



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(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.

January 30, 2020

Independent Auditor's Report

To the Shareholders of Melior Resources Inc.:

Opinion

We have audited the consolidated financial statements of Melior Resources Inc. and its subsidiaries (the "Corporation"), which comprise the consolidated statements of financial position as at June 30, 2019 and June 30, 2018, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at June 30, 2019 and June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Corporation incurred a net loss of \$32,328,648 during the year ended June 30, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jonathan Mac Neil.

MNP LLP

Toronto, Ontario
January 30, 2020

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,	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,657	\$ 1,720
Trade and other receivables	128	133
Inventory (Note 8)	2,505	56
Other Current Assets	657	159
	4,947	2,068
Non-Current Assets		
Property, plant and equipment (Note 5)	1,921	5,291
Mineral properties (Note 9)	-	4,831
Deposits (Note 7)	2,153	1,531
	4,074	11,653
	\$ 9,021	\$ 13,721
LIABILITIES		
Trade and other payables (Notes 14 & 17)	\$ 6,427	\$ 2,036
Current portion of finance leases (Note 10)	-	1
Unearned Revenue (Note 12)	8,376	-
Provision (Note 14)	229	-
Loans payable (Notes 11 & 22)	5,721	5,257
Derivative liability (Note 11 & 22)	17,453	-
	38,206	7,294
Non-Current Liabilities		
Provisions	34	36
Unearned Revenue (Note 12)	-	3,286
Decommissioning liability (Note 13)	1,693	1,510
	1,727	4,832
	\$ 39,933	\$ 12,126
EQUITY		
Share capital (Note 15)	384,116	383,600
Contributed surplus	161,933	161,787
Accumulated other comprehensive loss	(1,074)	(233)
Deficit	(575,887)	(543,559)
	(30,912)	1,595
	\$ 9,021	\$ 13,721

Nature of Operations and Going Concern (Note 1)

Commitments and Contingencies (Note 14)

Subsequent Event (Note 22)

Approved on behalf of the Board:

"Martyn Buttenshaw"
Director

"Rishi Tibriwal"
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,	2019	2018
Revenue	\$ 5,566	\$ -
Cost of Sales	(12,289)	-
Depreciation (Note 5)	(1,014)	(594)
Loss before other income (expenses)	(7,737)	(594)
Other Income (Expense)		
Accretion decommissioning liability (Note 13)	(185)	(29)
Depreciation (Note 5)	-	-
General and administrative expenses (Note 16)	(8,283)	(3,587)
Gain on sale of property plant & equipment (Note 5)	15	171
Rehabilitation	-	(784)
Research and development incentive	-	224
Interest income	9	14
Finance expense	(2,573)	(36)
Loss on debt extinguishment (Note 11)	(4,157)	-
Gain on fair value change of derivative liability (Note 11)	4,829	
Impairment of plant and equipment and mineral properties (Note 5 & 9)	(12,594)	(944)
Accretion convertible loan (Note 11)	(921)	(942)
Share based payments (Note 15)	(146)	(190)
Foreign exchange (loss)/gain	(585)	(17)
	(24,951)	(6,120)
Net Loss for the Year	\$ (32,328)	\$ (6,714)
Items that will be reclassified subsequently to income:		
Foreign currency translation adjustment	(841)	(273)
	(841)	(273)
Total Comprehensive Loss	\$ (33,172)	\$ (6,987)
Loss per common share, basic and fully diluted	\$ (1.10)	\$ (0.24)
Weighted average number of shares outstanding	29,293,315	27,938,526

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		Contributed	Accumulated			
	Number	Amount	Surplus	Other	Loss	Deficit	Total
Balance, June 30, 2017	27,146,880	\$ 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	28,979,963	\$ 383,600	\$ 161,787	\$ (233)	\$ (543,559)	\$	1,595
Balance, June 30, 2018	28,979,963	\$ 383,600	\$ 161,787	\$ (233)	\$ (543,559)	\$	1,595
Shares issued (Note 15)	921,807	516	-	-	-	-	516
Foreign currency translation adjustment	-	-	-	(841)	-	-	(841)
Net loss for the year	-	-	-	-	(32,328)	-	(32,328)
Share-based payments (Note 15)	-	-	146	-	-	-	146
Balance, June 30, 2019	29,901,770	\$ 384,116	\$ 161,933	\$ (1,074)	\$ (575,887)	\$	(30,912)

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,	2019	2018
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Receipts from customers	\$ 7,281	-
Cash paid to suppliers, employees and others	(19,673)	(3,450)
Interest received	-	14
Cash flow from operating activities	(12,392)	(3,436)
Investing Activities		
Payments for plant and equipment	(5,960)	(1,427)
Proceeds from disposal of equipment	15	311
Cash flow from investing activities	(5,945)	(1,116)
Financing Activities		
Proceeds from issue of ordinary shares	-	1,309
Loan proceeds	18,275	4,834
Finance lease repayments	(1)	(9)
Cash flow from financing activities	18,274	6,485
Change in cash and cash equivalents during the year	(63)	1,582
Cash and cash equivalents, beginning of year	1,720	138
Cash and cash equivalents, end of year	\$ 1,657	\$ 1,720

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

Melior Resources Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

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

1. Nature of Operations and Going Concern

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 ("Goondicum Resources"), 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.

These consolidated financial statements have been prepared under the assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Corporation has incurred ongoing losses and had a cumulative deficit of \$575.9 million as at June 30, 2019 (2018 - \$543.6 million). The Corporation has a working capital deficit of \$33.3 million at June 30, 2019 (2018 - \$5.2 million). For the year ended June 30, 2019, the Corporation had a net loss of \$32.3 million (2017 - \$6.7 million) and had cash outflows from operations of \$12.4 million (2018 - \$3.4 million).

On September 9, 2019, the Corporation announced that its wholly-owned subsidiaries, Goondicum Resources and Melior Australia Pty Ltd ("Subsidiaries") appointed a voluntary administrator pursuant to Section 436A of the Corporations Act 2001 (Australia). On September 13, 2019, the Corporation announced that as a consequence of the appointment of the voluntary administrators to the Subsidiaries, the Corporation and its Subsidiaries have received a notice of default and demand from their senior lender under the loan agreement dated August 9, 2018, as amended. Under the Default Notice, the Pala Investments Limited ("Pala") demanded that the Corporation and its Subsidiaries make payment to it in the amount of US\$22,714,700, representing the amount outstanding under the loan payable (Note 11) as at September 9, 2019, together with related interest, costs and charges, on or before 4:00 p.m. Australian Western Standard Time on September 13, 2019.

The Corporation has entered into a standstill agreement with Pala pursuant to which Pala has agreed (on certain terms and conditions) not to proceed with enforcement actions against the Corporation (excluding the Subsidiaries) for a period until February 28, 2020.

The continuing operations of the Corporation are dependent upon its ability to continue to raise adequate financing, and repay its liabilities. These material uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the Corporation be unable to continue as a going concern. These adjustments could be material.

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 January 28, 2019.

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

Melior Resources Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

(Tabular Amounts Expressed in Thousands of 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, 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 Subsidiaries, 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 Subsidiaries 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:

Effective July 1, 2018, the Corporation adopted IFRS 9 following the final publication of the standard in July 2014, which supersedes IAS 39 'Financial Instruments: recognition and measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Corporation has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Corporation's consolidated financial statements.

Below is a summary showing the classification and measurement bases of our financial instruments as at July 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

Classification	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Trade and other receivables	Loans and receivable	Amortized cost
Investments	Available for sale	FVTPL
Trade and other payables	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost

Melior Resources Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

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

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Corporation's June 30, 2018 consolidated financial statements has been updated as follows:

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income ("FVOCI"). The Corporation determines the classification of its financial assets at initial recognition.

- i. Financial assets recorded at fair value through profit or loss ("FVTPL") Financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Gains or losses on these items are recognized in profit or loss. The Corporation's cash and cash equivalents and investments are classified as financial assets measured at FVTPL.
- ii. On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.
- iii. Amortized cost Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Corporation's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Corporation's trade and other receivable is classified as financial assets measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Corporation determines the classification of its financial liabilities at initial recognition.

- i. Amortized cost Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination. The Corporation's trade and other payables, and loans payable do not fall into any of the exemptions and are therefore classified as measured at amortized cost.
- ii. Financial liabilities recorded fair value through profit or loss ("FVTPL") Financial liabilities are classified as fair value through profit or loss if they fall into one of the five exemptions detailed above. The Corporation's derivative liability is classified as measured at FVTPL.

Transaction costs

Transaction costs associated with financial instruments, carried at fair value through profit or loss, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains or losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains or losses recognized in other comprehensive income.

Melior Resources Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

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

Derecognition

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Corporation's consolidated financial statements. The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(e) Impairment of non-financial assets:

The carrying values of mineral properties and plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Corporation. If this is the case, the individual assets of the Corporation are grouped together into cash generating units ("CGU") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets of the Corporation. This generally results in the Corporation evaluating its non-financial assets on a geographical basis.

The recoverable amount is determined as the higher of the fair value less costs of disposal for the asset and the asset's value in use.

In calculating value in use ("VIU"), the estimated future cash flows of a mine or development property are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Estimated future cash flows include estimates of recoverable ounces of gold. Estimated future cash flows also involve estimates regarding gold prices, production levels, capital, closure and rehabilitation costs and income taxes. Cash flows are subject to risks and uncertainties and changes in the estimates of the cash flows could affect the recoverability of long-lived assets. An impairment loss is reversed if there is indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of net loss and comprehensive loss so as to reduce the carrying amount to its recoverable amount.

(f) 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.

Melior Resources Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

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

(g) Inventories:

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

Ilmenite stock and apatite stock Sales inventory is valued at the lower of average cost and net realizable value. Costs include production, sales and distribution costs.

(h) 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.

(i) 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.

(j) 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.

Melior Resources Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

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

(k) Revenue recognition:

On July 1, 2018, the Corporation adopted IFRS 15 using the modified retrospective approach. IFRS 15 replaces IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programmes”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfer of Assets from Customers” and SIC 31 “Revenue – Barter Transactions Involving Advertising Services”. Under the modified retrospective approach, the Corporation recognizes transition adjustments, if any, in retained earnings on the date of initial application (July 1, 2018), without restating the consolidated financial statements on a retrospective basis. Accordingly, the comparative information for prior periods have not been restated and the information presented for 2017 reflects the requirements of IAS 18, IAS 11, and the related interpretations.

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgment.

The Corporation’s revenue includes sales of Ilmenite and Apatite, which are generally physically delivered to customers in the period in which they are produced, with their sales price based on prevailing spot market metal prices. The Corporation reviewed its contracts with customers using the five-step analysis required under IFRS 15. Transfer of control generally occurs when the Ilmenite and Apatite has been accepted by the customer. Once the customer has accepted the product, the significant risks and rewards of ownership have been transferred and the customer is able to direct the use of and obtain substantially all of the remaining benefits from the product.

Amounts included in unearned revenue are amounts that have been paid by the customer for the product in advance of the transfer of control of the product to the customer.

(l) 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.

Melior Resources Inc.

Notes to Consolidated Financial Statements

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(m) Share-based compensation:

Stock options granted are settled with common shares of the Corporation. When options are issued to employees 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 loss.

(n) 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 depleted 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.

(o) 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 common shares outstanding during the years. Diluted loss/income per share is computed similarly to basic loss per share except that the weighted average common shares outstanding are increased to include additional common shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional common 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.

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(p) Future accounting changes:

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

- (i) IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Corporation will adopt the standard as at July 1, 2019 and does not expect the adoption of this standard to have a significant impact.

(q) 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.

(r) 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.

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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 of disposal. Determining the fair value less costs of disposal assumes there is not functional obsolescence and no economic obsolescence and that the mine is paced under care and maintenance status.

(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 common 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.

(iv) Going Concern

The assessment of the Corporation's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

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5. Plant and Equipment

Cost	Vehicles	Plant And Equipment	Total
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	-	5,960	5,960
Disposals	(26)	-	(26)
Impairment (Note 9)	-	(8,039)	(8,039)
Foreign exchange	(24)	(453)	(477)
Balance, June 30 2019	\$ 366	5,386	5,752
Accumulated Depreciation			
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	75	939	1,014
Disposals	(26)	-	(26)
Foreign exchange	(10)	(190)	(200)
Balance, June 30 2019	\$ 171	3,660	3,831
Carrying Value			
At June 30, 2018	\$ 284	5,007	5,291
At June 30, 2019	\$ 195	1,726	1,921

During the year the Corporation received \$15,141 (2018 - \$311,000) in proceeds from the disposal of plant and equipment and recognised a gain on disposal of \$15,141 (2018 - \$171,000)

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 now owns and controls, directly and indirectly, a total of 236,363 AMR Shares representing approximately 1% 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, 2019 and 2018, the common shares are recorded at nil value due to the current share price.

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7. Deposits

		2019		2018
Term Deposit - Ergon	\$	47	\$	49
Term Deposit - State of Queensland		2,068		1,442
Term Deposit - Office Lease		38		40
	\$	2,153	\$	1,531

8. Inventories

		2019		2018
Ilmenite Stock	\$	2,401	\$	-
Apatite Stock		51		-
Supplies		53		56
	\$	2,505	\$	56

9. Mineral Properties

		2018		2018
Opening balance	\$	4,831	\$	4,948
Foreign exchange		(276)		(117)
Impairment		(4,555)		
Closing balance	\$	-	\$	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 May 2018 and commenced mineral production of the upgraded processing facility November 2018.

On September 9, 2019, the Corporation announced that its wholly-owned Subsidiaries, appointed a voluntary administrator (the "Administrator") pursuant to Section 436A of the Corporations Act 2001 (Australia). In the opinion of the directors of the Subsidiaries, the Subsidiaries are insolvent or are likely to become insolvent at some future time. The Subsidiaries have been unable to obtain additional funding necessary to satisfy the ongoing cash needs of the business resulting from the continuing production underperformance at the Goondicum mine. The Administrator has taken control of the operations and assets of the Subsidiaries. The appointment of the Administrator is expected to provide the Subsidiaries with some limited statutory protection from creditors with a view to enabling the Subsidiaries, their creditors, both secured and unsecured, and their shareholder, the Corporation, to pursue a technical review and work-out plan or sales strategy to maximize any recovery from the Subsidiaries. There is, however, no assurance of success in this endeavour or of recovery of value from the Subsidiaries or their assets by the Corporation.

Consequently, the Corporation undertook an impairment test on the cash generating unit being the plant and equipment and mineral properties. The impairment test utilised an independent valuation which determined the fair value less costs of disposal. The fair value measurement falls within level 2 of the fair value hierarchy. For the year ended June 30, 2019, impairment charges totalled \$12.6 million (2018 - \$nil) of which \$8.0 million was allocated to plant and equipment and \$4.6 million was allocated to mineral properties.

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10. Obligation Under Finance Leases

		2019		2018
Obligations under finance leases	\$	-	\$	1
Less: Current portion		-		(1)
Long-term portion	\$	-	\$	-

11. Loans Payable

On August 17, 2015, the Corporation entered into a US\$5 million loan facility agreement with Pala, 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 The Corporation 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 The Corporation 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.

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 \$119,000 (2018 - \$942,000). 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 loan amendment agreement with Pala to consolidate the two existing loan facilities into one new facility. The new facility was 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.

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The loan included 2 tranches. Tranche 1 was for US\$11.75 million with a 2% arrangement fee and 5% issuer discount accrued on drawdown. Tranche 2 was for US\$2 million with a 3% arrangement fee and a 5% issuer discount accrued on drawdown. The Corporation also incurred a US\$1.25 million prepayment fee that was added to the debt. Additionally, the loan agreement notes that a portion of the funds provided, specifically tranche 1, are to be used for full repayment of the previous outstanding loan balance. The amendment has been accounted for as an extinguishment of debt.

On February 1, 2019, the Corporation entered into a loan amendment agreement with Pala to advance a 3rd tranche of the previous loan. Tranche 3 was for US\$2 million with a 3% arrangement fee and a 5% issuer discount accrued on drawdown. The new facility was for an aggregate principal amount of US\$15.75 million with a 24-month maturity date. The Corporation also incurred a fee which was paid with 750,000 common shares valued at \$450,000. The amendment has been accounted for as a modification of debt.

On June 6, 2019 the Corporation entered into amendment to loan agreement entered into on August 9, 2018 and amended on November 16, 2018 and February 1, 2019 to advance a 4th tranche of the previous loan. Tranche 4 was for US\$2.5 million. The Corporation also incurred a fee which was paid with 171,807 common shares valued at \$66,437. The amendment has been accounted for as an extinguishment of debt.

Under the terms of the amendment Pala has the right to convert the principal amount of US\$15,747,473.45 and any interest and fees accrued under the loan facility each at the conversion prices as set out below:

(i) in respect of Tranche 1, US\$9,247,473.45 of Loans at a price of C\$0.39 per common Share with the balance of such Loans at the then Current Market Price;

(ii) in respect of Tranche 2, US\$2 million of Loans at a price of C\$0.39 per common Share with the balance of such Loans at the then Current Market Price;

(iii) in respect of Tranche 3, US\$2 million of Loans at a price of C\$0.39 per common Share with the balance of such Loans at the then Current Market Price; and

(iv) in respect of Tranche 4, US\$2.5 million of Loans at a price of C\$0.39 per common Share with the balance of such Loans at the then Current Market Price.

The conversion feature of the loan meets the definition of a derivative liability instrument as the conversion price is denominated in a different currency than the debt. The derivative liability has been valued using the Black Scholes pricing model. The initial value of the debt component is the proceeds less the fair value of the derivatives. The debt component is classified as measured at amortized cost using the effective interest method. The effective interest rate of the debt was approximately 433%. The fair value of the conversion feature was estimated based on the Black Scholes pricing model using a share price of \$0.39, risk free interest rate of 1.35% an expected dividend yield of 0%, a volatility rates of 163%, and an expected life of 2.57 years. The value assigned to the derivative was \$22,282,480.

The fair value of the derivative liability was estimated at year end based on the Black Scholes pricing model using a share price of \$0.34, risk free interest rate of 1.35% an expected dividend yield of 0%, a volatility rates of 142%, and an expected life of 2.54 years. The value of the derivative at year end was \$17,453,136. The Corporation recorded a gain on fair value change of the derivative of \$4,829,344.

On September 9, 2019, the Corporation announced that its wholly-owned Subsidiaries, appointed a voluntary administrator pursuant to Section 436A of the Corporations Act 2001 (Australia).

On September 13, 2019, the Corporation announced that as a consequence of the appointment of the voluntary administrators to the Subsidiaries, the Corporation and its Subsidiaries have received a notice of default ("Default Notice") and demand from their senior lender under the loan agreement dated August 9, 2018, as amended.

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Under the Default Notice, the Pala demanded that the Corporation and its Subsidiaries make payment to it in the amount of US\$22,714,700, representing the amount outstanding under the Loan Agreement as at September 9, 2019, together with related interest, costs and charges, on or before 4:00 p.m. Australian Western Standard Time on September 13, 2019.

The Corporation has entered into a standstill agreement with Pala pursuant to which Pala has agreed (on certain terms and conditions) not to proceed with enforcement actions against the Corporation (excluding the Subsidiaries) for a period until February 28, 2020.

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
Draw downs on facility	\$	21,942
Repayment		(6,886)
Loss on extinguishment of debt		4,157
Interest accrued		2,519
Derivative component		(22,282)
Accretion		921
Foreign exchange		93
Balance, June 30, 2019	\$	5,721
Derivative liability		
Balance, June 30, 2017 and 2018	\$	-
Derivative component additions		22,282
Gain on fair value change of derivative		(4,829)
Balance, June 30, 2019	\$	17,453

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12. Unearned Revenue

On April 10, 2018, the Corporation announced that one of its subsidiaries 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, 2019, \$6.53 million (US\$5 million) (2018 - \$3.28 million (US\$2.5 million)) had been advanced under the agreement with a further \$1.84 million advanced by way of a prepayment for a sale completed subsequent to year end. 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.

As a result of the appointment of the voluntary administrators to the Subsidiaries and the default and demand notice from the senior lender, repayments have been suspended.

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.

		2019		2018
Opening Balance	\$	1,510	\$	908
Discounted value of additions		88		595
Accretion		185		29
Foreign Exchange		(90)		(22)
Closing Balance	\$	1,693	\$	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 \$2.07 million (2018 - \$2.13 million);
- (b) Weighted average risk-free interest rate at 2.25% (2018 - 3.25%); and
- (c) The \$2.07 million (2018 - \$2.13 million) undiscounted provision is expected to be fully disbursed in fiscal 2029.

The Corporation has posted rehabilitation deposits totalling \$2.07 million (2018 - \$1.44 million) with the State of Queensland as security for the Corporation's obligation under the mine closure plan.

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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\$671,000 (\$616,000) (2018 - A\$457,000 (\$445,000)) pertaining to production royalties.

A separate entity is also entitled to a success fee of A\$419,000 (\$385,000) (2018 - A\$419,000 (\$418,000)) if gross revenues of Goondicum Resources exceed A\$23 million (\$21.11 million) (2018 - A\$23 million (\$22.93 million)) in any rolling 12-month period.

During the year ended June 30, 2019, the Corporation was subject to a claim from the Department of Environment and Science, Queensland Government which holds a possible, but not yet determinable monetary penalty for contravention of a condition of an environmental authority. The Corporation has recorded a current provision of \$229,421 (2018 - \$Nil) for the estimated penalty.

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, 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
Issued during the period	921,807		516
Balance June 30, 2019	29,901,770	\$	384,116

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.

During the year ended June 30, 2018, 208,333 options were exercised for proceeds of \$125,000 with a black scholes value of \$100,000 that was moved from contributed surplus to share capital.

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On February 5, 2019, the Corporation signed and closed an amendment to the loan agreement with Pala. In connection with the signing of the amendment, Pala was issued 750,000 common shares in the capital of The Corporation (the "Bonus Shares"). The Bonus Shares are subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange and applicable securities laws. The amendment to the loan agreement with Pala included the cancellation of 3,250,000 share purchase warrants issued to Pala in connection with the loan agreement entered into on August 9, 2018 and amended on November 16, 2018. (Note 11)

On June 6, 2019, the Corporation signed and closed an amendment to the loan agreement with Pala. In connection with the signing of the amendment, Pala was issued 171,807 common shares in the capital of The Corporation (the "Arrangement Fee Shares") in settlement of a US\$50,000 arrangement fee payable by The Corporation to Pala. The Arrangement Fee Shares are subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange and applicable securities laws. (Note 11)

	Number of Warrants outstanding and exercisable	Weight Average Exercise Price (\$)
Balance June 30 2017	-	-
Warrants issued during the period	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
Balance, June 30, 2019	1,624,750	1.05

(b) Stock Options

As at June 30, 2019, 2,990,177 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, 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
Stock options issued during the period	125,000	0.80
Balance, June 30, 2019	866,667	0.63

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As at June 30, 2019 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
Feb.10, 2020	425,000	741,667	0.62	\$ 0.60
Jul.07, 2021	41,667	125,000	2.04	\$ 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.

During the year ended June 30, 2019, the Corporation recorded \$146,361 of share based payment expense. (2018 - \$190,272)

16. General and Administrative

	2019	2018
Salaries and benefits	\$ 4,919	\$ 1,137
Professional fees	1,054	789
Directors fees	155	67
General and office	1,214	615
Process Technology	1	101
Travel	191	155
Filing and regulatory fees	95	36
Environmental compliance	534	211
Insurance	120	118
Utilities and fuel	-	244
Repairs and maintenance	-	114
	\$ 8,283	\$ 3,587

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17. Related Party Transactions and Balances

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

		2019	\$		2018
Salaries and benefits	\$	573	\$		590
Directors fees	\$	233	\$		67
Shared based payments	\$	146	\$		190

As at June 30, 2019, remuneration of \$85,319 remained payable to directors.

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 \$5.7 million (2018 – \$592,000)

As at June 30, 2019, Pala owned directly or indirectly 47.26% (2018 – 45.6%) of the Corporation's issued and outstanding common shares.

18. Income Taxes

The following table reconciles the expected tax recovery at the Canadian Federal and Provincial statutory rate of 26.50% (2018 - 26.50%) to the amount recognized in the consolidated statements of operations and comprehensive loss:

		2019		2018
Net (loss) , before income taxes	\$	(32,328)	\$	(6,714)
Expected income tax recovery	\$	(8,567)	\$	(1,779)
Difference in foreign tax rates		(287)		1,790
Tax rate changes and other adjustments		4,190		-
Non-deductible expenses		(32)		(63)
Unrealized foreign exchange		1,011		-
Non-capital loss carry-forwards no longer available		-		28,901
Changes in tax benefits not recognized		3,685		(28,850)
Deferred income tax recovery	\$	-	\$	-

Deferred tax

The following table summarizes the components of deferred tax:

		2019		2018
Deferred tax assets				
Non-capital loss carry-forwards Canada	\$	21	\$	1,462
Deferred tax liabilities				
Prepaid expense		(21)		(13)
Mineral property				(1,449)
	\$	-	\$	-

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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:

	2019	2018
Non-capital loss carry-forwards Canada	\$ 114,564	\$ 113,212
Non-capital loss carry-forwards Australia	46,409	31,744
Mineral property exploration and development	1,434	1,434
Property, plant and equipment	36,778	32,364
Investment	5,200	5,200
Other	5,548	8,870
	\$ 200,677	\$ 186,051

At June 30, 2019 the Corporation had Canadian non-capital loss carried forwards of approximately \$114 million for income tax purposes. The losses may be utilized to reduce future years taxable income earned in Canada and expire between 2027 and 2037. 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 \$575.9 million; share capital of \$384.1 million, and contributed surplus \$161.9 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, the investment in Asian Mineral Resources Limited and the derivative liability. Cash and cash equivalents and investments are reported at Level 1 of the fair value hierarchy and derivative liability is reported at Level 3 of the fair value hierarchy. The value of the derivative liability is based on the black scholes model with observable market information as inputs as noted in Note 11. Level 3 additions totalled \$22.2 million and change in fair value totalled \$4.8 million. Trade and other payables and loans payables approximate their carrying values due to their short-term maturity.

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Risk Management

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

Credit Risk

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.

Liquidity Risk

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, 2019 the Corporation had cash and cash equivalents of \$1.7 million (June 30, 2018 - \$1.7 million) to settle current liabilities of \$38.2 million (June 30, 2018 - \$7.11 million). Most of the Corporation's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

As per note 22, the Corporation has placed its Australian operating subsidiary into Voluntary Administration and entered into a Standstill Agreement with its major financier, Pala.

The Corporation is working with various groups on recapitalisation opportunities.

Market Risk

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

(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 Corporation's loan payable is subject to a fixed interest rate and therefore is not exposed to changes in interest rates. The impact of a change in interest rates of 1% in either direction at June 30, 2019 would not have a material affect on the comprehensive profit or loss.

(b) Foreign Currency Risk

As at June 30, 2019, approximately 56% and 43% of the Corporation's cash and cash equivalents were held in Australian and United States dollars respectively. 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 not have a material affect on the comprehensive profit or loss. Derivative financial instruments are not used to reduce exposure to fluctuations in foreign exchange rates.

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21. Segmented Information

The Corporation operates in one segment, the exploration and development of mineral properties, which is located in two geographical segments, Australia and Canada. Identifiable assets are:

June 30, 2019	Canada		Australia		Total
Property plant and equipment	\$	-	\$	1,921	\$ 1,921
Corporate and other assets		144		6,956	7,100
Total assets	\$	144	\$	8,877	\$ 9,021
Net Loss	\$	(3,367)	\$	(28,961)	\$ (32,328)

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)

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22. Subsequent Events

Voluntary administration

On September 9, 2019, the Corporation announced that its wholly-owned subsidiaries, Goondicum Resources Pty Ltd and The Corporation Australia Pty Ltd appointed a voluntary administrator pursuant to Section 436A of the Corporations Act 2001 (Australia).

Pala loan

On August 21, 2019 the Corporation announced that it had signed a fourth amendment to its loan facility with Pala to, among other things, increase the principal amount of the loan facility by US\$2,000,000.

On September 13, 2019, the Corporation announced that as a consequence of the appointment of the voluntary administrators to the Subsidiaries, the Corporation and its Subsidiaries have received a notice of default and demand from their senior lender under the loan agreement dated August 9, 2018, as amended.

Under the Default Notice, the Pala demanded that The Corporation and its Subsidiaries make payment to it in the amount of US\$22,714,700, representing the amount outstanding under the Loan Agreement as at September 9, 2019, together with related interest, costs and charges, on or before 4:00 p.m. Australian Western Standard Time on September 13, 2019.

The Corporation has entered into a standstill agreement with Pala pursuant to which Pala has agreed (on certain terms and conditions) not to proceed with enforcement actions against The Corporation (excluding the Subsidiaries) for a period until February 28, 2020.

Harrison South Option Agreement

On November 20, 2019, the Corporation announced it had entered into an option agreement with Bear Mountain Gold Mines Limited for the exclusive right to acquire up to 60% interest in four mineral titles totalling 716.31 hectares situated 2.5km northeast of Harrison Hot Springs in British Columbia, whose primary target is intrusive hosted gold, in consideration for incurring up to an aggregate of \$380,000 of exploration and development expenditures on the property over the next 48 months, including \$25,000 before March 31, 2020.