



CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MARCH 31, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE TO READER

The accompanying unaudited condensed interim 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.

The accompanying notes are an integral part of these financial statements

Melior Resources Inc.

Condensed Interim Statements of Financial Position

(Expressed in Thousands of Canadian Dollars)

(Unaudited)

| As at | | March 31, 2020 | | June 30, 2,019 |
|--|-----------|-------------------|-----------|-------------------|
| ASSETS | | | | |
| Current | | | | |
| Cash and cash equivalents (Note 3) | \$ | 149 | \$ | 1,657 |
| Trade and other receivables (Note 3) | | - | | 128 |
| Inventory (Note 3) | | - | | 2,505 |
| Other current assets (Note 3 and 4) | | 30 | | 657 |
| | | 179 | | 4,947 |
| Investment in GRPL available for sale | | 1,874 | | - |
| Current assets | | 2,053 | | 4,947 |
| Property, plant and equipment (Note 3) | | - | | 1,921 |
| Deposits (Note 3) | | - | | 2,153 |
| Non-Current assets | | - | | 4,074 |
| Total assets | \$ | 2,053 | \$ | 9,021 |
| LIABILITIES | | | | |
| Current | | | | |
| Trade and other payables (Note 3) | \$ | 292 | \$ | 6,427 |
| Unearned Revenue (Note 3) | | - | | 8,376 |
| Provision (Note 3) | | - | | 229 |
| Promissory note (Notes 8 & 11) | | 152 | | - |
| Loans payable (Notes 7 & 11) | | 34,170 | | 5,721 |
| Derivative liability (Notes 7 & 11) | | - | | 17,453 |
| Current liabilities | | 34,614 | | 38,206 |
| Non-Current Assets | | | | |
| Provisions (Note 3) | | - | | 34 |
| Decommissioning liability (Note 3) | | - | | 1,693 |
| Non-Current liabilities | | - | | 1,727 |
| Total liabilities | \$ | 34,614 | \$ | 39,933 |
| EQUITY | | | | |
| Share capital | | 384,116 | | 384,116 |
| Contributed surplus | | 161,960 | | 161,933 |
| Accumulated other comprehensive loss | | (3,150) | | (1,074) |
| Accumulated losses | | (575,487) | | (575,887) |
| Total equity | | (32,561) | | (30,912) |
| Total equity (deficiency) and liabilities | \$ | 2,053 | \$ | 9,021 |

Nature of Operations (Note 1)

Subsequent Event (Note 12)

Approved on behalf of the Board:

"Martyn Buttenshaw"
Director

"Rishi Tibriwal"
Director

The accompanying notes are an integral part of these financial statements

Melior Resources Inc.

Condensed Interim Statements of Operations and Comprehensive Income

(Expressed in Thousands of Canadian Dollars)

(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------------|-------------------|--------------------|
| | March 31, | | March 31, | |
| | 2020 | 2019 | 2020 | 2019 |
| Revenue | \$ - | \$ 3,645 | \$ 3,801 | \$ 3,645 |
| Cost of Sales | - | (6,573) | (5,355) | (9,254) |
| Depreciation | - | (197) | (47) | (469) |
| Amortisation | - | (55) | - | (55) |
| Loss before other income (expenses) | - | (3,180) | (1,601) | (6,133) |
| Other Income (Expense) | | | | |
| Accretion Convertible Loan (Note 8) | - | - | - | (84) |
| Accretion decommissioning liability | - | (14) | (9) | (38) |
| Finance expense | (976) | (1,219) | (2,823) | (2,806) |
| Foreign exchange (loss)/gain | - | (3) | 6 | (3) |
| Gain on sale of property plant & equipment | - | - | - | 15 |
| Gain on deconsolidation (Note 3) | - | - | 12,129 | - |
| General and administrative expenses (Note 9) | (50) | (588) | (1,929) | (4,036) |
| Impairment of plant and equipment | - | - | (516) | - |
| Interest income | - | - | - | 9 |
| Loss on fair value of derivative | - | - | (4,829) | - |
| Share Based Payments (Note 10) | (12) | (27) | (28) | (120) |
| | (1,038) | (1,851) | 2,001 | (7,063) |
| Net Gain (Loss) for the Year | \$ (1,038) | \$ (5,031) | \$ 400 | \$ (13,196) |
| Items that will be reclassified subsequently to income: | | | | |
| Foreign currency translation adjustment | (2,682) | 90 | (2,076) | (729) |
| | (2,682) | 90 | (2,076) | (146) |
| Total Comprehensive Gain (Loss) | \$ (3,720) | \$ (4,941) | \$ (1,676) | \$ (13,342) |
| Gain (Loss) per common share, basic and diluted | \$ (0.03) | \$ (0.17) | \$ 0.01 | \$ (0.45) |
| Weighted average number of shares outstanding | 29,901,770 | 29,468,727 | 29,901,770 | 29,138,722 |

The accompanying notes are an integral part of these financial statements

Melior Resources Inc.

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

| | Common Shares | | Contributed | Accumulated | | |
|---|-------------------|-------------------|-------------------|-------------------|---------------------|--------------------|
| | Number | Amount | Surplus | Other | Deficit | Total |
| | | | | Comprehensive | | |
| | | | | Loss | | |
| Balance, June 30, 2018 | 28,979,978 | \$ 383,600 | \$ 161,787 | \$ (233) | \$ (543,559) | \$ 1,595 |
| 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) |
| Balance, March 31, 2019 | 29,729,978 | \$ 384,050 | \$ 160,349 | \$ (962) | \$ (556,755) | \$ (13,318) |
| Balance, June 30, 2019 | 29,901,770 | \$ 384,116 | \$ 161,933 | \$ (1,074) | \$ (575,887) | \$ (30,912) |
| Foreign currency translation adjustment | - | - | - | (2,076) | - | (2,076) |
| Net gain for the year | - | - | - | - | 400 | 400 |
| Share-based payments | - | - | 28 | - | - | 28 |
| Balance, March 31, 2020 | 29,901,770 | \$ 384,116 | \$ 161,961 | \$ (3,150) | \$ (575,487) | \$ (32,560) |

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 financial statements

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

| For the nine months ended March 31, | 2020 | 2019 |
|---|---------|----------|
| Cash and cash equivalents (used in) provided by: | | |
| Operating Activities | | |
| Receipts from customers | 3,801 | 57 |
| Cash paid to suppliers, employees and others | (6,203) | (11,005) |
| Interest received | - | 9 |
| Cash flow from operating activities | (2,402) | (10,939) |
| Investing Activities | | |
| Payments for plant and equipment | (563) | (5,359) |
| Proceeds from disposal of equipment | | 15 |
| Cash flow from investing activities | (563) | (5,344) |
| Financing Activities | | |
| Loan proceeds | 1,457 | 14,746 |
| Cash flow from financing activities | 1,457 | 14,746 |
| Change in cash and cash equivalents during the year | (1,508) | (1,537) |
| Cash and cash equivalents, beginning of year | 1,657 | 1,720 |
| Cash and cash equivalents, end of year | \$ 149 | \$ 183 |

The accompanying notes are an integral part of these financial statements

Melior Resources Inc.

Notes to Condensed Interim Financial Statements (Unaudited)

Nine Months Ended March 31, 2020 and 2019

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

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 ("GRPL"), 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.

On September 9, 2019, the Corporation's wholly owned subsidiaries, GRPL and its holding company, Melior Australia Pty Ltd ("MAPL") 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 GRPL, the Corporation and its subsidiaries 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, 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 July 31, 2020.

The continuing operations of the Corporation are dependent upon its ability to continue to raise adequate financing repay its liabilities, and the satisfactory resolution of the voluntary filings under Section 436A of the Corporations Act 2001 (Australia). These material uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern.

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 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 financial statements are based on IFRS issued and outstanding as of May 29, 2020, 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, 2019. Any subsequent changes to IFRS that are given effect in the Corporation's annual financial statements for the year ending June 30, 2020 could result in restatement of these condensed interim financial statements.

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

Melior Resources Inc.

Notes to Condensed Interim Financial Statements (Unaudited)

Nine Months Ended March 31, 2020 and 2019

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

3. DECONSOLIDATION

On September 9, 2019, the Corporation announced that its wholly owned subsidiaries, GRPL and MAPL appointed a voluntary administrator pursuant to Section 436A of the Corporations Act 2001 (Australia). Accordingly, the Corporation no longer controls GRPL or MAPL with effect from September 9, 2019. As a result, the assets and liabilities of GRPL and MAPL have been derecognised from the consolidated statement of financial position and the remaining investment has been recognised at its fair value. See Note 9 for further information.

Deconsolidated assets and liabilities of form subsidiaries

| | | |
|---|----|-----------------|
| Cash and cash equivalents | \$ | 678 |
| Trade and other receivables | | 56 |
| Inventory | | 2,286 |
| Other current assets | | 779 |
| Property, plant and equipment | | 1,874 |
| Deposits | | 2,101 |
| Trade and other payables | | (7,780) |
| Unearned revenue | | (8,364) |
| Environmental provision | | (224) |
| Decommissioning liability | | (1,661) |
| Net carrying value of deconsolidated operations on September 9, 2019 | | (10,255) |

Fair value of deconsolidated operations at September 9, 2019

| | | |
|---|-----------|---------------|
| Net carrying value of deconsolidated operations | \$ | (10,255) |
| Fair value of loan receivables from former subsidiaries | | - |
| Fair value of deconsolidation operations | | 1,892 |
| Gain on deconsolidation | \$ | 12,129 |

4. OTHER CURRENT ASSETS

| | March 31, 2020 | June 30, 2019 |
|-----------------------|-------------------|------------------|
| HST/GST Receivable | \$ 13 | \$ 384 |
| Prepayments and bonds | 17 | 273 |
| | \$ 30 | \$ 657 |

Melior Resources Inc.

Notes to Condensed Interim Financial Statements (Unaudited)

Nine Months Ended March 31, 2020 and 2019

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

5. 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.

6. INVESTMENT IN GRPL

As a result of the appointment of a voluntary administrator, the Corporation has recognised its net investment in GRPL at fair value as at the date of the loss of control. The fair value utilised an independent valuation which determined the fair value less costs of disposal to be C\$1.874 million (A\$2.094 million). Assets were valued on either a cost or a market basis with the split being approximately 65% and 35% respectively. The cost approach derived asset values by estimating the current cost to reproduce or replace the asset, deducting for all depreciation, including physical deterioration, functional obsolescence, and external/economic obsolescence. The market approach derived asset values by comparison to similar assets that have been recently sold or are currently available for sale, applying appropriate units of comparison, and adjusting based on the elements of comparison to the sale prices of the comparable. Marketability of each item is also a determinant of value. Marketability, as a measure of demand, is approximated through recent sale under similar sale conditions. The fair value measurement falls within level 2 of the fair value hierarchy.

7. 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.

Melior Resources Inc.

Notes to Condensed Interim Financial Statements (Unaudited)

Nine Months Ended March 31, 2020 and 2019

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

7. LOANS PAYABLE – continued

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. 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.

Melior Resources Inc.

Notes to Condensed Interim Financial Statements (Unaudited)

Nine Months Ended March 31, 2020 and 2019

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

7. LOANS PAYABLE – continued

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.

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.

Under the Default Notice, 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 July 31, 2020.

As a result of the receipt of the Default Notice the Corporation has derecognised the derivative component, which arose from the conversion feature of the loan, and revalued the debt component. The Corporation recorded a loss during the period, a loss on derecognition of the derivative component of \$4,829,344.

| | | |
|-----------------------------------|-----------|---------------|
| 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 |
| Balance, June 30, 2019 | \$ | 5,721 |
| Draw downs on facility | \$ | 1,330 |
| Interest accrued | | 2,820 |
| Derivative component derecognised | | 22,282 |
| Foreign exchange | | 2,017 |
| Balance, March 31, 2020 | \$ | 34,170 |

Melior Resources Inc.

Notes to Condensed Interim Financial Statements (Unaudited)

Nine Months Ended March 31, 2020 and 2019

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

7. LOANS PAYABLE - continued

Derivative Liability

| | | |
|---|----|-----------------|
| Balance, June 30, 2018 | \$ | - |
| Derivative component additions | | 22,282 |
| Gain on fair value change of derivative | | (4,829) |
| Balance, June 30, 2019 | \$ | 17,453 |
| Derivative liability derecognised | | (22,282) |
| Loss on derecognition of derivative liability | | 4,829 |
| Balance, March 31, 2020 | \$ | - |

8. PROMISSORY NOTE

On June 6, 2019, the Corporation entered into a demand promissory note with Pala. The Promissory Note is for an aggregate principal amount of US\$105,550.00 and carries an interest rate of 5% per annum payable on maturity. In addition, the Promissory Note is unsecured and cannot be called in for repayment prior to October 31, 2020. The Company may at any time repay some or all of the Promissory Note (without restriction or prepayment charges).

| | | |
|--------------------------------|----|------------|
| Balance, June 30, 2019 | \$ | - |
| Draw downs on facility | \$ | 137 |
| Interest accrued | | 3 |
| Foreign exchange | | 12 |
| Balance, March 31, 2020 | \$ | 152 |

9. SHARE CAPITAL

(a) Authorized

Unlimited preferred shares without par value

Unlimited common shares without par value

| Issued | Number of | | Amount |
|--|-------------------|-----------|----------------|
| | Common Shares | | |
| Balance, June 30, 2018 | 28,979,963 | \$ | 383,600 |
| Issued during the period | 750,000 | | 450 |
| Balance, March 31, 2019 | 29,729,963 | | 384,050 |
| Balance, June 30, 2019 & March 31, 2020 | 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.

Melior Resources Inc.

Notes to Condensed Interim Financial Statements (Unaudited)

Nine Months Ended March 31, 2020 and 2019

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

9. SHARE CAPITAL - continued

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.

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 7).

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 7).

| | Number of Warrants outstanding and exercisable | Weight Average Exercise Price (\$) |
|--|--|---------------------------------------|
| Balance, June 30, 2018 & March 31, 2019 | 1,624,750 | 1.05 |
| Balance, June 30, 2019 | 1,624,750 | 1.05 |
| Warrants expired during the period | (1,624,750) | (1.05) |
| Balance, March 31, 2020 | - | - |

(b) Stock Options

As at December 31, 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, 2018 | 741,667 | 0.60 |
| Stock options issued during the period | 125,000 | 0.80 |
| Balance, March 31, 2019 | 866,667 | 0.63 |
| Balance, June 30, 2019 | 866,667 | 0.63 |
| Options expired during period | (741,667) | 0.60 |
| Balance, March 31, 2020 | 125,000 | 0.80 |

Melior Resources Inc.

Notes to Condensed Interim Financial Statements (Unaudited)

Nine Months Ended March 31, 2020 and 2019

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

9. SHARE CAPITAL - continued

As at December 31, 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 (\$) |
|--------------|-------------------------------|--|------------------------------------|---------------------|
| Jul.13, 2021 | - | 125,000 | 1.28 | \$ 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.

10. GENERAL AND ADMINISTRATIVE

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|----------------------------|---------------------------------|--------|--------------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Salaries and benefits | \$ - | \$ 84 | \$ 1,323 | \$ 1,015 |
| Professional fees | - | 65 | 165 | 961 |
| Directors fees | - | 35 | 51 | 120 |
| General and office | 14 | 185 | 200 | 1,116 |
| Process Technology | - | 22 | 5 | 22 |
| Travel | - | 33 | 64 | 137 |
| Filing and regulatory fees | 27 | 3 | 32 | 81 |
| Environmental compliance | - | 118 | 84 | 210 |
| Insurance | 9 | 43 | 5 | 91 |
| Utilities and fuel | - | - | - | 108 |
| Repairs and maintenance | - | - | - | 175 |
| | \$ 50 | \$ 588 | \$ 1,929 | \$ 4,036 |

Melior Resources Inc.

Notes to Condensed Interim Financial Statements (Unaudited)

Nine Months Ended March 31, 2020 and 2019

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

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

| | Three Months Ended | | Nine Months Ended | |
|-----------------------|--------------------|--------|-------------------|--------|
| | Mar 31 | | Mar 31 | |
| | 2020 | 2019 | 2020 | 2019 |
| Salaries and benefits | \$ - | \$ 133 | \$ 193 | \$ 372 |
| Directors fees | - | 35 | 51 | 120 |
| Shared based payments | 4 | 27 | 28 | 120 |
| | \$ 4 | \$ 195 | \$ 272 | \$ 612 |

The Corporation entered into loan agreements with Pala and the details of this loan are set out in notes 7 and 8.

As at June 30, 2019 and March 31, 2020, Pala owned directly or indirectly 47.26% (2018 – 45.6%) of the Corporation's issued and outstanding common shares.

12. SEGMENTED INFORMATION

The Corporation operates in one geographical and business segment being the exploration and development of mineral properties in Canada. All segment assets, segment liabilities and segment results relate to the one segment and therefore no segment analysis has been prepared.