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**MELKIOR RESOURCES INC.  
FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2023 AND 2022  
(EXPRESSED IN CANADIAN DOLLARS)**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Melkior Resources Inc.

### *Opinion*

We have audited the accompanying financial statements of Melkior Resources Inc. (the "Company"), which comprise the statements of financial position as at August 31, 2023 and 2022, and the statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that the Company has incurred a net loss during the year ended August 31, 2023 of \$150,072 and has a deficit at August 31, 2023 of \$40,345,672. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

### *Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")*

As described in Note 5 to the financial statements, the carrying amount of the Company's E&E Assets was \$13,444,632 as of August 31, 2023. As more fully described in Note 2 and 3 to the financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our audit procedures included, among others:

- Obtaining an understanding of the key controls associated with evaluating the E&E Assets for indicators of impairment.
- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements and vouching cash payments and share issuances.
- Assessing the Company's rights to explore E&E Assets including sending confirmation requests to optionors and optionees to ensure good standing of agreements.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Carmen Newnham.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

December 29, 2023

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

	As at August 31, 2023	As at August 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,252,578	\$ 2,429,055
Sales tax receivable	43,125	22,658
Prepaid expenses	24,640	22,830
Marketable securities (note 4)	-	257,001
<b>Total current assets</b>	<b>2,320,343</b>	<b>2,731,544</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (notes 5 and 7)	13,444,632	11,914,026
<b>Total assets</b>	<b>\$ 15,764,975</b>	<b>\$ 14,645,570</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	\$ 159,776	\$ 122,397
Flow-through share liability (note 6(b))	142,136	227,289
<b>Total liabilities</b>	<b>301,912</b>	<b>349,686</b>
<b>Shareholders' equity</b>		
Share capital (note 6)	49,990,726	48,692,646
Reserves (note 6)	5,818,009	5,798,838
Deficit	(40,345,672)	(40,195,600)
<b>Total shareholders' equity</b>	<b>15,463,063</b>	<b>14,295,884</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 15,764,975</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 11)

**Approved on behalf of the Board:**

(Signed) "Norman Farrell" \_\_\_\_\_ Director

(Signed) "Keith James Deluce" \_\_\_\_\_ Director

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**Melkior Resources Inc.****Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)**

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	Year Ended August 31, 2023	Year Ended August 31, 2022
<b>Expenses</b>		
Consulting and management fees (note 7)	\$ 39,950	\$ 40,750
Marketing	125,473	96,336
General and administrative	34,599	18,303
Professional fees (note 7)	83,466	80,828
Regulatory fees (note 7)	41,380	53,032
Share-based payments (notes 6 and 7)	-	143,200
Travel and promotion	7,619	7,116
<b>Net loss from operations</b>	<b>(332,487)</b>	<b>(439,565)</b>
<b>Other items</b>		
Interest income	90,379	20,553
Gain (loss) on marketable securities (note 4)	(223,661)	42,000
Reversal of flow-through share liability (note 6)	315,697	45,711
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (150,072)</b>	<b>\$ (331,301)</b>
<b>Basic and diluted net loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding - Basic and diluted</b>	<b>27,391,815</b>	<b>23,408,372</b>

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

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

	Year Ended August 31, 2023	Year Ended August 31, 2022
<b>Operating activities</b>		
Net loss for the year	\$ (150,072)	\$ (331,301)
Adjustments for:		
Share-based payments	-	143,200
Loss (gain) on marketable securities	223,661	(42,000)
Reversal of flow-through share liability	(315,697)	(45,711)
Changes in non-cash working capital items:		
Sales tax receivable	(20,467)	(13,891)
Prepaid expenses	(1,810)	(7,057)
Amounts payable and accrued liabilities	2,306	30,845
<b>Net cash used in operating activities</b>	<b>(262,079)</b>	<b>(265,915)</b>
<b>Investing activities</b>		
Exploration and evaluation asset expenditures	(1,373,630)	(308,630)
Tax credit received and other recoveries	50,063	136,167
Proceeds from sale of marketable securities	33,340	-
<b>Net cash used in investing activities</b>	<b>(1,290,227)</b>	<b>(172,463)</b>
<b>Financing activities</b>		
Shares issued for cash	1,434,566	840,000
Share issue costs	(58,737)	(4,950)
<b>Net cash provided by financing activities</b>	<b>1,375,829</b>	<b>835,050</b>
<b>Net change in cash</b>	<b>(176,477)</b>	<b>396,672</b>
<b>Cash, beginning of year</b>	<b>2,429,055</b>	<b>2,032,383</b>
<b>Cash, end of year</b>	<b>\$ 2,252,578</b>	<b>\$ 2,429,055</b>
<b>Supplemental cash flow information</b>		
Interest income from cash	\$ 90,379	\$ 20,553
Common shares issued for exploration and evaluation assets	\$ 171,966	\$ 145,000
Finders' warrants	\$ 19,171	\$ -
Flow-through share liability	\$ 230,544	\$ 273,000
Exploration and evaluation assets included in accounts payable and accrued liabilities	\$ 94,650	\$ 59,577
Taxes paid in cash	\$ -	\$ -

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

## Melkior Resources Inc.

### Statements of Changes in Shareholders' Equity (Expressed in Canadian Dollars)

	Share capital				
	Number of shares	Share capital	Reserves	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	2,100,000	840,000	-	-	840,000
Share issue costs	-	(4,950)	-	-	(4,950)
Flow-through share liability	-	(273,000)	-	-	(273,000)
Shares issued for exploration and evaluation assets	595,896	145,000	-	-	145,000
Share-based payments	-	-	143,200	-	143,200
Net and comprehensive loss for the year	-	-	-	(331,301)	(331,301)
<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	6,020,109	1,434,566	-	-	1,434,566
Share issue costs	-	(77,908)	19,171	-	(58,737)
Flow-through share liability	-	(230,544)	-	-	(230,544)
Shares issued for exploration and evaluation assets	725,938	171,966	-	-	171,966
Net and comprehensive loss for the year	-	-	-	(150,072)	(150,072)
<b>Balance, August 31, 2023</b>	<b>31,352,697</b>	<b>\$ 49,990,726</b>	<b>\$ 5,818,009</b>	<b>\$ (40,345,672)</b>	<b>\$ 15,463,063</b>

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



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# Melkior Resources Inc.

## Notes to Financial Statements

Years Ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

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### 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 incurred a net loss during the year ended August 31, 2023 of \$150,072 (year ended August 31, 2022 - incurred a net loss of \$331,301) and has a deficit at August 31, 2023 of \$40,345,672 (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 events and conditions indicate that a material uncertainty exists that may cast significant doubt on 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.

There are many external factors that can adversely affect general workforces, economies and financial markets globally such as global health conditions and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of these factors and its effects on the Company's business or ability to raise funds.

### 2. Basis of presentation

#### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These financial statements were approved and authorized for issue by the Board of Directors on December 29, 2023.

#### (b) Basis of measurement

These 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.

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**Melkior Resources Inc.**  
**Notes to Financial Statements**  
**Years Ended August 31, 2023 and 2022**  
**(Expressed in Canadian Dollars)**

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

**(c) Functional and presentation currency**

The 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.

*Fair value of marketable securities*

The determination of the fair value requires significant judgement by the Company. The Company acts in good faith to fair value its marketable securities on the date of purchase and on a quarterly basis thereafter, consistent with fair value accounting guidance in accordance with IFRS 13, Fair Value Measurement.

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**Melkior Resources Inc.**  
**Notes to Financial Statements**  
**Years Ended August 31, 2023 and 2022**  
**(Expressed in Canadian Dollars)**

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

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 August 31, 2023 and 2022, the Company has no known rehabilitation requirements and accordingly, no provision has been made.

**3. Significant accounting policies**

The significant accounting policies have been applied consistently throughout by the Company for purposes of these financial statements.

**(a) Exploration and evaluation assets**

Exploration and evaluation expenditures

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Costs incurred before the Company has obtained the legal rights to explore an area are expensed in the year in which they are incurred. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property acquisition costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable. Payments related to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the amounts upon payment.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

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**Melkior Resources Inc.**  
**Notes to Financial Statements**  
**Years Ended August 31, 2023 and 2022**  
**(Expressed in Canadian Dollars)**

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**3. Significant accounting policies (continued)**

**(a) Exploration and evaluation assets (continued)**

Impairment

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment at least annually and when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

For the years presented, the Company does not have any decommissioning obligations.

**(b) Provisions**

Provisions are recognized when present legal and constructive obligations as a result of a past event will likely 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. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**(c) Tax credits receivable**

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the *Mining Tax Act*. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits in the period when there is reasonable assurance with regard to collections and assessments and that the Company will comply with conditions associated with them.

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**Melkior Resources Inc.**  
**Notes to Financial Statements**  
**Years Ended August 31, 2023 and 2022**  
**(Expressed in Canadian Dollars)**

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**3. Significant accounting policies (continued)**

**(d) Financial instruments**

Recognition

The Company recognizes a financial asset or financial liability on the statements of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- iii) amortized cost;
- iv) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- v) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company's financial assets consists of cash, which is classified and subsequently measured at amortized cost, and marketable securities, which are classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in net loss.

The Company's financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

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**Melkior Resources Inc.**  
**Notes to Financial Statements**  
**Years Ended August 31, 2023 and 2022**  
**(Expressed in Canadian Dollars)**

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**3. Significant accounting policies (continued)**

**(d) Financial instruments (continued)**

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

**(e) Basic and diluted loss per share**

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which include options and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the average market price at the beginning of the year or, if later, at the date of issue of the potential common shares. For the years presented, all options and warrants were anti-dilutive.

**(f) Income taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company is in the exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries, associates and joint ventures are not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

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**3. Significant accounting policies (continued)**

**(f) Income taxes (continued)**

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary differences will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income or expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full. Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

**(g) Shareholders' equity**

Share capital represents the amount received on the issue of shares. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as reserves. In addition, if shares were issued as consideration for the acquisition of exploration and evaluation assets or some other form of non-monetary assets, when the fair value of the non-monetary assets cannot be determined, the shares are measured at their fair value according to the quoted price on the day of the conclusion of the agreement to issue shares.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as an other liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the other liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financing expense until qualifying expenditures are incurred.

Other elements of equity

Reserves includes charges related to share options and warrants not exercised. When share options and warrants are exercised, the related compensation cost is transferred to share capital. Deficit includes all current and prior period retained profits or losses.

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**Melkior Resources Inc.**  
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**3. Significant accounting policies (continued)**

**(h) Share-based payments**

The Company operates an equity-settled share-based remuneration plan (stock option plan) for its eligible directors, officers, employees and consultants. The Company's plan is not cash-settled.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or service received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted. The Company uses the Black-Scholes valuation model to estimate fair value.

Equity-settled share-based payments (except finders' warrants to brokers) are ultimately recognized as an expense in profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment, with a corresponding credit to reserves in equity. Finders' warrants to brokers in respect of an equity financing are recognized as issuance cost of the equity instruments in deficit, with a corresponding credit to reserves in equity. When share options and warrants are exercised, the related compensation cost is transferred to share capital. The compensation cost related to options and warrants expired unexercised remain in reserves.

If vesting periods or other vesting conditions apply, the expenses are allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different from that estimated on vesting.

**(i) Accounting standards issued but not yet effective**

The following amendments will be effect for annual reporting periods beginning on or after January 1, 2023:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The Company anticipates that these amendments will not have a material impact on the results and financial position of the Company.



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**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 August 31, 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)	\$ -
St. Peter's Spirits Inc.	222,223	200,001	(200,001)	-
		<b>\$ 260,001</b>	<b>\$ (260,001)</b>	<b>\$ -</b>

During the year ended August 31, 2023:

- The Company sold 300,000 shares of NiCan Limited for proceeds of \$33,340 and recognized a loss of \$23,660.
- The Company recognized a fair value adjustment loss on St. Peter's Spirits Inc. shares of \$200,001 due to uncertainty in recoverability.

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.

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**5. Exploration and evaluation assets**

	Quebec			Ontario			Total
	Urban	Val d'Or	Beschefer East	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	89,072	11,836	-	359,482	152,922	170,000	783,312
Acquisitions	-	-	101,966	-	-	170,000	271,966
Claim maintenance	-	-	-	100	-	-	100
Balance, August 31, 2023	\$ 89,072	\$ 11,836	\$ 101,966	\$ 359,582	\$ 152,922	\$ 340,000	\$ 1,055,378
<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	22,467	10,250	7,797	-	71,614	117,628
Drilling	-	12,979	-	36,763	-	846,614	896,356
Geochemistry	6,940	-	1,716	-	-	234,424	243,080
Geophysics	-	-	-	-	-	50,050	50,050
Tax credits received	(50,063)	-	-	-	-	-	(50,063)
Balance, August 31, 2023	\$ 2,225,116	\$ 732,020	\$ 11,966	\$ 7,966,806	\$ 188,274	\$ 1,265,072	\$12,389,254
<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
August 31, 2023	\$ 2,314,188	\$ 743,856	\$ 113,932	\$ 8,326,388	\$ 341,196	\$ 1,605,072	\$13,444,632

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**Melkior Resources Inc.**  
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**5. 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**

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.

**(c) Val d'Or**

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

**(d) Beschefer East**

In June 2023, the Company entered into an option agreement to acquire 100% of the Beschefer East Project located north of La Sarre, Quebec. The Company can acquire 100% of the property in consideration for:

- On July 3, 2023, 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 July 3, 2023 (completed);
- On or before July 3, 2024, 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 July 3, 2024 and incur \$375,000 in aggregate work expenditures;
- On or before July 3, 2025, 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 July 3, 2025 and incur \$750,000 in aggregate work expenditures; and
- On or before July 3, 2026, 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 July 3, 2026 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.

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

Ontario

**(e) 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 Agnico Eagle Mines Limited (formerly Kirkland Lake Gold Ltd.) ("Agnico"). Under the terms of the option agreement (the "Agnico Option Agreement") between the Company and Agnico, the Company granted Agnico 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.

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

**(e) Carscallen (continued)**

Under the terms of the Agnico Option Agreement, Agnico 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"). Agnico has a minimum commitment of \$3 million during the first 2 years of the option period. Should Agnico fail to incur the Phase 1 Expenditures during the option period, Agnico's option to acquire the 50% interest shall expire.

Upon Agnico 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, Agnico 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 Agnico Option Agreement was amended such that Agnico's minimum commitment of \$3 million of the Phase 1 Expenditures is to be incurred by December 31, 2022 (completed).

**(f) 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.

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

**(g) Genex**

On April 19, 2022, the Company entered into an option agreement to acquire 100% of the Genex Project, located near 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 (completed);
- 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 April 28, 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.

**(b) Issued**

During the year ended August 31, 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 issue costs of \$45,157 and issued 175,000 finders' warrants exercisable for a period of 24 months at an exercise price of \$0.24. The 175,000 finders' warrants were assigned a grant date fair value of \$14,736 as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 88%, which is based on historical volatility of the Company's share price, risk-free rate of return of 3.93% and an expected maturity of 2 years. 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 year ended August 31, 2023, \$86,837 was derecognized as reversal of flow-through share liability and the flow-through share liability has been reduced to \$13,163.

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**Melkior Resources Inc.**  
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**6. Share capital (continued)**

**(b) Issued (continued)**

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 issue costs.

On April 28, 2023, the Company issued 500,000 common shares (valued at \$120,000) for the acquisition of Genex Project (see note 5(g)).

On June 8, 2023 and June 23, 2023, the Company closed a non-brokered private placement of 3,263,609 flow-through shares at a price of \$0.24 per share for gross proceeds of \$783,266 and 100,000 non flow-through shares at a price of \$0.20 per share for gross proceeds of \$20,000. In connection with the private placement, the Company paid share issue costs of \$13,580 and issued 42,000 finders' warrants exercisable for a period of 24 months at an exercise price of \$0.24. The 42,000 finders' warrants were assigned a grant date fair value of \$4,435 as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 87%, which is based on historical volatility of the Company's share price, risk-free rate of return of 4.66% and an expected maturity of 2 years. The premium paid by investors was calculated as \$0.04 per share, and accordingly, \$130,544 was recorded as flow-through share liability. During the year ended August 31, 2023, \$1,571 was derecognized as reversal of flow-through share liability and the flow-through share liability has been reduced to \$128,973.

On June 29, 2023, the Company issued 225,938 common shares (valued at \$51,966) for the acquisition of the Beschefer East Project (see note 5(d)).

During the year ended August 31, 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 year ended August 31, 2023, \$227,289 (year ended August 31, 2022 - \$45,711) was derecognized as other income and the flow-through share liability has been reduced to \$nil.

On June 2, 2022, the Company issued 95,896 common shares (valued at \$25,000) for the acquisition of Carscallen Claims (see note 5(e)).

On July 15, 2022, the Company issued 500,000 common shares (valued at \$120,000) for the acquisition of Genex Project (see note 5(g)).

**(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.

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**6. Share capital (continued)**

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

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.

A summary of changes of the Company's common share purchase options is presented below for the years ended August 31, 2023 and 2022:

	Number of stock options	Weighted average exercise price
Balance, August 31, 2021	1,935,000	\$ 0.63
Issued (i)	450,000	0.35
Balance, August 31, 2022	2,385,000	0.58
Expired	(460,000)	0.75
Balance, August 31, 2023	1,925,000	\$ 0.54

(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 year ended August 31, 2023, \$nil (year ended August 31, 2022 - \$143,200) was expensed to share-based payments.

The following table reflects the actual stock options issued and outstanding as of August 31, 2023:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
January 10, 2024	1.50	0.36	100,000	100,000
February 27, 2025	0.20	1.50	475,000	475,000
February 22, 2026	0.70	2.48	900,000	900,000
January 25, 2027	0.35	3.41	450,000	450,000
	0.54	2.34	1,925,000	1,925,000



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**6. Share capital (continued)**

**(d) Warrants**

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

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Balance, August 31, 2021 and August 31, 2022	3,250,000	\$ 0.98
Expired	(3,250,000)	0.98
Balance, August 31, 2023	-	\$ -

As at August 31, 2023, there were no outstanding and exercisable warrants.

**(e) Finders' warrants**

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Balance, August 31, 2021 and August 31, 2022	-	\$ -
Issued (note 6(b))	217,000	0.24
Balance, August 31, 2023	217,000	\$ 0.24

The following finders' warrants were outstanding and exercisable as of August 31, 2023:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Number of warrants outstanding</b>	<b>Number of warrants exercisable</b>
December 23, 2024	0.24	1.32	175,000	175,000
June 23, 2025	0.24	1.81	42,000	42,000
	0.24	1.41	217,000	217,000

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**Melkior Resources Inc.**  
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**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:

	<b>Year Ended August 31, 2023</b>	<b>Year Ended August 31, 2022</b>
Consulting and management fees (i)(ii)	\$ 135,000	\$ 75,000
Professional fees (iii)	38,188	34,918
Regulatory fees (iii)	24,240	26,993
Total short-term compensation	<b>197,428</b>	136,911
Share-based payments	-	143,200
Total key management compensation	<b>\$ 197,428</b>	<b>\$ 280,111</b>

As at August 31, 2023, the balance due to related parties amounted to \$5,592 (August 31, 2022 - \$7,418) and was recorded in accounts payable and accrued liabilities.

(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 year ended August 31, 2023, the Company paid consulting and management fees of \$40,000 (year ended August 31, 2022 - \$nil) to companies controlled by 2 directors of the Company. The fees are recorded partially as consulting fees in exploration and evaluation assets.

(iii) During the year ended August 31, 2023, the Company paid professional fees and regulatory fees of \$62,428 (year ended August 31, 2022 - \$61,911) to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filing Services Limited, and Marrelli Trust Company Ltd., 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; and
- Transfer agent services.

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**8. Commitment**

In connection with the flow-through share financings in 2022 and 2023, 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 and \$783,266 by December 31, 2024. 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 August 31, 2023, the Company is required to incur qualifying exploration expenditure exceeding approximately \$60,000 by December 31, 2023 and \$770,000 by December 31, 2024.

**9. Financial instruments**

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity. Marketable securities are designated as financial assets at FVTPL.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy:

As at August 31, 2023, the Company did not have any financial assets measured at fair value.

<b>August 31, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Marketable securities	\$ 57,000	\$ -	\$ 200,001	\$ 257,001

The marketable securities in Level 3 include the investment in privately held companies that are not quoted on an exchange. The costs approximate the fair values as there is insufficient more recent information available to measure fair value.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

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## Melkior Resources Inc.

### Notes to Financial Statements

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#### 9. Financial instruments (continued)

##### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing at major Canadian financial institutions. The Company's maximum exposure to credit risk at August 31, 2023 was \$2,252,578 (2022 - \$2,429,055).

##### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of August 31, 2023 equal \$159,776 (2022 - \$122,397). All of the liabilities presented as accounts payable are due within 30 days of August 31, 2023. The cash available is sufficient to meet the Company's financial obligations at year end.

##### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

- (i) Currency risk - The Company has no funds held in a foreign currency and as a result is not exposed to significant currency risk on its financial instruments at year-end.
- (ii) Interest rate risk - Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates and, therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.
- (iii) Other price risk - Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to other price risk with respect to its marketable securities.

##### (d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the years ended August 31, 2023 and 2022. The Company is not subject to externally imposed capital requirements.

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**10. Income tax**

The relationship between the expected tax recovery based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statement of comprehensive loss can be reconciled as follows:

	Year Ended August 31, 2023	Year Ended August 31, 2022
Loss before income taxes	\$ (150,072)	\$ (331,301)
Expected tax payable (recovery) at 27%	(41,000)	(89,000)
Adjustments for the following items:		
Change in statutory, foreign tax, foreign exchange rates and other	-	(2,000)
Permanent differences	(58,000)	21,000
Impact of flow through share	336,000	38,000
Share issue cost	(16,000)	(2,000)
Adjustment to prior years provision versus statutory tax returns	224,000	(182,000)
Change in unrecognized deductible temporary differences	(445,000)	216,000
Deferred income tax recovery	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	August 31, 2023	August 31, 2022
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 319,000	\$ 667,000
Property and equipment	6,000	6,000
Share issue costs	16,000	12,000
Marketable securities	35,000	(5,000)
Allowable capital losses	107,000	109,000
Non-refundable investment tax credit	-	219,000
Non-capital losses available for future period	1,730,000	1,650,000
	2,213,000	2,658,000
Unrecognized deferred tax assets	(2,213,000)	(2,658,000)
Net deferred tax assets	\$ -	\$ -

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**10. Income tax (continued)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	August 31, 2023	Expiry date range	August 31, 2022	Expiry date range
<b>Temporary differences</b>				
Exploration and evaluation assets	\$ 1,181,000	No expiry date	\$ 2,469,000	No expiry date
Investment tax credit	-		299,000	2021 to 2041
Property and equipment	21,000	No expiry date	21,000	No expiry date
Share issue costs	61,000	2043 to 2046	41,000	2042 to 2045
Marketable securities	260,000	No expiry date	-	
Allowable capital losses	395,000	No expiry date	405,000	No expiry date
Non-capital losses available for future periods				
- Canada	<b>6,403,000</b>	2026 to 2043	6,073,000	2026 to 2042

**11. Subsequent event**

On December 28, 2023, the Company announced that it closed its non-brokered private placement of \$466,360 through the issuance of 2,914,750 flow-through units at \$0.16 per unit. Each unit consists of one flow-through share of the Company and one-half of a common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.25 per share until December 22, 2025. In connection with the private placement, the Company issued 140,000 finders' warrants exercisable for a period of 24 months at an exercise price of \$0.18 per share and paid finders' fees of \$22,400.