables has to be monitored continuously. In 2015 and 2014, the Company did not record any impairment loss on its other receivables.

As at May 31, 2015, the Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount. Over the past period, the Company has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties through private and flow-through financings.

The following table presents contractual maturities (including interest payments where applicable) of the Company's liabilities:

	May 31, 2015 carrying amount	August 31, 2014 carrying amount
	\$	\$
Within three months: Accounts payable and accrued liabilities	25,143	29,341

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash, tax credits receivable and listed shares. These financial assets exceed the current cash outflow requirements.

Melkior Resources Inc.

Notes to the Condensed Interim Financial Statements

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(in Canadian dollars)

12. Contingencies and commitments

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements;
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

As at May 31, 2015, the Company had outstanding un-incurred flow through renunciation liabilities of \$122,210 (\$NIL – August 31, 2014).

13. Event after the reporting period

There were no significant events after the reporting date.