



---

**MELKIOR RESOURCES INC.  
CONDENSED INTERIM FINANCIAL STATEMENTS  
THREE AND SIX MONTHS ENDED  
FEBRUARY 28, 2023  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

---

**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 28, 2023	As at August 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,047,946	\$ 2,429,055
Sales tax receivable	49,313	22,658
Prepaid expenses	16,038	22,830
Marketable securities (note 4)	221,001	257,001
<b>Total current assets</b>	<b>2,334,298</b>	<b>2,731,544</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (notes 5 and 7)	12,851,176	11,914,026
<b>Total assets</b>	<b>\$ 15,185,474</b>	<b>\$ 14,645,570</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	\$ 190,342	\$ 122,397
Flow-through share liability (note 6(b))	67,394	227,289
<b>Total liabilities</b>	<b>257,736</b>	<b>349,686</b>
<b>Shareholders' equity</b>		
Share capital (note 6)	49,178,789	48,692,646
Reserves (note 6)	5,798,838	5,798,838
Deficit	(40,049,889)	(40,195,600)
<b>Total shareholders' equity</b>	<b>14,927,738</b>	<b>14,295,884</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 15,185,474</b>	<b>\$ 14,645,570</b>

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

Nature of operations and going concern (note 1)  
Commitment (note 8)  
Subsequent event (note 9)

## Melkior Resources Inc.

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

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	Six Months Ended February 28, 2023	Six Months Ended February 28, 2022
<b>Expenses</b>				
Consulting and management fees (note 7)	\$ 3,750	\$ 31,250	\$ 8,500	\$ 31,250
Marketing	18,380	15,625	38,914	35,962
General and administrative	13,299	4,716	18,240	9,261
Professional fees (note 7)	17,207	16,720	29,834	29,355
Regulatory fees (note 7)	12,630	18,845	16,853	23,744
Share-based payments (notes 6 and 7)	-	143,200	-	143,200
Travel and promotion	5,612	5,013	5,755	5,013
<b>Net loss from operations</b>	<b>(70,878)</b>	<b>(235,369)</b>	<b>(118,096)</b>	<b>(277,785)</b>
<b>Other items</b>				
Interest income	20,923	2,632	39,912	4,920
Gain on marketable securities (note 4)	(9,000)	-	(36,000)	-
Other income (note 6)	38,086	14,675	259,895	14,675
<b>Net and comprehensive income (loss) for the period</b>	<b>\$ (20,869)</b>	<b>\$ (218,062)</b>	<b>\$ 145,711</b>	<b>\$ (258,190)</b>
<b>Basic and diluted net income (loss) per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding - Basic and diluted</b>	<b>26,579,006</b>	<b>23,334,087</b>	<b>25,587,379</b>	<b>22,618,489</b>

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

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

	<b>Six Months Ended February 28, 2023</b>	<b>Six Months Ended February 28, 2022</b>
<b>Operating activities</b>		
Net income (loss) for the period	\$ 145,711	\$ (258,190)
Adjustments for:		
Share-based payments	-	143,200
Gain on marketable securities	36,000	-
Other income	(259,895)	(14,675)
Changes in non-cash working capital items:		
Sales tax receivable	(26,655)	2,508
Prepaid expenses	6,792	(13,565)
Amounts payable and accrued liabilities	17,181	6,287
<b>Net cash used in operating activities</b>	<b>(80,866)</b>	<b>(134,435)</b>
<b>Investing activities</b>		
Exploration and evaluation asset expenditures	(886,386)	(28,794)
<b>Net cash used in investing activities</b>	<b>(886,386)</b>	<b>(28,794)</b>
<b>Financing activities</b>		
Shares issued for cash, net of issue costs	586,143	-
<b>Net cash provided by financing activities</b>	<b>586,143</b>	<b>-</b>
<b>Net change in cash</b>	<b>(381,109)</b>	<b>(163,229)</b>
<b>Cash, beginning of period</b>	<b>2,429,055</b>	<b>2,032,383</b>
<b>Cash, end of period</b>	<b>\$ 2,047,946</b>	<b>\$ 1,869,154</b>
<b>Supplemental cash flow information</b>		
Interest income from cash	\$ 39,912	\$ 4,920
Taxes paid in cash	\$ -	\$ -

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

---

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

---

	Share capital				
	Number of shares	Share capital	Contributed surplus	Deficit	Total
<b>Balance, August 31, 2021</b>	<b>21,910,754</b>	<b>\$ 47,985,596</b>	<b>\$ 5,655,638</b>	<b>\$ (39,864,299)</b>	<b>\$ 13,776,935</b>
Shares issued for cash, net of flow-through premium	2,100,000	567,000	-	-	567,000
Share issue costs	-	(4,950)	-	-	(4,950)
Share-based payments	-	-	143,200	-	143,200
Net and comprehensive loss for the period	-	-	-	(258,190)	(258,190)
<b>Balance, February 28, 2022</b>	<b>24,010,754</b>	<b>\$ 48,547,646</b>	<b>\$ 5,798,838</b>	<b>\$ (40,122,489)</b>	<b>\$ 14,223,995</b>
<b>Balance, August 31, 2022</b>	<b>24,606,650</b>	<b>\$ 48,692,646</b>	<b>\$ 5,798,838</b>	<b>\$ (40,195,600)</b>	<b>\$ 14,295,884</b>
Shares issued for cash, net of flow-through premium	2,656,500	531,300	-	-	531,300
Share issue costs	-	(45,157)	-	-	(45,157)
Net and comprehensive income for the period	-	-	-	145,711	145,711
<b>Balance, February 28, 2023</b>	<b>27,263,150</b>	<b>\$ 49,178,789</b>	<b>\$ 5,798,838</b>	<b>\$ (40,049,889)</b>	<b>\$ 14,927,738</b>

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

---

# Melkior Resources Inc.

## Notes to Condensed Interim Financial Statements

Three and Six Months Ended February 28, 2023

(Expressed in Canadian Dollars)

Unaudited

---

### 1. Nature of operations and going concern

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 Bentall 5, 550 Burrard Street, Suite 1008, Vancouver, British Columbia, Canada, V6C 2B5, 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 OTC Exchange in the United States under the symbol "MKRIF" and on the Frankfurt Stock Exchange under the symbol "MEK".

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 28, 2023 of \$145,711 (six months ended February 28, 2022 - incurred a net loss of \$258,190) and has a deficit at February 28, 2023 of \$40,049,889 (August 31, 2022 - \$40,195,600), 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.

### 2. 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, 2022, 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 28, 2023.

#### (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.

---

## **Melkior Resources Inc.**

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

**Three and Six Months Ended February 28, 2023**

**(Expressed in Canadian Dollars)**

**Unaudited**

---

## **2. Basis of presentation (continued)**

### **(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.

### **(d) 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:

##### *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.

##### *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.

#### 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.

##### *Fair value of marketable securities in unquoted equity investments*

The Company has an investment in St. Peter's Spirits Inc., a private entity's shares. Management estimates cost approximates fair value when 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 28, 2023**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

**2. Basis of presentation (continued)**

*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 28, 2023 and 2022, the Company has no known rehabilitation requirements and accordingly, no provision has been made.

**3. 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 3 to the audited financial statements for the year ended August 31, 2022.

**4. Marketable securities**

All of the marketable securities held by the Company were acquired through property options and sales transactions with the below companies. As at February 28, 2023, 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)	\$ -
NiCan Limited	300,000	15,000	6,000	21,000
St. Peter's Spirits Inc.	222,223	200,001	-	200,001
		<b>\$ 275,001</b>	<b>\$ (54,000)</b>	<b>\$ 221,001</b>

During the six months ended February 28, 2023:

- The Company recognized a fair value adjustment loss on NiCan Limited shares of \$36,000.

As at August 31, 2022, 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)	\$ -
NiCan Limited	300,000	15,000	42,000	57,000
St. Peter's Spirits Inc.	222,223	200,001	-	200,001
		<b>\$ 275,001</b>	<b>\$ (18,000)</b>	<b>\$ 257,001</b>

During the year ended August 31, 2022:

- The Company recognized a fair value adjustment gain on NiCan Limited shares of \$42,000.



## Melkior Resources Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended February 28, 2023

(Expressed in Canadian Dollars)

Unaudited

#### 5. Exploration and evaluation assets

	Quebec		Ontario			Total
	Urban	Val d'Or	Carscallen	Hemlo	Genex	
<b>Property acquisition costs</b>						
Balance, August 31, 2021	\$ 71,935	\$ 10,286	\$ 324,182	\$ 152,922	\$ -	\$ 559,325
Acquisitions	-	-	35,000	-	170,000	205,000
Claim maintenance	17,137	1,550	300	-	-	18,987
Balance, August 31, 2022 and February 28, 2023	\$ 89,072	\$ 11,836	\$ 359,482	\$ 152,922	\$ 170,000	\$ 783,312
<b>Property exploration costs</b>						
Balance, August 31, 2021	\$ 2,212,711	\$ 568,642	\$ 7,904,053	\$ 292,255	\$ -	\$10,977,661
Assays	-	-	-	-	407	407
Camp	18,200	25	-	-	-	18,225
Consulting	28,734	49,373	15,855	20,086	44,364	158,412
Drilling	12,605	73,390	2,338	-	16,499	104,832
Geochemistry	-	5,144	-	-	-	5,144
Geophysics	1,100	-	-	-	1,100	2,200
Other recoveries	-	-	-	(124,067)	-	(124,067)
Tax credits received	(12,100)	-	-	-	-	(12,100)
Balance, August 31, 2022	2,261,250	696,574	7,922,246	188,274	62,370	11,130,714
Camp	1,489	-	-	-	-	1,489
Consulting	5,500	11,938	11,776	-	12,658	41,872
Drilling	-	5,564	36,763	-	802,412	844,739
Geophysics	-	-	-	-	49,050	49,050
Balance, February 28, 2023	\$ 2,268,239	\$ 714,076	\$ 7,970,785	\$ 188,274	\$ 926,490	\$12,067,864
<b>Total exploration and evaluation assets</b>						
August 31, 2022	\$ 2,350,322	\$ 708,410	\$ 8,281,728	\$ 341,196	\$ 232,370	\$11,914,026
February 28, 2023	\$ 2,357,311	\$ 725,912	\$ 8,330,267	\$ 341,196	\$ 1,096,490	\$12,851,176

#### 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

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

---

**Melkior Resources Inc.**  
**Notes to Condensed Interim Financial Statements**  
**Three and Six Months Ended February 28, 2023**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

---

**5. Exploration and evaluation assets (continued)**

**(c) Val d'Or (formerly Tiblemont)**

In May 2020, the Company acquired 2 packages of claims in Tiblemont Township, Quebec by direct staking.

Ontario

**(d) Carscallen**

The Company holds a 100% interest in the Carscallen property, west of Timmins, Ontario. 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 from an arm's length party, subject to a 2% NSR. The Company may purchase 0.5% of the NSR for \$500,000 and a first right of refusal to purchase the remaining 1.5% NSR.

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.

On May 6, 2020, the Company entered into an option agreement of 6 cell units (the "Carscallen Claims"). Pursuant to the option agreement, the Company acquired 100% interest in the Carscallen Claims, subject to a 3% NSR, in consideration for:

- On signing, cash payment of \$10,000 (completed);
- Upon TSX-V acceptance, issuance of 75,000 shares of the Company (completed, valued at \$61,500);
- On the first anniversary, cash payment of \$10,000 and issuance of \$25,000 worth of shares issued at the weighted average price of the common shares for the 10 trading days immediately preceding (completed); and
- On the second anniversary, cash payment of \$10,000 and issuance of \$25,000 worth of shares issued at the weighted average price of the common shares for the 10 trading days immediately preceding (completed).

The Company may purchase one-half of the NSR at any time for the sum of \$1,000,000.

On September 28, 2020, the Company completed a strategic partnership with Kirkland Lake Gold Ltd ("Kirkland"). Under the terms of the option agreement (the "Kirkland Option Agreement") between the Company and Kirkland, the Company granted Kirkland the right to earn-in up to a 75% interest in the Carscallen Project and acquire up to 1,250,000 units of the Company on a private placement basis (see note 6(b)).

---

**Melkior Resources Inc.**  
**Notes to Condensed Interim Financial Statements**  
**Three and Six Months Ended February 28, 2023**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

---

**5. Exploration and evaluation assets (continued)**

**(d) Carscallen (continued)**

Under the terms of the Kirkland Option Agreement, Kirkland has an option to earn a 50% interest in the Carscallen Project in consideration for completing \$10 million in exploration expenditures over a period of 5 years (the "Phase 1 Expenditures"). Kirkland has a minimum commitment of \$3 million during the first 2 years of the option period. Should Kirkland fail to incur the Phase 1 Expenditures during the option period, Kirkland's option to acquire the 50% interest shall expire.

Upon Kirkland completing the Phase 1 Expenditures and earning its 50% interest, the parties shall enter into a joint venture agreement to carry on operations with respect to the Carscallen Project (the "Joint Venture"). Upon the formation of a Joint Venture, Kirkland will have the right to earn an additional 25% interest in the Carscallen Project by incurring exploration expenditures of \$100 million within the first 5 years of the formation of the Joint Venture. Any additional funds required beyond the \$100 million will be contributed by the Joint Venture parties based on their proportional joint venture interests.

In September 2022, the Kirkland Option Agreement was amended such that Kirkland's minimum commitment of \$3 million of the Phase 1 Expenditures is to be incurred by December 31, 2022.

**(e) 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.

On November 20, 2020, the Company closed of an option and joint venture agreement with Barrick Gold Inc. ("Barrick"), a wholly-owned subsidiary of Barrick Gold Corporation. Under the terms of the option agreement entered into between the Company and Barrick (the "Barrick Option Agreement"), Melkior granted Barrick the right to earn-in up to a 75% interest in the Hemlo Project located 20 kilometres east of Barrick's Hemlo Mine.

Under the terms of the Barrick Option Agreement, Barrick had an option to earn a 75% interest in the Property in consideration for completing \$4 million in exploration expenditures over a period of 5 years. Barrick had a minimum commitment of \$0.5 million during the first 2 years of the option period. Barrick acted as the operator of the Hemlo Project during the option period. All expenditures beyond the minimum commitment were optional. Should Barrick fail to incur the expenditures during the option period, Barrick's option to acquire the 75% interest would have expired.

Upon Barrick completing the expenditures and earning its 75% interest, the parties were to enter into a joint venture agreement to carry on operations with respect to the Hemlo Project. Funds required for further development would have been contributed by the joint venture parties based on their proportional joint venture interests. Dilution of a shareholder's interest below 10% was to result in the conversion of the interest to a NSR royalty of either 1% or 2% on certain claims dependent on pre-existing royalties.

On November 20, 2021, Barrick withdrew from the Barrick Option Agreement.

---

**Melkior Resources Inc.**  
**Notes to Condensed Interim Financial Statements**  
**Three and Six Months Ended February 28, 2023**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

---

**5. Exploration and evaluation assets (continued)**

**(f) Genex**

On April 19, 2022, the Company entered into an option agreement to acquire 100% of the Genex Project, located approximately 20 km west of Timmins, Ontario. The Genex option agreement was approved by the TSX-V in July 2022. Under the terms of the option agreement, in consideration for an undivided 50% interest in the property (the "First Option"), the Company must:

- make a cash payment of \$50,000, issue 500,000 common shares, and contribute \$500,000 in assessment credits from the Company's Carscallen Project within 20 days from the Effective Date (completed);
- make a cash payment of \$50,000, issue 500,000 common shares, and incur \$750,000 in aggregate work expenditures on or before the first anniversary of the Effective Date;
- make a cash payment of \$50,000, issue 500,000 common shares, and incur \$1,750,000 in cumulative work expenditures on or before the second anniversary of the Effective Date; and
- make a cash payment of \$100,000, issue 1,000,000 common shares, and incur \$2,750,000 in cumulative work expenditures on or before the third anniversary of the Effective Date.

The agreement has an Effective Date of May 16, 2022 for all anniversary payments.

The vendor is also permitted to remove \$500,000 each in assessment credits from the Genex Project during years 2 and 3.

In consideration for the additional 50% interest in the property (the "Second Option"), the Company must at any time after exercising the First Option make a one-time issuance of 2,500,000 common shares. If the Second Option is exercised, then the Company will own a 100% interest in the property and the vendor will retain a NSR of up to 2% calculated as the difference between 2% and any amounts payable pursuant to any existing royalties.

**6. 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.

---

**Melkior Resources Inc.**  
**Notes to Condensed Interim Financial Statements**  
**Three and Six Months Ended February 28, 2023**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

---

**6. Share capital (continued)**

**(b) Issued**

During the six months ended February 28, 2023

On December 22, 2022, the company closed a non-brokered private placement of 2,500,000 flow-through shares at a price of \$0.24 per share for gross proceeds of \$600,000. The Company paid share issuance cost of \$45,157. The premium paid by investors was calculated as \$0.04 per share, and accordingly, \$100,000 was recorded as flow-through share liability. During the six months ended February 28, 2023, \$32,606 was derecognized as other income and the flow-through share liability has been reduced to \$67,394.

On January 11, 2023, the Company closed a non-brokered private placement of 156,500 common shares at a price of \$0.20 per share for gross proceeds of \$31,300. The Company did not incur any share issuance cost.

During the six months ended February 28, 2022

On December 29, 2021, the company closed a non-brokered flow-through private placement of 2,100,000 flow-through shares at a price of \$0.40 per share for gross proceeds of \$840,000. The Company paid share issuance cost of \$4,950. The premium paid by investors was calculated as \$0.13 per share, and accordingly, \$273,000 was recorded as flow-through share liability. During the six months ended February 28, 2023, \$227,289 (six months ended February 28, 2022 - \$14,675) was derecognized as other income and the flow-through share liability has been reduced to \$nil. \$640,000 of the financing was provided by two directors of the Company.

**(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 Plan shall not exceed 10% of the aggregate number of common shares of the Company issued and outstanding.

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 tenth 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.

**Melkior Resources Inc.**  
**Notes to Condensed Interim Financial Statements**  
**Three and Six Months Ended February 28, 2023**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

**6. Share capital (continued)**

**(c) Stock options (continued)**

A summary of changes of the Company's common share purchase options is presented below for the periods ended February 28, 2023 and 2022:

	<b>Number of stock options</b>	<b>Weighted average exercise price</b>
Balance, August 31, 2021	1,935,000	\$ 0.63
Issued (i)	450,000	0.58
Balance, February 28, 2022, August 31, 2022 and February 28, 2023	2,385,000	\$ 0.58

(i) On January 25, 2022, the Company granted 450,000 stock options to certain directors of the Company exercisable at \$0.37 per common share. The options vest immediately and expire in five years. The grant date fair value of \$143,200 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 138%, which is based on historical volatility of the Company's share price, risk-free rate of return of 1.64% and an expected maturity of 5 years. For the three and six months ended February 28, 2023, \$nil (three and six months ended February 28, 2022 - \$143,200) was expensed to share-based payments.

The following table reflects the actual stock options issued and outstanding as of February 28, 2023:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Number of options outstanding</b>	<b>Number of options vested (exercisable)</b>
April 22, 2023 (ii)	0.35	0.15	50,000	50,000
January 10, 2024	1.50	0.87	100,000	100,000
February 27, 2025	0.20	0.20	475,000	475,000
June 25, 2023	0.80	0.32	410,000	410,000
February 22, 2026	0.70	2.99	900,000	900,000
January 25, 2027	0.35	3.91	450,000	450,000
	0.58	2.36	2,385,000	2,385,000

(ii) Subsequent to February 28, 2023, 50,000 stock options expired unexercised.

**Melkior Resources Inc.**  
**Notes to Condensed Interim Financial Statements**  
**Three and Six Months Ended February 28, 2023**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

**6. 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, 2021, February 28, 2022 and August 31, 2022	3,250,000	\$ 0.98
Expired	(1,250,000)	1.20
Balance, February 28, 2023	2,000,000	\$ 0.85

The following warrants were outstanding and exercisable as of February 28, 2023:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of warrants outstanding	Number of warrants exercisable
June 8, 2023	0.85	0.27	2,000,000	2,000,000

**7. 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, as well as the chief executive officer ("CEO"), chief financial officer and the corporate secretary. Key management compensation is as follows:

	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	Six Months Ended February 28, 2023	Six Months Ended February 28, 2022
Consulting and management fees (i)	\$ 18,750	\$ 18,750	\$ 37,500	\$ 37,500
Professional fees (ii)	12,207	10,460	19,843	18,095
Regulatory fees (ii)	8,310	8,175	11,524	12,510
Total short-term compensation	39,267	37,385	68,867	68,105
Share-based payments	-	143,200	-	143,200
Total key management compensation	\$ 39,267	\$ 180,585	\$ 68,867	\$ 211,305

As at February 28, 2023, the balance due to related parties amounted to \$40,732 (August 31, 2022 - \$7,418) and was recorded in accounts payable and accrued liabilities.

---

## **Melkior Resources Inc.**

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

**Three and Six Months Ended February 28, 2023**

**(Expressed in Canadian Dollars)**

**Unaudited**

---

#### **7. Related party transactions (continued)**

(i) Management fees to the Company's CEO are paid pursuant to a 2020 consulting agreement under which Silverwater Capital Corp., a company controlled by the Company's CEO, receives a monthly fee of \$6,250. The Company can terminate the agreement with three months' notice. The fees are recorded partially as consulting fees in exploration and evaluation assets.

(ii) During the three and six months ended February 28, 2023, the Company paid professional fees and regulatory fees of \$20,517 and \$31,367, respectively (three and six months ended February 28, 2022 - \$18,635 and \$30,605, respectively) to Marrelli Support Services Inc., DSA Corporate Services Inc. and DSA Filing Services Limited, together known as the "Marrelli Group", for:

- An employee of Marrelli Group to act as the CFO of the Company;
- Bookkeeping services;
- Regulatory filing services;
- Corporate secretarial services.

#### **8. Commitment**

In connection with the flow-through share financing in December 2022, the Company has committed to incur qualifying Canadian Exploration Expenditures (as such term is defined in the Income Tax Act (Canada)) of a total of \$600,000 by December 31, 2023. If the Company does not incur the required qualifying expenditures, it will be required to indemnify the holders of the flow-through shares for any tax and other costs payable by them as a result of the Company not making the required expenditures.

As at February 28, 2023, the Company is required to incur qualifying exploration expenditure exceeding approximately \$404,000 by December 31, 2023.

#### **9. Subsequent event**

On April 18, 2023, the Company entered into a letter of intent (the "LOI") with an arm's length party to acquire 100% of the Beschefer East Project, located approximately 90 km of Matagami and 100 km north of La Sarre, Quebec. Under the terms of the LOI, the Company can acquire 100% of the property must:

- upon execution of the definitive agreement, make a cash payment of \$50,000 and issue \$50,000 worth of common shares issued at the higher of \$0.20 per share or the weighted average price of the common shares for the 10 trading days immediately preceding the date of the definitive agreement;
- on or before the first anniversary of the execution of the definitive agreement, issue \$100,000 worth of common shares issued at the higher of \$0.20 per share or the weighted average price of the common shares for the 10 trading days immediately preceding the first anniversary of the definitive agreement and incur \$375,000 in aggregate work expenditures;
- on or before the second anniversary of the execution of the definitive agreement, issue \$150,000 worth of common shares issued at the higher of \$0.20 per share or the weighted average price of the common shares for the 10 trading days immediately preceding the second anniversary of the definitive agreement and incur \$750,000 in aggregate work expenditures; and



---

## **Melkior Resources Inc.**

**Notes to Condensed Interim Financial Statements**

**Three and Six Months Ended February 28, 2023**

**(Expressed in Canadian Dollars)**

**Unaudited**

---

### **9. Subsequent event (continued)**

- on or before the third anniversary of the execution of the definitive agreement, issue \$200,000 worth of common shares issued at the higher of \$0.20 per share or the weighted average price of the common shares for the 10 trading days immediately preceding the third anniversary of the definitive agreement and incur \$1,500,000 in aggregate work expenditures.

The property is subject to a NSR of up to 2.5% on certain claims made up of a historical NSR of 1.5% and 1% granted to the vendor.