



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MARCH 31, 2019 AND 2018

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

**NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Corporation's auditors.

# Melior Resources Inc.

## Condensed Interim Consolidated Statements of Financial Position (Expressed in Thousands of Canadian Dollars) (Unaudited)

As at	March 31, 2019	June 30, 2018
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 183	\$ 1,720
Trade and other receivables	3,778	133
Inventory (Note 5)	1,003	56
Other current assets	679	159
	<b>5,643</b>	<b>2,068</b>
Non-Current Assets		
Property, plant and equipment (Note 3)	10,045	5,291
Mineral properties (Note 6)	4,652	4,831
Other non-current assets (Note 4)	2,224	1,531
	<b>16,921</b>	<b>11,653</b>
	<b>\$ 22,564</b>	<b>\$ 13,721</b>
<b>LIABILITIES</b>		
Current Liabilities		
Trade and other payables (Notes 12 & 17)	\$ 7,013	\$ 2,036
Current portion of finance leases (Note 7)	-	1
Convertible loan payable (Notes 8 & 9)	-	5,257
	<b>7,013</b>	<b>7,295</b>
Non-Current Liabilities		
Loan payable (Notes 8 & 9)	21,312	-
Unearned revenue (Note 10)	6,013	3,286
Provisions	35	36
Decommissioning liability (Note 11)	1,509	1,510
	<b>28,869</b>	<b>4,832</b>
	<b>\$ 35,882</b>	<b>\$ 12,126</b>
<b>EQUITY</b>		
Share capital (Note 13(a))	384,050	383,600
Contributed surplus	160,349	161,787
Accumulated other comprehensive loss	(926)	(233)
Accumulated losses	(556,755)	(543,559)
	<b>(13,318)</b>	<b>1,595</b>
	<b>\$ 22,564</b>	<b>\$ 13,721</b>

### Nature of Operations (Note 1) Commitments and Contingencies (Note 12)

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.

## Condensed Interim Consolidated Statements of Operations and Comprehensive Loss (Expressed in Thousands of Canadian Dollars) (Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Revenue (Note 14)	3,645	-	3,645	-
Cost of sales (Note 15)	(6,573)	-	(9,254)	-
Depreciation (Note 3)	(197)	\$ (144)	(469)	\$ (449)
Amortisation	(55)	-	(55)	-
Accretion (Note 11)	(14)	(8)	(38)	(22)
<b>Loss before other income (expenses)</b>	<b>(3,194)</b>	<b>(152)</b>	<b>(6,171)</b>	<b>(471)</b>
Other Income (Expense)				
General and administrative expenses (Note 16)	(588)	(650)	(4,036)	(2,054)
Gain on sale of property plant & equipment (Note 3)	-	-	15	170
Interest income	-	-	9	12
Finance expense	(1,219)	(8)	(2,806)	(26)
Accretion Convertible Loan (Note 8)	-	(241)	(84)	(702)
Share Based Payments (Note 17)	(27)	(49)	(120)	(189)
Foreign exchange (loss)/gain	(3)	(14)	(3)	(81)
	(1,837)	(962)	(7,025)	(2,870)
<b>Net Loss for the Period</b>	<b>\$ (5,031)</b>	<b>\$ (1,114)</b>	<b>\$ (13,196)</b>	<b>\$ (3,341)</b>
Items that will be reclassified subsequently to income:				
Foreign currency translation adjustment	90	15	(729)	27
Unrealized (loss)/gain on available-for-sale financial assets	-	(236)	-	(236)
	90	(221)	(729)	(209)
<b>Total Comprehensive Loss</b>	<b>\$ (4,941)</b>	<b>\$ (1,335)</b>	<b>\$ (13,925)</b>	<b>\$ (3,550)</b>
<b>Loss per common share, basic and fully diluted</b>	<b>\$ (0.17)</b>	<b>\$ (0.04)</b>	<b>\$ (0.45)</b>	<b>\$ (0.12)</b>
<b>Weighted average number of shares outstanding</b>	<b>29,468,727</b>	<b>28,502,856</b>	<b>29,138,722</b>	<b>27,592,283</b>

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

## Melior Resources Inc.

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

	Common Shares		Contributed	Accumulated		
	Number	Amount	Surplus	Other Comprehensive Loss	Deficit	Total
<b>Balance, June 30, 2017</b>	<b>27,146,880</b>	<b>\$ 382,773</b>	<b>\$ 159,275</b>	<b>\$ 40</b>	<b>\$ (536,845)</b>	<b>\$ 5,243</b>
Shares issued	1,624,750	602	583	-	-	1,185
Foreign currency translation adjustment	-	-	-	27	-	27
Net loss for the year	-	-	-	-	(3,341)	(3,341)
Share-based payments	-	-	189	-	-	189
Convertible loan	-	-	1,839	-	-	1,839
Options exercised	208,333	225	(100)	-	-	125
Unrealised loss on available-for-sale financial assets	-	-	-	(236)	-	(236)
<b>Balance, March 31, 2018</b>	<b>28,979,963</b>	<b>\$ 383,600</b>	<b>\$ 161,786</b>	<b>\$ (169)</b>	<b>\$ (540,186)</b>	<b>\$ 5,031</b>
<b>Balance, June 30, 2018</b>	<b>28,979,963</b>	<b>\$ 383,600</b>	<b>\$ 161,787</b>	<b>\$ (233)</b>	<b>\$ (543,559)</b>	<b>\$ 1,595</b>
Shares issued	750,000	450	-	-	-	450
Foreign currency translation adjustment	-	-	-	(729)	-	(729)
Net loss for the year	-	-	-	-	(13,196)	(13,196)
Share-based payments	-	-	120	-	-	120
Convertible loan	-	-	(1,558)	-	-	(1,558)

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.

## Condensed Interim Consolidated Statements of Cash Flows (Expressed in Thousands of Canadian Dollars) (Unaudited)

For the Nine Months Ended March 31,	2019	2018
<b>Cash and cash equivalents (used in) provided by:</b>		
<b>Operating Activities</b>		
Receipts from customers	57	-
Cash paid to suppliers, employees and others	(11,005)	(2,887)
Interest received	9	12
Cash flow from operating activities	(10,939)	(2,875)
<b>Investing Activities</b>		
Payments for plant and equipment	(5,359)	-
Cash flow from investing activities	(5,359)	-
<b>Financing Activities</b>		
Proceeds from issue of share capital	-	1,262
Loan proceeds	14,746	1,601
Proceeds from disposal of equipment	15	320
Finance lease repayments	-	(7)
Cash flow from financing activities	14,761	3,176
Change in cash and cash equivalents during the period	(1,537)	301
Cash and cash equivalents, beginning of period	1,720	138
Cash and cash equivalents, end of period	\$ 183	\$ 439

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

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended March 31, 2019 and 2018

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

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### 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

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

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 30, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2018. Any subsequent changes to IFRS that are given effect in the Corporation's annual financial statements for the year ending June 30, 2019 could result in restatement of these condensed interim financial statements.

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

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended March 31, 2019 and 2018

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

(Unaudited)

### 3. Plant and Equipment

<b>Cost</b>		<b>Vehicles</b>	<b>Plant And Equipment</b>	<b>Total</b>
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
Additions		-	5,359	5,359
Disposals		(27)	-	(27)
Foreign exchange		(11)	(203)	(214)
Balance, March 31, 2019	\$	378	13,074	13,452
<b>Accumulated Depreciation</b>				
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
Depreciation		28	441	469
Disposals		(27)	-	(27)
Foreign exchange		(3)	(75)	(78)
Balance, March 31, 2019	\$	130	3,277	3,407
<b>Carrying Value</b>				
<b>At June 30, 2018</b>	<b>\$</b>	<b>284</b>	<b>5,007</b>	<b>5,291</b>
<b>At March 31, 2019</b>	<b>\$</b>	<b>248</b>	<b>9,797</b>	<b>10,045</b>

### 4. Deposits

		<b>March 31, 2019</b>		<b>June 30, 2018</b>
Term Deposit - Ergon	\$	47	\$	49
Term Deposit - State of Queensland		2,137		1,442
Term Deposit - Office Lease		39		40
	\$	2,224	\$	1,531

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended March 31, 2019 and 2018

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

(Unaudited)

### 5. Inventories

	March 31, 2019		June 30, 2018	
Ilmenite	\$	588	\$	-
Apatite		234		-
Supplies		181		56
	\$	1,003	\$	56

### 6. Mineral Properties

	March 31, 2019		June 30, 2018	
Opening balance	\$	4,831	\$	4,948
Amortisation		(55)		-
Foreign exchange		(124)		(117)
Closing balance	\$	4,652	\$	4,831

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 (2018 - US\$192-US\$216); discount rate of 20% (2018 - 20%); life of mine years of 9 (2018 - 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).

### 7. Obligation Under Finance Leases

	March 31, 2019		June 30, 2018	
Obligations under finance leases	\$	-	\$	1
Less: Current portion		-		(1)
Long-term portion	\$	-	\$	-

### 8. Convertible Loan Payable



# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended March 31, 2019 and 2018

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

(Unaudited)

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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. 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 9 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 was \$4.09 million (\$4.056 million net of transaction costs) and the residual equity component was \$1.84 million. Accretion charges attributable to the convertible loan for the nine months ended March 31, 2019, were \$84,049 (nine months ended March 31, 2018, \$702,000). 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.

On August 9, 2018, the Corporation entered into a new loan agreement with Pala which included the settlement of the convertible loan. On August 13, 2018 the Corporation drew down on the facility and settled the convertible loan.

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended March 31, 2019 and 2018

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

(Unaudited)

### 8. Convertible Loan Payable (continued)

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
<b>Balance, June 30, 2018</b>	<b>\$</b>	<b>5,257</b>
Repayment	\$	(6,807)
Equity component		1,558
Accretion		84
Foreign exchange		(92)
<b>Balance, March 31, 2019</b>	<b>\$</b>	<b>-</b>

### 9. Loan Payable

On August 9, 2018, the Corporation entered into a US\$13.75 million loan facility agreement with Pala, bearing interest at 14% per annum and with 24-month maturity with an option to extend for a further 12-months. Details of the new facility include:

- Tranche 1: US\$11.75 million
  - 2% arrangement fee and
  - 5% issuer discount accrued on drawdown
- Tranche 2: US\$2 million
  - 3% arrangement fee accrued on drawdown
  - 5% issuer discount accrued on drawdown
- Maturity Date: 24 months from the initial drawdown; Melior has the option to extend the maturity date by an additional 12 months and paying a 2% extension fee on the outstanding loan principal balance at the time of extension.
- Early Repayment: Permitted at any time following the first 12 months.
- Use of Funds:
  - Full repayment of the outstanding Convertible Loan.
  - US\$1.25 million paid to Pala for the cancellation of the equity conversion option associated with the Convertible Loan (worth over C\$4.1 million at date of execution).
  - Removal of make-whole payment: The potential payment of a US\$2 million make-whole payment to Pala in certain circumstances is extinguished and is no longer payable under any circumstances.

### 9. Loan Payable (continued)

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended March 31, 2019 and 2018

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

(Unaudited)

On February 1, 2019, the Corporation entered into an amended and restated loan agreement with Pala which increased the facility to US\$15.75 million. The material terms of the amended agreement remained unchanged.

Balance, June 30, 2018	\$	-
Net drawdowns		12,019
Settlement of Convertible Loan		7,017
Convertible Loan prepayment fee		1,668
Arrangement fees		474
Accrued issuer discounts		1,158
Accrued interest		1,655
Foreign exchange		32
Loan balance		24,022
Less unamortized discount and debt issuance costs		(2,260)
<b>Balance, March 31, 2019</b>	<b>\$</b>	<b>21,762</b>

### 10. 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.

### 11. 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.

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended March 31, 2019 and 2018

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

(Unaudited)

### 11. Decommissioning Liability (continued)

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

	March 31, 2019	June30, 2018
Opening Balance	\$ 1,510	\$ 908
Discounted value of additions	-	595
Accretion	36	29
Foreign Exchange	(37)	(22)
Closing Balance	\$ 1,509	\$ 1,510

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 \$2.05 million;
- (b) Weighted average risk-free interest rate at 3.25%; and
- (c) The \$2.00 million undiscounted provision is expected to be fully disbursed in fiscal 2029.

The Corporation has posted rehabilitation deposits totalling \$2.00 million with the State of Queensland as security for the Corporation's obligation under the mine closure plan.

### 12. 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 (\$433,000) (June 30, 2018 - A\$457,000 (\$445,000)) pertaining to production royalties.

A separate entity is also entitled to a success fee of A\$419,000 (\$396,000) (June 30, 2018 - A\$419,000 (\$408,000)) if gross revenues of Goondicum Resources exceed A\$23 million (\$21.52 million) (June 30, 2018 - A\$23 million (\$21.81 million)) in any rolling 12-month period.

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended March 31, 2019 and 2018

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

(Unaudited)

### 13. Share Capital

#### (a) Authorized

Unlimited preferred shares without par value

Unlimited common shares without par value

<b>Issued</b>	<b>Number of Common Shares</b>	<b>Amount</b>
Balance, June 30, 2017	27,146,895	\$ 382,773
Private Placement during the period	1,624,750	602
Options exercised	208,333	225
Balance, March 31, 2018	28,979,963	\$ 383,600
Balance, June 30, 2018	28,979,963	383,600
Issued under terms of loan agreement	750,000	450
<b>Balance, March 31, 2019</b>	<b>29,729,963</b>	<b>\$ 384,050</b>

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 Corporation (each, a "Share") and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles its holder to purchase one additional Share of the Corporation 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.

On August 9, 2018, the Corporation issued Pala 3,250,000 warrants ("Pala Warrants") of the Corporation pursuant to loan agreement ("Loan Agreement") dated August 9, 2018, between the Corporation and Pala. The Pala Warrants have a term of 2 years and are exercisable for one common share of the Corporation with a strike price equal to \$0.095 and which cannot be traded until four months and a day after their date of issue. On February 5, 2019, the Corporation announced the cancellation the Pala Warrants pursuant to an amendment to the Loan Agreement, the terms of which also included the Corporation issuing Pala with 750,000 additional common shares.

<b>Issued</b>	<b>Number of Warrants</b>	<b>Weight Average Exercise Price (\$)</b>
Balance, June 30, 2017	-	-
Warrants issued during the period	1,624,750	1.05
Balance, March 31, 2018	1,624,750	1.05
Balance, June 30, 2018	1,624,750	1.05
Warrants issued during the period	3,250,000	0.95
Warrants cancelled during the period	(3,250,000)	0.95
<b>Balance, March 31, 2019</b>	<b>1,624,750</b>	<b>1.05</b>

### 13. Share Capital (continued)

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended March 31, 2019 and 2018

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

(Unaudited)

### (b) Stock Options

As at March 31, 2019, 2,031,330 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.

<b>Issued</b>	<b>Number of Stock Options</b>	<b>Weight Average Exercise Price (\$)</b>
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, March 31, 2018	741,667	0.60
Balance, June 30, 2018	741,667	0.60
Issued during the period	125,000	0.80
<b>Balance, March 31, 2019</b>	<b>866,667</b>	<b>0.63</b>

As at March 31, 2019 the Corporation had the following stock options outstanding and exercisable:

<b>Expiry Date</b>	<b>Number of Options Exercisable</b>	<b>Weighted Average Number of Options Outstanding</b>	<b>Remaining Contractual Life (Years)</b>	<b>Exercise Price (\$)</b>
Feb.10, 2020	425,000	741,667	0.87	\$ 0.60
Jul.13, 2021	41,667	125,000	2.29	\$ 0.80

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.

In July 2018, the Corporation granted 125,000 stock options to a director of the Corporation at an exercise price of \$0.80. 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 \$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 - \$0.80.

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended March 31, 2019 and 2018

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

(Unaudited)

### 14. Revenue

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Revenue from sales of ilmenite	\$ 3,577	\$ -	\$ 3,577	\$ -
Revenue from sales of apatite	68	-	68	-
	\$ 3,645	\$ -	\$ 3,645	\$ -

### 15. Cost of Sales

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Production expenses	\$ 5,059	\$ -	\$ 8,354	\$ -
Change in value of stocks	(217)	-	(820)	-
Distribution expense	1,443	-	1,433	-
Marketing expense	96	-	96	-
Royalties expense	192	-	192	-
	\$ 6,573	\$ -	\$ 9,254	\$ -

### 16. General and Administrative

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Salaries and benefits	\$ 84	\$ 209	\$ 1,015	\$ 733
Professional fees	65	53	961	98
Directors fees	35	14	120	52
General and office	184	171	1,116	513
Process Technology	22	-	22	49
Travel	33	37	137	114
Filing and regulatory fees	3	12	81	33
Environmental compliance	118	49	210	137
Insurance	43	30	91	87
Utilities and fuel	-	66	108	176
Repairs and maintenance	-	9	175	62
	\$ 587	\$ 650	\$ 4,036	\$ 2,054

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended March 31, 2019 and 2018

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

(Unaudited)

### 17. Related Party Transactions and Balances

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Salaries and benefits	\$ 133	\$ 119	\$ 372	\$ 461
Directors fees	\$ 35	\$ 11	\$ 120	\$ 14
Shared based payments	\$ 28	\$ 48	\$ 120	\$ 188

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. The Corporation incurred consultancy fees for the nine months end March 31, 2019 of US\$60,000 (nine months ended March 31, 2018 - Nil). Included in accounts payable and accrued liabilities as at March 31, 2019 was US\$60,000 (June 30, 2018 - Nil) pertaining to these fees.

The Corporation entered into secured loan agreements with Pala and the details of this loan are set out in note 8 and note 9.

As at March 31, 2019, Pala owned directly or indirectly 47.0% (2018 – 45.6%) of the Corporation's issued and outstanding common shares.



# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended March 31, 2019 and 2018

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

(Unaudited)

### 18. 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:

<b>March 31, 2019</b>	<b>Canada</b>		<b>Australia</b>		<b>Total</b>
Property plant and equipment	\$		\$	10,045	\$ 10,045
Mineral properties				4,652	4,652
Corporate and other assets		96		7,771	7,867
<b>Total assets</b>	<b>\$</b>	<b>96</b>	<b>\$</b>	<b>22,468</b>	<b>\$ 22,564</b>
Net Loss for the six months ended March 31, 2018	\$	(3,269)	\$	(9,925)	\$ (13,194)

<b>March 31, 2018</b>	<b>Canada</b>		<b>Australia</b>		<b>Total</b>
Property plant and equipment	\$	-	\$	4,036	\$ 4,036
Mineral properties		-		4,865	4,865
Corporate and other assets		974		1,824	2,798
<b>Total assets</b>	<b>\$</b>	<b>974</b>	<b>\$</b>	<b>10,725</b>	<b>\$ 11,699</b>
Net Loss for the six months ended December 31, 2017	\$	(264)	\$	(3,077)	\$ (3,341)