CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Melior Resources Limited were prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the annual consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

October 19, 2018

Independent Auditors' Report

To the Shareholders of Melior Resources Inc.:

We have audited the accompanying consolidated financial statements of Melior Resources Inc., which comprise the consolidated statements of financial position as at June 30, 2018 and June 30, 2017, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Melior Resources Inc. as at June 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Toronto, Ontario
October 19, 2018

Chartered Professional Accountants
Licensed Public Accountants

MNP

Melior Resources Inc.

Consolidated Statements of Financial Position
(Expressed in Thousands of Canadian Dollars)

As at June 30,		**2018**		2017
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**1,720**	$	138
Trade and other receivables		**133**		0
Inventory (Note 8)		**56**		58
Other current assets		**159**		82
Non-Current Assets				
Property, plant and equipment (Note 5)		**5,291**		4,707
Mineral properties (Note 9)		**4,831**		4,948
Investments (Note 6)		**-**		945
Other non-current assets (Note 7)		**1,531**		1,482
	$	**13,721**	**$**	12,360
LIABILITIES				
Current Liabilities				
Trade and other payables (Notes 14 & 17)	**$**	**2,036**	$	1,651
Current portion of finance leases (Note 10)		**1**		9
Current loans payable (Notes 11 & 22)		**5,257**		4,549
Non-Current Liabilities				
Long-term portion of finance leases (Note 10)		**-**		1
Unearned Revenue (Note 12)		**3,286**		-
Provisions		**36**		-
Decommissioning liability (Note 13)		**1,510**		908
	$	**12,126**	**$**	7,118
EQUITY				
Share capital (Note 15(a))		**383,600**		382,773
Contributed surplus		**161,787**		159,274
Accumulated other comprehensive loss		**(233)**		40
Accumulated losses		**(543,559)**		(536,845)
	$	**13,721**	**$**	12,360

Nature of Operations (Note 1)
Commitments and Contingencies (Note 14)
Subsequent Event (Note 22)

Approved on behalf of the Board:

"Martyn Buttenshaw" — Director

"Mark McCauley" — Director

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

Melior Resources Inc.

Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Thousands of Canadian Dollars)

For the Year Ended June 30,		2018		2017
Administrative Expenses				
Office and administration (Note 16)	$	**3,587**	$	2,767
Depreciation (Note 5)		**594**		653
Accretion (Note 13)		**29**		29
Loss before other income (expenses)		**(4,210)**		(3,449)
Other Income (Expense)				
Interest income		**14**		34
Gain on sale of plant and equipment (Note 5)		**171**		9
Litigation expense		**-**		(46)
Impairment of investment (Note 6)		**(944)**		-
Share-based payments (Note 17)		**(190)**		(217)
Accretion convertible note (Note 11)		**(942)**		-
Rehabilitation				
Research and development incentive		**224**		-
Interest expense		**(36)**		(463)
Foreign exchange gain		**(17)**		6
		(1,720)		(677)
Net Loss for the Year	$	**(5,930)**	$	(4,126)
Items that will be reclassed subsequently to income:				
Foreign currency translation adjustment		**(273)**		293
		(273)		293
Total Comprehensive Loss	$	**(6,203)**	$	(3,833)
Loss per common share, basic and fully diluted	$	**(0.24)**	$	(0.17)
Weighted average number of shares outstanding		**27,938,256**		24,303,059

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

Melior Resources Inc.

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

	Common Shares Number	Common Shares Amount	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, June 30, 2016	**21,146,895**	**$ 381,027**	**$ 159,058**	**$ (253)**	**$ (532,719)**	**$ 7,113**
Shares Issued	6,000,000	**1,746**	-	-	-	1,746
Foreign currency translation adjustment	-	-	-	293	-	293
Net loss for the year	-	-	-	-	(4,126)	(4,126)
Share-based payments	-	-	217	-	-	217
Balance, June 30, 2017	**27,146,895**	**382,773**	**159,275**	**40**	**(536,845)**	**5,243**
Shares Issued	1,624,750	602	583	-	-	1,185
Foreign currency translation adjustment	-	-	-	(273)	-	(273)
Net loss for the year	-	-	-	-	(6,714)	(6,714)
Share-based payments	-	-	190	-	-	190
Convertible loan	-	-	1,839	-	-	1,839
Options exercised	208,333	225	(100)	-	-	125
Balance, June 30, 2018	**28,979,978**	**383,600**	**161,787**	**(233)**	**(543,559)**	**1,595**

On June 15, 2018 the Corporation gave effect to a consolidation of the common shares in the capital of the Corporation at a ratio of ten pre-consolidation common shares for one post-consolidation common share. All share, option and warrant information has been updated accordingly.

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

Melior Resources Inc.

Consolidated Statements of Cash Flows
(Expressed in Thousands of Canadian Dollars)

For the Year Ended June 30,		**2018**		**2017**
Cash and cash equivalents (used in) provided by:				
Operating Activities				
Cash paid to suppliers, employees and others	$	(3,450)	$	(3,104)
Interest received		14		34
Cash flow used in operating activities		(3,436)		(3,070)
Investing Activities				
Payments for plant and equipment		(1,427)		-
Cash flow used in investing activities		(1,427)		-
Financing Activities				
Proceeds from issue of ordinary shares		1,309		1,746
Loan proceeds		4,834		1,006
Proceeds from disposal of equipment		311		9
Finance lease repayments		(9)		(19)
Cash flow from financing activities		6,445		2,742
Change in cash and cash equivalents during the year		1,582		(328)
Cash and cash equivalents, beginning of year		138		466
Cash and cash equivalents, end of year	**$**	**1,720**	**$**	138

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

1. Nature of Operations

Melior Resources Inc., (the "Corporation"), is a Canadian company focused on making strategic investments in, and developing, resource-based opportunities offering cash flow and capital appreciation potential.

The Corporation is incorporated under the laws of the province of British Columbia, Canada. The Corporation's principal place of business is 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada.

On May 15, 2014, the Corporation completed the acquisition of 100% of the issued and outstanding shares of Goondicum Resources Pty Ltd, an Australian incorporated company which owns the Goondicum Mine. The Goondicum Mine, located in Queensland Australia, is an ilmenite and apatite mining and processing facility near the town of Monto in Queensland, Australia.

2. Statement of Compliance

These consolidated financial statements of the Corporation have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB") and the Interpretations of the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue by the Board of Directors of the Corporation on October 18, 2018.

These consolidated financial statements are presented in Canadian dollars, unless otherwise stated.

3. Summary of Significant Accounting Policies

(a) Basis of presentation:

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified as at fair value through profit or loss or available-for-sale, which are measured at fair value.

(b) Basis of consolidation:

These consolidated financial statements incorporate the financial statements of the Corporation and its wholly-owned subsidiary, Goondicum Resources, incorporated under the laws of the State of Queensland, Australia. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

(c) Translation of foreign currencies:

The functional currencies of the parent company and its subsidiary as determined by management are the Canadian dollar, and the Australian dollar, respectively. Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in consolidated statements of operations and comprehensive loss, non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

The accounts of the Corporation are presented in Canadian dollars. The financial statements of foreign subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for revenue, expenses and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive income (loss) and in the cumulative transaction adjustment in shareholders' equity.

(d) Financial Instruments:

The Corporation recognizes financial assets and financial liabilities when the Corporation becomes a party to a contract.

Measurement in subsequent years depends on the classification of the financial instrument.

i) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the, consolidated statements of operations and comprehensive income (loss).

The Corporation's financial assets classified as FVTPL include cash and cash equivalents.

ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such by management or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value with changes recognized in other comprehensive income (loss). Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are recorded in the statements of operations and comprehensive income.

Available-for-sale financial assets is comprised of the investment in Asian Mineral Resources Limited which has been for which no value has been attributed due the current share price and the low volumes traded.

iii) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument to the net carrying amount on initial recognition. Other receivables and deposits are classified as loans and receivables.

(d) Financial Instruments: (Continued)

iv) Other financial liabilities

Other financial liabilities are financial liabilities that are not classified as FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Corporation's financial liabilities classified as other financial liabilities include accounts payable, loans payable and accrued liabilities.

(e) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of ninety days or less.

(f) Inventories:

Supplies inventory is valued at the lower of average cost and net realizable value. Costs include acquisition, freight and other directly attributable costs.

(g) Plant and equipment:

Plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairment.

Depreciation on assets is calculated on a straight-line basis over the estimated useful life, or in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term, as follows:

Plant and Equipment	5 - 20 years
Vehicles	3 - 5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognized.

(h) Decommissioning liabilities:

The Corporation recognizes a decommissioning liability when a legal or constructive obligation exists to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties. Decommissioning liabilities are recognized as incurred. Decommissioning liabilities are discounted using a rate reflecting risks specific to the liability, and the unwinding of the discount is included in finance costs. At the time of establishing the liability, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates.

(i) Leases:

Leases are classified as either finance or operating leases. Finance leases are those that substantially transfer the benefits and risks of ownership to the lessee.

Assets held under finance leases are recognized as assets of the Corporation at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are charged to the statements of operations and comprehensive loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Total payments under operating leases are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized straight-line over the lease term.

(j) Revenue recognition:

Revenue is recognized when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates. Revenues earned prior to the commencement of commercial production are treated as a reduction of mineral properties.

(k) Income taxes:

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(l) Stock-based compensation:

Stock options granted are settled with shares of the Corporation. The expense is determined based on the fair value of the award granted and recognized over the period when services are received, which is usually the vesting period. The fair value is determined using the Black-Scholes option pricing model. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Corporation re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the statements of operations and comprehensive income (loss).

(m) Mineral Properties:

Mineral properties are carried at cost less accumulated depletion and include:

(i) Costs of acquiring production, development and exploration stage properties in asset acquisition transactions, including earn-in agreements;
(ii) Expenditures incurred to develop mining properties;
(iii) Economically recoverable exploration and evaluation expenditures;
(iv) Certain costs incurred during production, net of proceeds from sales, prior to reaching commercial production; and
(v) Estimates of reclamation and closure costs.

The recorded amount of capitalized costs may not reflect recoverable value, which is dependent on development programs, the nature of the mineral deposit, commodity prices, development and operating costs and the Corporation's ability to bring projects into production.

Once a property reaches commercial production capital costs are amortized on units of production over the expected life of the property's proven and probable reserves and costs of any additional work on that property are expensed as incurred, except for development programs that extend the life or enhance the value of a property, which are capitalized and depleted over the remaining life of the ore body.

A mineral property is derecognized upon disposal or considered to be impaired when no or limited future economic benefits are expected to arise from continued use of the asset. Any gain or loss on derecognition or impairment of an asset, determined as the difference between the proceeds received or expected to be received and the carrying amount of the asset, are recognized in the determination of profit or loss.

(n) Per share information:

Basic loss per share is computed by dividing the loss/income for the year available to common shareholders by the weighted average number of shares outstanding during the years. Diluted loss/income per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the years. At present, options and warrants are anti-dilutive and, therefore, have not been taken into account in the per share calculations.

(o) Future accounting changes:

The following accounting pronouncements have been released but not yet adopted by the Corporation.

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective as at January 1, 2018 and will be adopted by the Corporation effective July 1, 2018. The Corporation is in the process of assessing the impact of this pronouncement. There are no other relevant IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

(p) Business Combinations:

Business combinations are accounted for under the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Corporation, if any, at the date control is obtained. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than share and debt issue costs incurred to issue financial instruments that form part of the consideration transferred, are expensed as incurred. Identifiable assets acquired, and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. If a business combination is achieved in stages, the Corporation remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in net income.

Contingent consideration is classified as a provision and is measured at fair value, with subsequent changes recognized in income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

New information obtained during the measurement period, up to 12 months following the acquisition date, about facts and circumstances existing at the acquisition date may affect the acquisition accounting.

(q) Provisions:

Provisions are recognized when present legal or constructive obligations exist as a result of a past event where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

4. Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires the Corporation to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the consolidated financial statements. Actual results could differ from estimates.

In addition, the Corporation has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

(i) Impairment of non-financial assets

When there are indications that an asset may be impaired, the Corporation is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Corporation to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

(ii) Decommissioning liabilities

Management is required to make significant estimates and assumptions in determining the Corporation's ultimate obligation for decommissioning liabilities. There are numerous factors that will affect the ultimate liability payable including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Management is also required to apply judgment in determining whether any legal or constructive obligation exist to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties.

(iii) Valuation of stock options

The factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Corporation's control and will depend upon a variety of factors, including the market value of the Corporation's shares and financial objectives of the stock-based instrument holders. The Corporation used historical data to determine volatility in accordance with the Black-Scholes model. However, the future volatility is uncertain, and the model has its limitations.

(Tabular Amounts Expressed in Thousands of Canadian Dollars, Unless Otherwise Stated)

5. Plant and Equipment

Cost		Vehicles		Plant And Equipment		Total
Balance, June 30, 2016	$	193	$	7,071	$	7,264
Foreign exchange		6		232		238
Balance, June 30, 2017	$	199		7,303		7,502
Additions		222		1,205		1,427
Disposals		-		(419)		(419)
Foreign exchange		(5)		(171)		(176)
Balance, June 30, 2018	$	416		7,918		8,334
Accumulated Depreciation						
Balance, June 30, 2016	$	42		2,022		2,064
Depreciation		55		598		653
Disposals		-		-		-
Foreign exchange		3		75		78
Balance, June 30, 2017	$	100		2,695		2,795
Depreciation		34		560		594
Disposals		-		(276)		(276)
Foreign exchange		(2)		(68)		(70)
Balance, June 30, 2018	$	132		2,911		3,043
Carrying Value						
At Jun 30, 2017	**$**	**99**		**4,608**		**4,707**
At Dec 31, 2017	**$**	**284**		**5,007**		**5,291**

During the year the Corporation received $311,000 (2018 - $9,000) in proceeds from the disposal of equipment and recognised a gain on disposal of $171,000 (2017 - $9,000)

6. Investment in Asian Mineral Resources Limited

On June 29, 2012, the Corporation completed a strategic investment in Asian Mineral Resources Limited ("AMR") by means of a private placement whereby it purchased 47,272,727 common shares of AMR (the "AMR Shares") at $0.11 per AMR Share for total consideration of $5.20 million (the "Strategic Investment"). The Corporation owns and controls, directly and indirectly, a total of 47,272,727 AMR Shares representing approximately 6% of the issued and outstanding AMR Shares on an undiluted basis. Due to the prolonged decline in value of the equity investment, the Corporation took an impairment charge of $4.26 million in the year ended June 30, 2016 and a further impairment in charge of $944,000 in the year ended June 30, 2018. As at June 30, 2018, the common shares are recorded at nil value due to the current share price and the low trading volumes.

(Tabular Amounts Expressed in Thousands of Canadian Dollars, Unless Otherwise Stated)

7. Deposits

		2018		2017
Term Deposit - Ergon	**$**	**49**	$	151
Term Deposit - State of Queensland		**1,442**		1,290
Term Deposit - Office Lease		**40**		41
	$	**1,531**	$	1,482

8. Inventories

		2018		2017
Supplies	**$**	**56**	$	58

9. Mineral Properties

		2018		2017
Opening balance	**$**	**4,948**	$	4,800
Foreign exchange		**(117)**		148
Closing balance	**$**	**4,831**	**$**	4,948

The Goondicum Ilmenite Project comprises two mining leases located in Central Queensland, Australia and is wholly-owned by Goondicum Resources. Goondicum Resources commenced the upgrade and necessary work to restart the Goondicum mine in August 2014 and commenced mineral commissioning of the upgraded processing facility in April 2015.

In August of 2015 the Corporation suspended operations at Goondicum due to unfavourable movements in the ilmenite market. Consequently, the Corporation undertook an impairment test on the cash generating unit being the plant, property and equipment and mineral properties. For the impairment test, a value in use model (“VIU”) was used to determine the recoverable amount as this was expected to be higher than sale value less costs of disposal.

The key assumptions and estimates used in determining the VIU were calculated using discounted after-tax cash flows based on cash flow projections in the Corporation’s current life of mine plans. These projected cash flows were based on the latest expectation of future ilmenite prices, future capital expenditures, production cost estimates, discount rates and exchange rates. VIU was determined by calculating the net present value (“NPV”) of the future cash flows expected to be generated by the mine. The key assumptions used by the Corporation for impairment testing are: ilmenite price per tonne US$190-US$218 (2017 - US$192-US$216); discount rate of 20% (2017 – 20%); life of mine years of 9 (2017 - 9). A 10% decrease in the price of forecasted ilmenite holding all other assumptions constant would result in a decrease in fair value of plant and equipment and mineral properties of $13.2 million (2017- $10.3 million).

(Tabular Amounts Expressed in Thousands of Canadian Dollars, Unless Otherwise Stated)

10. Obligation Under Finance Leases

		2018		2017
Obligations under finance leases	**$**	**1**	$	10
Less: Current portion		**(1)**		(9)
Long-term portion	**$**	**-**	**$**	1

11. Loans Payable

On August 17, 2015, the Corporation entered into a US$5 million loan facility agreement with Pala Investments Limited, bearing interest at 10% per annum, a term of 365 days from the first draw down, and subject to a commitment fee equal to 2% of the unused portion of the loan facility, calculated daily. The Corporation paid Pala an arrangement fee of US$100,000, upon the initial draw down against the loan facility. The Loan facility is secured by the assets of the Corporation.

On July 18, 2016, the Corporation announced that it had reached an agreement with Pala to extend the expiry and repayment date of the Pala Facility from August 28, 2016 to October 31, 2017. Based on the terms of the extension, as at 28th July 2016 an additional US$475,000 remained available to be drawn down by Melior prior to the expiry on October 31, 2017.

On November 16, 2016, the Corporation entered into an amending agreement with Pala to extend the expiry and repayment date of the Pala Facility from October 31, 2017 to October 31, 2022. As at November 16, 2016, a total of US$3 million had been drawn down under the Pala Facility, including an additional US$300,000 received on November 10, 2016. Based on the terms of the amendment, as at November 16, 2016 no further advances are available, and any interest payable is now payable on the settlement of the facility. The maturity date of the facility was amended to October 31, 2022; however, Pala may demand settlement within five business days at any time on or after October 24, 2017.

On July 7, 2017, the Corporation reached an agreement with Pala to amend the terms of the secured loan. Under the terms of the extension, an additional US$1.24 million was available for immediate draw down by Melior and the date on which Pala may demand settlement within five business days was changed to any time on or after June 23, 2019.

The loan was convertible, in whole or part, at the option of Pala any time after July 6, 2017 and prior to the fifth Business Day after the earlier of (i) 5 years from July 7, 2017 and (ii) the repayment in full of the principle balance of the loan and any accrued and unpaid interest. The Loan was convertible to equity at a conversion price of $0.52 per share from July 6, 2017 to July 6, 2018 and following July 6, 2018, the greater of $1.00 and the conversion price. Subsequent to year end, on August 9, 2018, the Corporation executed a new loan agreement with Pala which involved the settlement of the loan and the elimination of the conversion feature (see Note 22 for further details).

The Corporation used the residual value method to allocate the principal amount of the convertible loan between the liability and equity components. The Corporation valued the debt component of the loan by calculating the present value of the principal and interest payment, discounted at a rate of 15%, being management's best estimate of the rate that a non-convertible loan with similar terms would bear. The equity conversion feature of the loan comprises the value of the conversion option, being the difference between the principal value of the loan and the liability element calculated above. Based on this calculation, the liability component is $4.09 million ($4.056 million net of transaction costs) and the residual equity component is $1.84 million. Accretion charges attributable to the convertible loan were $942,000 (2017 nil). These amounts are added to the liability component on the statements of financial position and is included in convertible loan accretion expense on the statements of operations and comprehensive loss.

(Tabular Amounts Expressed in Thousands of Canadian Dollars, Unless Otherwise Stated)

On April 10, 2018, the Corporation entered into a second loan agreement with Pala for US$7.25 million for the purpose of restarting the Goondicum Mine. As of June 30, 2018, no funds had been drawn down against the loan and on August 9, 2018, a third loan agreement with Pala was executed replacing the preceding two loan agreements (see Note 22 for further details).

Balance, June 30, 2016	**$**	**3,182**
Draw downs on facility		1,006
Interest incurred		391
Interest paid		(28)
Commitment fee on unused portion of loan facility		4
Foreign exchange		(6)
Balance, June 30, 2017	**$**	**4,549**
Draw downs on facility	$	1,548
Equity component		(1,839)
Deferred Financing Cost		(35)
Accretion		942
Foreign exchange		92
Balance, June 30, 2018	**$**	**5,257**

12. Unearned Revenue

On April 10, 2018, the Corporation announced that it had completed and executed a US$5 million and 600,000 tonne, six-year ilmenite streaming agreement with Hainan Wensheng, a leading Chinese producer of zircon, ilmenite and rutile products. As of June 30, 2018, $3.28 million (US$2.5 million) had been advanced under the agreement with a further US$2.5 million to be advanced when 5,000 tonnes of ilmenite have been produced. Repayment of the amounts advanced will be linked to tonnes delivered and will commence at the earlier of 12 months from the start of production or after the delivery of the first 60,000 tonnes of ilmenite to Hainan Wensheng. Following the initial 60,000 tonnes shipped in Year 1 with no repayment, the repayment rate will commence for the subsequent 540,000 tonnes sold to Hainan Wensheng, at US$9.26/t i.e. (540,000t x US$9.26 = US$5 million). If there is a shortfall in repayments in any one year through failure to deliver the contracted quantity, Hainan Wensheng has the right to demand a cash repayment of this principal up to a maximum of US$1 million per year. If there is any residual outstanding at the end of the six-year term, Hainan Wensheng has the right to demand full repayment of all outstanding amounts at that time. The repayment rate will be suspended if, at any stage, any senior debt repayment is not met and will restart once any senior debt repayment is back on schedule.

The price paid by Hainan for ilmenite will be based on an agreed reference price calculated at a premium to the current traded market price of ilmenite imported into China. Hainan Wensheng will receive a subsequent discount of between 5% and 12.5%, depending on the reference price, which will be suspended and accrued if the reference price falls below a fixed threshold.

(Tabular Amounts Expressed in Thousands of Canadian Dollars, Unless Otherwise Stated)

13. Decommissioning Liability

For the Corporation, asset retirement obligations primarily relate to the dismantling of the Goondicum Ilmenite Project. The estimate of future site removal and restoration costs depends on the development of environmentally acceptable mine closure plans.

A summary of the changes in the provision for reclamation liabilities is set out below.

		2018		2017
Opening Balance	**$**	**908**	$	853
Discounted value of additions		**595**		-
Accretion		**29**		29
Foreign Exchange		**(22)**		(26)
Closing Balance	**$**	**1,510**	$	908

The mine closure provision liability is based upon numerous estimates and assumptions, as follows:

(a) Total undiscounted amount of future retirement costs was determined to be $2.13 million (2017 $1.33 million);
(b) Weighted average risk-free interest rate at 3.25%; and
(c) The $2.13 million (2017 $1.33 million) undiscounted provision is expected to be fully disbursed in fiscal 2029.

The Corporation has posted rehabilitation deposits totalling $1.44 million (2017 $1.33 million) with the State of Queensland as security for the Corporation's obligation under the mine closure plan with a further $719,000 due to be deposited by 13 November 2018.

14. Commitments and Contingencies

There are currently two separate entities that have contractual entitlements to receive royalties based on the gross income of Goondicum Resources derived from all mineral sales from tenements. The total of these royalties is 1.2375% of gross income. A third entity holds the right to receive a gross income royalty of 1.0125% of gross income derived from tenements on all minerals except ilmenite and apatite.

Goondicum Resources pays the state government a royalty of 5% of the revenue for all ilmenite sales and approximately $A0.80/tonne for all phosphate rock sales. Included in accounts payable and accrued liabilities is A$457,000 ($445,000) (June 30, 2017 - A$457,000 ($456,000)) pertaining to production royalties.

A separate entity is also entitled to a success fee of A$419,000 ($408,000) (June 30, 2017 - A$419,000 ($418,000)) if gross revenues of Goondicum Resources exceed A$23 million ($22.39 million) (June 30, 2017 - A$23 million ($22.93 million)) in any rolling 12-month period.

(Tabular Amounts Expressed in Thousands of Canadian Dollars, Unless Otherwise Stated)

15. Share Capital

(a) Authorized

Unlimited preferred shares without par value
Unlimited common shares without par value

Issued	Number of Common Shares		Amount
Balance, June 30, 2016	21,146,880	$	381,027
Private Placement during the period	6,000,000		1,746
Balance, June 30, 2017	27,146,880		382,773
Balance, June 30, 2017	27,146,880	$	382,773
Private Placement during the period	1,624,750		602
Options exercised	208,333		225
Balance, June 30 2018	**28,979,963**	**$**	**383,600**

The Corporation closed the first tranche of the Private Placement on January 25, 2018 with a total of 1,328,750 units ("Units") issued, raising gross proceeds of $1.06 million. In the second tranche, the Corporation issued 298,500 Units, raising gross proceeds of $238,000. In total, 1,624,750 Units were issued, raising gross proceeds of $1.3 million.

Each Unit is comprised of one common share of the Company (each, a "Share") and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles its holder to purchase one additional Share of the Company at a price of $1.05 per Share within the 24-month period following the final closing date of the Private Placement; provided that, in the event the Shares trade at a closing price on The TSX Venture Exchange (the "Exchange") of greater than $1.05 per Share for a period of 10 consecutive trading days at any time after the six month anniversary of the closing of the Private Placement.

	Number of Warrants	Weight Average Exercise Price ($)
Balance, June 30, 2016 and 2017	-	-
Warrants issued during the period	16,247,500	1.05
Balance, June 30, 2018	16,247,500	1.05

(Tabular Amounts Expressed in Thousands of Canadian Dollars, Unless Otherwise Stated)

15. Share Capital (continued)

(b) Stock Options

As at June 30, 2018, 2,156,330 common shares remain available for grant under the plan. Under the plan, the exercise price of each option equals the market price of the Corporation's common shares on the date of grant or the price determined by the Board of Directors, not being less than the market price, and an option's maximum term is ten years. Options are granted upon approval by the Board of Directors.

	Number of Stock Options	Weight Average Exercise Price ($)
Balance, June 30, 2016	171,000	1.70
Issued during the period	1,150,000	0.60
Balance June 30 2017	1,321,000	0.74
Balance, June 30, 2017	1,321,000	0.74
Stock options exercised during the period	(208,333)	0.60
Stock options expired during the period	(371,000)	1.11
Balance, June 30, 2018	741,667	0.60

As at June 30, 2018 the Corporation had the following stock options outstanding and exercisable:

Expiry Date	Number of Options Exercisable	Weighted Average Number of Options Outstanding	Remaining Contractual Life (Years)	Exercise Price (S)
Feb.10, 2020	108,333	741,667	1.62	$ 0.60

In February 2017, the Corporation granted 1,150,000 stock options to directors and senior executives of the Corporation at an exercise price of $0.60. The options expire in 3 years from grant, with one third vesting in 6 months, one third in 18 months and one third in 30 months. A fair value of $549,660 was determined using the Black-Scholes option pricing model. The following assumptions were used: risk-free interest rate – 0.92%; expected volatility 176% (which is based on historical volatility of the Corporation’s share price; dividend yield – nil; expected life – 3 years; and share price - $0.55.

(Tabular Amounts Expressed in Thousands of Canadian Dollars, Unless Otherwise Stated)

16. General and Administrative

		2018		2017
Salaries and benefits	**$**	**1,137**	$	875
Professional fees		**789**		453
Directors fees		**67**		30
General and office		**615**		352
Process Technology		**101**		274
Travel		**155**		267
Filing and regulatory fees		**36**		14
Environmental compliance		**211**		263
Insurance		**118**		66
Utilities and fuel		**244**		118
Repairs and maintenance		**114**		55
	$	**3,587**	$	2,767

17. Related Party Transactions and Balances

Remuneration of key management personnel of the Corporation was as follows:

		2018	$	2017
Salaries and benefits	**$**	**590**	$	423
Directors fees	**$**	**67**	$	30
Shared based payments	**$**	**190**	$	217

The Corporation and Goondicum Resources have entered into an Advisory Services Agreement (ASA) with Pala (a significant shareholder) to provide the Corporation with consultancy support in evaluating potential capital investments and Goondicum Resources with support advisory services. The ASA was suspended indefinitely on January 1, 2017 and during the year ended June 30, 2018 the Corporation incurred no consultancy fees (June 30, 2017 - US$50,000), under the terms of the Advisory Services Agreement, included in office and administration expenses. Included in accounts payable and accrued liabilities as at June 30, 2018 was nil (June 30, 2017 - US$216,000) pertaining to these fees and reimbursable expenses.

The Corporation entered into a secured loan agreement with Pala and the details of this loan are set out in notes 11 and 21. During the year the Corporation incurred interest and fees on the Pala loan of $592,000 (2017 – 395,000)

As at June 30, 2018, Pala Investments Limited ("Pala") owned directly or indirectly 45.6% (2017 – 48.3%) of the Corporation's issued and outstanding common shares.

(Tabular Amounts Expressed in Thousands of Canadian Dollars, Unless Otherwise Stated)

18. Income Taxes

The following table reconciles the expected tax recovery at the Canadian Federal and Provincial statutory rate of 26.50% (2017 - 26.50%) to the amount recognized in the consolidated statements of operations and comprehensive loss:

		2018		2017
Net (loss) , before income taxes	**$**	**(6,714)**	$	(4,126)
Expected income tax (recovery) expense	**$**	**(1,779)**	$	(1,090)
Difference in foreign tax rates		**1,790**		1,220
Non-deductible expenses		**(63)**		110
Non-capital loss carry-forwards no longer available		**28,901**		-
Changes in tax benefits not recognized		**(28,850)**		(240)

		2018		2017
Deferred income tax recovery	**$**	**-**	$	-

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following items:

		2018		2017
Non-capital loss carry-forwards Canada	**$**	**7,207**	$	116,270
Non-capital loss carry-forwards Australia		**31,744**		22,910
Eligible capital expenditures		**5,096**		12,170
Mineral property exploration and development		**1,430**		1,430
Investment		**5,200**		4,250
Other		**24,687**		8,870
	$	**75,364**	$	165,900

At June 30, 2018 the Corporation had Canadian non-capital loss carried forwards of approximately $7 million for income tax purposes. The losses may be utilized to reduce future years taxable income earned in Canada and expire between 2032 and 2038. Deductible temporary differences and exploration expenditures do not expire under current tax legislation and can be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

19. Capital Disclosures

The Corporation's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its business. In the definition of capital, the Corporation includes, deficit of $543.37 million; share capital of $383.60 million, and contributed surplus $161.79 million.

The Corporation's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Corporation may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt (secured, unsecured, convertible and/or other types of debt instruments), acquire or dispose of assets or adjust the amount of cash and cash equivalents. The Corporation is currently not subject to externally imposed capital requirements.

20. Financial Instruments

Fair Values

Assets and liabilities carried at fair value must be classified using a three-level hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

The Corporation’s financial instruments measured at fair value include cash and cash equivalents and the investment in Asian Mineral Resources Limited. These financial assets are reported at Level 1 of the fair value hierarchy. The Corporation had no financial assets and liabilities measured at fair value at Level 2 or Level 3 as at June 30, 2018 and 2017. Other receivables and deposits, accounts payable, loans payables and accrued liabilities and mining royalty payable approximate their carrying values due to their short-term maturity.

Risk Management

The Corporation's risk exposures and their impact on the Corporation's financial instruments are summarized below:

<u>Credit Risk</u>
Credit risk on financial instruments arises from the potential for counterparties to default on their obligations to the Corporation. Current credit exposure relates to the loss that would be incurred if the Corporation's counterparties were to default on their current obligations. To minimize the Corporation's exposure to credit risk, the Corporation holds all its cash and cash equivalent balances at major Canadian and Australian financial institutions with an AA rating from Standard and Poors.

<u>Liquidity Risk</u>

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at June 30, 2018 the Corporation had cash and cash equivalents of $1.72 million (June 30, 2017 - $138,000) to settle current liabilities of $7.11 million (June 30, 2017 - $6.21 million). Most of the Corporation's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms. As at June 30, 2018 the Corporation had $13.2 million available for drawdown under existing debt facilities.

<u>Market Risk</u>

Market risk is the risk of loss that may arise from changes in interest rates, foreign exchange rates and commodity prices.

(Tabular Amounts Expressed in Thousands of Canadian Dollars, Unless Otherwise Stated)

(a) Interest Rate Risk

Interest on the Corporation's cash and cash equivalents is based on both fixed and variable rates and exposes the Corporation to interest rate risk. The Corporation has not entered into any derivative agreements to mitigate this risk. The impact of a change in interest rates of 1% in either direction at June 30, 2018 would be $1 per year on the interest earned on cash and cash equivalents.

(b) Foreign Currency Risk

As at June 30, 2018, approximately 97% of the Corporation's cash and cash equivalents were held in Australian dollars. The Corporation is exposed to foreign exchange risk associated with the potential fluctuation of the Canadian dollar relative to the Australian and US dollars. A plus or minus 5% change in foreign exchange rates at the end of the reporting period would affect comprehensive loss by approximately $542,000. Derivative financial instruments are not used to reduce exposure to fluctuations in foreign exchange rates.

21. Segmented Information

The Corporation operates in one segment and has one head office segment - the exploration and development of mineral properties, which are located in Australia. Identifiable assets are:

June 30, 2018	Canada	Australia	Total
Property plant and equipment	$ -	$ 5,291	$ 5,291
Mineral properties	-	4,831	4,831
Corporate and other assets	149	3,450	3,599
Total assets	$ 149	$ 13,572	$ 13,721
Net Loss	$ (1,323)	$ (5,203)	$ (6,526)

June 30, 2017	Canada	Australia	Total
Property plant and equipment	$ -	$ 4,707	$ 4,707
Mineral properties	-	4,948	4,948
Corporate and other assets	1,063	1,642	2,705
Total assets	$ 1,063	$ 11,297	$ 12,360
Net Loss	$ 41	$ (4,167)	$ (4,126)

22. Subsequent Events

Continuance

On August 29, 2018, the Corporation announced that a special meeting of shareholders had been held to vote on the Corporations' proposed continuance from British Columbia to Australia and associated resolutions in connection with the re-domiciling of the Company. The vote was resoundingly passed by shareholders with 99.9% of the votes cast voting in favour of the resolution.

Should the continuance proceed, and the Corporation is registered in Australia, the Corporation intends, at the appropriate time, and in compliance with all relevant laws, to make an application to the Australian Securities Exchange (ASX) for official quotation of its shares. The Corporation will also remain listed on the TSX Venture Exchange (TSX-V) and the continuance is not conditional on the ASX listing occurring. In connection with the continuance, it is also proposed that the Corporation's name will change to Melior Resources Limited. At this time, the Corporation does not satisfy all of the criteria for eligibility to apply to the ASX for official quotation of its shares and there can be no guarantee that ASX will grant official quotation of its shares. Loan Restructure

On August 9, 2018, the Corporation entered into a loan agreement with Pala to consolidate the two existing loan facilities into one new facility. The new facility is for an aggregate principal amount of US$13.75 million with a 24-month maturity date and also provides for the cancellation of Pala's equity conversion option.

Metallica Merger

On September 12, 2018, the Corporation announced that it had entered into a binding arrangement agreement (AA) with ASX listed Metallica Minerals Limited (ASX:MLM) (Metallica) which sets out the terms and conditions of a merger of the two companies. The merger will be by way of a court approved plan of arrangement in which Metallica will acquire all of the issued and outstanding common shares of Melior in exchange for Metallica ordinary shares at an agreed exchange ratio of twenty Metallica shares for every one Melior share. On completion of the merger, Melior shareholders will hold 64% of Metallica's issued capital and Melior will become a wholly owned subsidiary of Metallica. Metallica will remain listed on the ASX and Melior will be de-listed from the TSX-V.

Stock Options

On July 13, 2018, the Corporation announced the issuance of 125,000 options to Mr. George Lloyd following his appointment as Non-Executive Director of Melior. The options were issued under Melior's existing Employee Stock Option Plan and have a term of 3 years and a strike price of CAD$0.80/share, being the closing price on the day prior to his appointment. One third of the options can be exercised 6 months after issuance, one third 18 months after issuance, and one third 30 months after issuance. A fair value of $87,658 was determined using the Black-Scholes option pricing model. The following assumptions were used: risk-free interest rate – 1.98%; expected volatility 176% (which is based on historical volatility of the Corporation's share price; dividend yield – nil; expected life – 3 years; and share price - $0.70.