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**MELKIOR RESOURCES INC.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**THREE AND SIX MONTHS ENDED**  
**FEBRUARY 29, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**Notice To Reader**

The accompanying unaudited condensed interim financial statements of Melkior Resources Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

**Melkior Resources Inc.**  
**Condensed Interim Statements of Financial Position**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

	As at February 29, 2020	As at August 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 769,505	\$ 1,023,410
Sales tax receivable and other receivables (note 6)	14,489	31,528
Prepaid expenses	9,700	8,550
Marketable securities (note 7)	310,000	490,000
<b>Total current assets</b>	<b>1,103,694</b>	<b>1,553,488</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (note 8)	10,584,722	10,287,019
<b>Total assets</b>	<b>\$ 11,688,416</b>	<b>\$ 11,840,507</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 10)	\$ 18,369	\$ 26,382
Amount due to a related company	-	24,219
<b>Total liabilities</b>	<b>18,369</b>	<b>50,601</b>
<b>Equity</b>		
Share capital (note 9)	46,244,273	46,244,273
Contributed surplus (note 9)	4,941,370	4,798,370
Deficit	(39,515,596)	(39,252,737)
<b>Total equity</b>	<b>11,670,047</b>	<b>11,789,906</b>
<b>Total equity and liabilities</b>	<b>\$ 11,688,416</b>	<b>\$ 11,840,507</b>

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

Going concern (note 2)  
Subsequent event (note 12)

## Melkior Resources Inc.

### Condensed Interim Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended February 29, 2020	Three Months Ended February 28, 2019	Six Months Ended February 29, 2020	Six Months Ended February 28, 2019
<b>Expenses</b>				
Consulting and management fees (note 10)	\$ 22,500	\$ 9,000	\$ 38,175	\$ 18,000
Office and general	5,933	3,153	10,976	4,863
Professional fees (note 10)	25,205	24,421	36,591	35,806
Regulatory fees (note 10)	27,007	22,224	33,455	36,097
Share-based payments (note 10)	143,000	278,916	143,000	278,916
Travel and promotion	-	-	315	-
<b>Net loss before other items</b>	<b>(223,645)</b>	<b>(337,714)</b>	<b>(262,512)</b>	<b>(373,682)</b>
<b>Other items</b>				
Interest income	923	2,405	2,473	3,236
Gain (loss) on marketable securities (note 7)	6,347	9,745	(27,039)	81,655
Other income	-	194,340	24,219	194,340
<b>Net and comprehensive loss for the period</b>	<b>\$ (216,375)</b>	<b>\$ (131,224)</b>	<b>\$ (262,859)</b>	<b>\$ (94,451)</b>
<b>Basic and diluted net loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>19,365,725</b>	<b>18,776,543</b>	<b>19,365,725</b>	<b>18,147,545</b>

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

**Melkior Resources Inc.**  
**Condensed Interim Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

	<b>Six Months Ended February 29, 2020</b>	<b>Six Months Ended February 28, 2019</b>
<b>Operating activities</b>		
Net loss for the period	\$ (262,859)	\$ (94,451)
Adjustments for:		
Share-based payments	143,000	278,916
Loss (gain) on marketable securities	27,039	(81,655)
Interest income	(2,473)	(3,236)
Other income	(24,219)	(194,340)
Changes in non-cash working capital items:		
Sales tax receivable and other receivables	17,039	(62,310)
Prepaid expenses	(1,150)	13,225
Amounts payable and other liabilities	(8,013)	(4,902)
<b>Net cash used in operating activities</b>	<b>(111,636)</b>	<b>(148,753)</b>
<b>Investing activities</b>		
Prepaid expenditures	-	41,000
Exploration and evaluation assets expenditures	(297,703)	(1,165,629)
Proceeds from sale of marketable securities	152,961	-
Interest income	2,473	3,236
<b>Net cash used in investing activities</b>	<b>(142,269)</b>	<b>(1,121,393)</b>
<b>Financing activities</b>		
Shares issued for cash, net of issue costs	-	1,139,589
Warrants exercised	-	10,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>1,149,589</b>
<b>Net change in cash</b>	<b>(253,905)</b>	<b>(120,557)</b>
<b>Cash, beginning of period</b>	<b>1,023,410</b>	<b>1,241,166</b>
<b>Cash, end of period</b>	<b>\$ 769,505</b>	<b>\$ 1,120,609</b>

Supplemental disclosure with respect to cash flow (note 11)

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

**Melkior Resources Inc.**  
**Condensed Interim Statements of Changes in Equity**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

	Share capital					Total
	Number of shares	Share capital	Contributed surplus	Deficit		
<b>Balance, August 31, 2018</b>	<b>17,517,294</b>	<b>\$ 45,171,037</b>	<b>\$ 4,513,787</b>	<b>\$ (39,267,136)</b>	<b>\$ 10,417,688</b>	
Shares issued for cash, net of flow-through premium	1,411,765	917,647	-	-	917,647	
Share issue costs	-	(60,411)	-	-	(60,411)	
Warrants exercised	20,000	10,000	-	-	10,000	
Fair value warrants exercised	-	2,000	(2,000)	-	-	
Share-based payments	-	-	278,916	-	278,916	
Net comprehensive loss for the period	-	-	-	(94,451)	(94,451)	
<b>Balance, February 28, 2019</b>	<b>18,949,059</b>	<b>\$ 46,040,273</b>	<b>\$ 4,790,703</b>	<b>\$ (39,361,587)</b>	<b>\$ 11,469,389</b>	
<b>Balance, August 31, 2019</b>	<b>19,365,725</b>	<b>\$ 46,244,273</b>	<b>\$ 4,798,370</b>	<b>\$ (39,252,737)</b>	<b>\$ 11,789,906</b>	
Share-based payments	-	-	143,000	-	143,000	
Net comprehensive loss for the period	-	-	-	(262,859)	(262,859)	
<b>Balance, February 29, 2020</b>	<b>19,365,725</b>	<b>\$ 46,244,273</b>	<b>\$ 4,941,370</b>	<b>\$ (39,515,596)</b>	<b>\$ 11,670,047</b>	

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

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# Melkior Resources Inc.

## Notes to Condensed Interim Financial Statements

Three and Six Months Ended February 29, 2020

(Expressed in Canadian Dollars)

Unaudited

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### 1. Nature of operations

Melkior Resources Inc. (the "Company"), incorporated under the *Business Corporations Act* (Canada), is a junior mining exploration company operating in Canada. The Company's operations include the acquisition and exploration of mineral properties in Canada. The address of the registered office is 1680 – 200 Burrard Street, Vancouver, BC, Canada, V6C 3L6, and its principal place of business is 207 - 66 Brousseau Avenue, Timmins, Ontario, Canada, P4N 5Y2. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "MKR", on the OTCQX Exchange in the United States under the symbol "MKRIF" and on the Frankfurt Stock Exchange under the symbol "MEK".

On January 24, 2018, at the Annual General and Special Meeting, the shareholders voted to approve the continuation of the Company into British Columbia under the *Business Corporations Act (British Columbia)* from federal jurisdiction. The continuation took effect on February 20, 2018.

### 2. Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has earned a net income during the six months ended February 29, 2020 of \$(262,859) (six months ended February 28, 2019 - income of \$(94,451)) and has a deficit at February 29, 2020 of \$39,515,596 (August 31, 2019 - \$39,252,737), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. The Company is in the exploration stage and, accordingly, has not yet commenced revenue-producing operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

If the going concern assumption were not appropriate for these financial statements then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used. Such adjustments could be material.

### 3. Basis of presentation

#### (a) Statement of compliance

The unaudited condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The unaudited condensed interim financial statements of the Company should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 22, 2020.

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**Melkior Resources Inc.**  
**Notes to Condensed Interim Financial Statements**  
**Three and Six Months Ended February 29, 2020**  
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**3. Basis of presentation (continued)**

**(b) Basis of measurement**

These unaudited condensed interim financial statements have been prepared under the historical cost basis, except for financial instruments measured at fair value. These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

**(c) Functional and presentation currency**

The unaudited condensed interim financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

**4. Significant accounting policies**

The unaudited condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in note 4 to the audited financial statements for the year ended August 31, 2019.

**5. Critical accounting estimates and judgments**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

**(a) Impairment of exploration and evaluation assets**

The application of the Company's accounting policy for exploration and evaluation expenditure and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made 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 the profit or loss in the year the new information becomes available.

**(b) Title to mineral property interests**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

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## Melkior Resources Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended February 29, 2020

(Expressed in Canadian Dollars)

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#### 5. Critical accounting estimates and judgments (continued)

##### (c) *Income taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

##### (d) *Going concern*

The assessment of the Company's ability to continue as a going concern requires significant judgment. The financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in Note 2.

##### Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

##### *Decommissioning liabilities*

Rehabilitation provisions are created based on the Company's internal estimates. Assumptions, based on the current economic environment, are made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at February 29, 2020, the Company has no known rehabilitation requirements and accordingly, no provision has been made.

##### *Fair value of investments in unquoted equity investment*

The Company has \$300,000 investment in IR Battery Resources and Processing Inc., a private entity's shares. Management estimates cost approximates fair value as there is insufficient more recent information available to measure fair value. There are no indicators that cost might not be representative of fair value.

## Melkior Resources Inc.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended February 29, 2020  
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### 6. Sales tax receivable and other receivables

	As at February 29, 2020	As at August 31, 2019
Sales tax receivable	\$ 14,489	\$ 31,528

### 7. Marketable securities

All of the marketable securities held by the Company were acquired through current and prior year's property option and sales transactions with the below listed companies. The Company does not purchase shares of publicly-listed companies on the open market. As at February 29, 2020, the following securities were included in marketable securities:

	Number of shares	Acquisition cost	Fair value adjustment	Fair value
Northcore Resources Inc.	50,000	\$ 60,000	\$ (60,000)	\$ -
CBLT Inc.	1,000,000	100,000	(90,000)	10,000
IR Battery Resource and Processing Inc.	600,000	300,000	-	300,000
		\$ 460,000	\$ (150,000)	\$ 310,000

During the six months ended February 29, 2020:

- The Company sold 50,000 shares of Osisko Mining Inc. for proceeds of \$152,961 and loss of \$54,508.

As at August 31, 2019, the following securities were included in marketable securities:

	Number of shares	Acquisition cost	Fair value adjustment	Fair value
Northcore Resources Inc.	50,000	\$ 60,000	\$ (60,000)	\$ -
CBLT Inc.	1,000,000	100,000	(85,000)	15,000
Osisko Mining Inc.	50,000	207,469	(32,469)	175,000
IR Battery Resources and Processing Inc.	600,000	300,000	-	300,000
		\$ 667,469	\$ (177,469)	\$ 490,000

During the year ended August 31, 2019:

- 2,500,000 shares of Beaufield Resources Inc. ("Beaufield") held by the Company were exchanged for 120,500 shares of Osisko Mining Inc. ("Osisko") (TSX: OSK) as a result of Osisko's acquisition of Beaufield.
- The Company sold 70,500 shares of Osisko for proceeds of \$247,824 and loss of \$44,708.
- 212,600 shares of Zara Resources Inc. held by the Company were exchanged for 5,915 shares of Ionic Brands Corp. which were then sold for proceeds of \$2,711 and loss of \$72,114.
- The Company sold 90,000 shares of Tempus Capital Inc. for proceeds of \$9,828 and gain of \$9,828.
- 62,500 shares of Lieange Grow Company ("Lineage") held by the Company were exchanged for 1,494 shares of Harborside Inc., which were then sold for proceeds of \$11,832 and loss of \$40,668.
- 100,000 shares of CBLT Inc. were sold for proceeds of \$1,990 and loss of \$8,010.
- The Company recognized unrealized gain of \$350,294 from the change in fair value of the marketable securities.

## Melkior Resources Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended February 29, 2020

(Expressed in Canadian Dollars)

Unaudited

#### 8. Exploration and evaluation assets

	Quebec		Ontario		Total
	Urban	Carscallen	Hemlo		
<b>Property acquisition costs</b>					
Balance, August 31, 2018	\$ 43,324	\$ 218,068	\$ 143,222	\$	404,614
Claim maintenance	22,665	-	-		22,665
Balance, February 28, 2019	65,989	218,068	143,222		427,279
Balance, August 31, 2019	71,935	218,068	144,272		434,275
Claim maintenance	-	1,000	8,650		9,650
Balance, February 29, 2020	\$ 71,935	\$ 219,068	\$ 152,922	\$	443,925
<b>Property exploration costs</b>					
Balance, August 31, 2018	\$ 551,665	\$ 7,386,354	\$ 78,391	\$	8,016,410
Camp	371,105	-	-		371,105
Consulting	72,667	-	-		72,667
Core cutting	17,722	-	-		17,722
Drilling	290,731	-	-		290,731
Geochemistry	27,962	-	-		27,962
Geology and prospecting	124,303	1,766	-		126,069
Geophysics	83,231	-	153,987		237,218
Line cutting	29,981	-	-		29,981
Balance, February 28, 2019	1,569,367	7,388,120	232,378		9,189,865
Balance, August 31, 2019	2,188,972	7,388,624	275,148		9,852,744
Assays	-	20,075	-		20,075
Camp	15,898	-	-		15,898
Consulting	-	15,000	-		15,000
Drilling	-	134,135	-		134,135
Geology and prospecting	21,804	70,441	10,500		102,745
Geophysics	-	-	200		200
Balance, February 29, 2020	\$ 2,226,674	\$ 7,628,275	\$ 285,848	\$	10,140,797
<b>Total exploration and evaluation assets</b>					
August 31, 2019	\$ 2,260,907	\$ 7,606,692	\$ 419,420	\$	10,287,019
February 29, 2020	\$ 2,298,609	\$ 7,847,343	\$ 438,770	\$	10,584,722

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## Melkior Resources Inc.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended February 29, 2020  
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### 8. Exploration and evaluation assets (continued)

#### Quebec

##### (a) Urban

During the year ended August 31, 2017, the Company acquired claims in the Urban area of Quebec through map staking. The Company has a 100% ownership in the claims and there is no net smelter return royalty ("NSR").

During the year ended August 31, 2018, the Company acquired additional claims through staking.

##### (b) Launay

On March 21, 2016, the Company sold an undivided 50% interest in Launay to Beaufield for \$150,000 and 3,000,000 common shares of Beaufield, valued at \$240,000. This agreement terminated a previous agreement signed in November 2013. The proceeds of the sale were accounted for as a reduction in exploration and evaluation assets of \$390,000.

On July 14, 2017, the Company sold the remaining 50% interest in Launay to Beaufield for \$125,000 and 2,500,000 common shares of Beaufield valued at \$500,000. The proceeds of the sale were accounted for as a reduction in exploration and evaluation assets of \$517,434 and a gain on sale of exploration and evaluation assets of \$107,566.

The Company retains a 1.5% NSR on the property, of which one-half may be purchased by Beaufield for \$750,000.

##### (c) Valliant (Raglan)

On April 16, 2013, the Company acquired claims located in the Ungava nickel, copper and platinum group belt of northern Quebec by map staking. The Company has a 100% ownership in the claims and there is no NSR. The Company has no exploration plans for this property at this time, and accordingly, capitalized costs of \$3,300 were written off during the year ended August 31, 2017.

##### (d) Tiblemont

The Company owns a 100% interest in three mineral claims in Tiblemont Township, Quebec. The Company owns a 100% interest in adjacent claims. On May 12, 2014, three claims were acquired for 20,000 common shares (valued at \$8,000) and a 2% NSR with an optional buy back of 1% for \$1,000,000. The Company has no exploration plans for this property at this time, and accordingly, capitalized costs of \$16,746 were written off during the year ended August 31, 2017.

##### (e) Kenty Lake

The Company holds a 49% interest in the Delta-Kenty property located in the Ungava region in Quebec. The deferred expenditures of \$1,200 were written off during the year ended August 31, 2016.

During the year ended August 31, 2018, the Company sold its interest in Kenty Lake to IR Battery for \$600,000 and 300,000 common shares of IR Battery valued at \$150,000. The proceeds of the sale were accounted for as a gain on sale of exploration and evaluation assets of \$750,000.

Pursuant to the terms of the sales agreement, IR Battery will participate and subscribe for up to \$100,000 of securities as part of the next flow-through financing conducted by Melkior, provided that such financing (i) occurs within 12 months of the closing date, and (ii) is for total gross proceeds of not less than \$500,000.

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## **Melkior Resources Inc.**

### **Notes to Condensed Interim Financial Statements**

**Three and Six Months Ended February 29, 2020**

**(Expressed in Canadian Dollars)**

**Unaudited**

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#### **8. Exploration and evaluation assets (continued)**

##### Ontario

##### **(f) Carscallen**

The Company holds a 100% interest in the Carscallen property, west of Timmins. Some claims are subject to a 1.5% NSR while another group of claims is subject to a 2% NSR, of which the Company may buy back one-half 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.

In October 2013, the Company signed a memorandum of understanding ("MOU") with the Mattagami First Nations. As part of the MOU, the Company issued 20,000 common shares (valued at \$8,000) on December 23, 2013. The Company will pay 2% of all exploration costs eligible for assessment credit to the Mattagami First Nation.

On April 7, 2016, the Company issued 21,000 common shares (valued at \$8,400) for the acquisition of a 100% interest in an additional mining claim, totaling 64 hectares, from an arm's length party.

During the year ended August 31, 2017, the Company acquired additional claims through cash purchase agreements and staking. One of the claims is subject to a 2% NSR.

During the year ended August 31, 2018, the Company entered into three agreements for the purchase of six additional claims for the Carscallen property. The Company paid \$12,500 and issued 10,000 common shares (valued at \$7,000) as consideration. Two of the claims are subject to a 2% NSR.

During the year ended August 31, 2017, the Company paid \$5,000 for a 100% interest in a claim located in the Carscallen Township. This claim is part of the Big Marsh property, where the Company has existing claims. The previous claims were deemed impaired during the year ended August 31, 2016.

The Company also holds a 100% interest in claims forming the Bristol property acquired through staking during the year ended August 31, 2017.

##### **(g) Hemlo**

On May 12, 2017, the Company entered into an agreement to acquire a 100% interest in the Hemlo property. The Company paid \$5,000 and issued 150,000 common shares (valued at \$90,000) as consideration. The vendor holds a 3% NSR, of which one-third may be purchased by the Company for \$1,000,000.

During the year ended August 31, 2017, the Company acquired additional claims through cash purchase agreements and staking.

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## Melkior Resources Inc.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended February 29, 2020  
(Expressed in Canadian Dollars)  
Unaudited

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### 9. Share capital

#### (a) Authorized share capital

- (i) an unlimited number of common shares without par value, voting and participating; and
- (ii) an unlimited number of preferred shares with an 8% non-cumulative dividend, redeemable at the request of the Company at paid-up capital.

On February 26, 2020, the Company affected a 10-to-1 stock consolidation, which has been retrospectively applied in these financial statements.

#### (b) Issued

During the six months ended February 29, 2020

There were no activities during the period.

During the year ended August 31, 2019

During the year ended August 31, 2019, 200,000 warrants were exercised for gross proceeds of \$10,000.

On December 6, 2018, the Company closed a non-brokered flow-through private placement and issued 941,177 flow-through shares at \$0.85 per share for gross proceeds of \$800,000. The premium paid by investors was calculated as \$0.25 per share. Accordingly, \$235,294 was recorded as flow-through share liabilities. The Company paid finders' fees of \$48,000 in cash.

On December 21, 2018, the Company closed a non-brokered flow-through private placement and issued 470,588 flow-through shares at \$0.85 per share for gross proceeds of \$400,000. The premium paid by investors was calculated as \$0.10 per share. Accordingly, \$47,059 was recorded as flow-through share liabilities.

On April 2, 2019, the Company closed a non-brokered flow-through private placement and issued 416,666 flow-through shares at \$0.60 per share for gross proceeds of \$250,000. The premium paid by investors was calculated as \$0.05 per share. Accordingly, \$20,833 was recorded as flow-through share liabilities. The Company paid finders' fees of \$17,500 in cash and issued 291,667 finders' warrants exercisable for a period of 24 months at an exercise price of \$0.11.

The grant date fair value of the 29,167 finders' warrants have been estimated at \$7,667 using the Black-Scholes option pricing model, using the following assumptions: an average risk free interest rate of 1.56%; an average expected volatility factor of 122% based on historical trends; an expected dividend yield of nil; and an expected life of 2 years.

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## **Melkior Resources Inc.**

### **Notes to Condensed Interim Financial Statements**

**Three and Six Months Ended February 29, 2020**

**(Expressed in Canadian Dollars)**

**Unaudited**

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#### **9. Share capital (continued)**

##### **(c) Stock options**

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 amended plan shall not exceed 10% of the aggregate number of common shares of the Company issued and outstanding.

Unless indicated otherwise by the Board at the time of grant, one-sixth 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 their respective 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 notice of termination.

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 or any other regulations by the TSX-V. 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.

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.

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## Melkior Resources Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended February 29, 2020

(Expressed in Canadian Dollars)

Unaudited

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#### 9. Share capital (continued)

##### (c) Stock options (continued)

A summary of changes of the Company's common share purchase options is presented below for the years ended February 29, 2020 and 2018:

	Number of stock options	Weighted average exercise price
Balance, August 31, 2018 and February 28, 2019	220,000	\$ 1.00
Balance, August 31, 2019	460,000	\$ 1.33
Issued (i)	1,025,000	0.20
Forfeited	(10,000)	1.50
Balance, February 29, 2020	1,475,000	\$ 0.54

(i) On February 27, 2020, the Company granted 1,025,000 stock options to certain directors and officers of the Company exercisable at a price of \$0.20 per common share. The options vest immediately and expire in five years. The grant date fair value of \$143,000 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.15, expected dividend yield of 0%, expected volatility of 165%, which is based on historical volatility of the Company's share price, risk-free rate of return of 1.14% and an expected maturity of five years. For the three and six months ended February 29, 2020, \$143,000 was expensed to share-based payments (three and six months ended February 28, 2019 - \$nil).

The following table reflects the actual stock options issued and outstanding as of February 29, 2020:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
May 31, 2021	1.00	1.25	150,000	150,000
January 10, 2024	1.50	3.87	300,000	300,000
February 27, 2025	0.20	5.00	1,025,000	1,025,000
	0.54	4.37	1,475,000	1,475,000

## Melkior Resources Inc.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended February 29, 2020  
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### 9. Share capital (continued)

#### (d) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, August 31, 2018	2,781,000	\$ 0.80
Exercised	(20,000)	0.50
Expired	(761,000)	0.50
Balance, February 28, 2019, August 31, 2019 and February 29, 2020	2,000,000	\$ 0.85

The following warrants were outstanding and exercisable as of February 29, 2020:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of warrants outstanding	Number of warrants exercisable
June 8, 2021	0.85	1.27	2,000,000	2,000,000

#### (e) Finders' warrants

	Number of warrants	Weighted average exercise price
Balance, August 31, 2018 and February 28, 2019	46,154	\$ 0.70
Balance, August 31, 2019	75,321	\$ 0.85
Expired	(46,154)	0.70
Balance, February 29, 2020	29,167	\$ 1.10

The following finders' warrants were outstanding and exercisable as of February 29, 2020:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of warrants outstanding	Number of warrants exercisable
April 2, 2021	1.10	1.09	29,167	29,167

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## Melkior Resources Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended February 29, 2020

(Expressed in Canadian Dollars)

Unaudited

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#### 10. Related party transactions

The Company's related parties include companies controlled by officers and close family members of directors 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.

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 officers and the corporate secretary. Key management compensation is as follows:

	Three Months Ended February 29, 2020	Three Months Ended February 28, 2019	Six Months Ended February 29, 2020	Six Months Ended February 28, 2019
Professional fees	\$ 7,690	\$ 11,510	\$ 15,326	\$ 19,145
Regulatory fees	5,113	9,310	9,669	13,542
Total short-term compensation	12,803	20,820	24,995	32,687
Share-based payments	143,000	278,916	143,000	278,916
Total key management compensation	\$ 155,803	\$ 299,736	\$ 167,995	\$ 311,603

During the three and six months ended February 29, 2020, the Company paid professional fees and regulatory fees of \$12,803 and \$24,995, respectively (three and six months ended February 28, 2019 - \$20,820 and \$32,687, respectively) to Marrelli Support Services Inc. ("MSSI"), DSA Corporate Services Inc. ("DSA Corp") and DSA Filing Services Limited ("DSA Filing"), together known as the "Marrelli Group", for:

- Eric Myung, an employee of Marrelli Group, to act as the CFO of the Company;
- Bookkeeping services;
- Regulatory filing services;
- Corporate secretarial services.

As at February 29, 2020, the balance due to related parties amounted to \$3,379 (August 31, 2019 - \$6,196) and was recorded in accounts payable and accrued liabilities.

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**Melkior Resources Inc.****Notes to Condensed Interim Financial Statements****Three and Six Months Ended February 29, 2020****(Expressed in Canadian Dollars)****Unaudited**

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**11. Supplemental disclosure with respect to cash flows**

	<b>Six Months Ended February 29, 2020</b>	<b>Six Months Ended February 28, 2019</b>
Fair value of warrants exercised	\$ -	\$ 2,000

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**12. Subsequent event**

On March 27, 2020, the Company announced that Jonathon Deluce, who is currently a director of the Company, will become its new Chief Executive Officer, replacing Keith James Deluce. Keith will remain as a director of the Company.