CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

October 25, 2017

Independent Auditors' Report

To the Shareholders of Melior Resources Inc.:

We have audited the accompanying consolidated financial statements of Melior Resources Inc. and its subsidiary, which comprise the consolidated statements of financial position as at June 30, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Melior Resources Inc. as at June 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Melior Resources Inc.'s ability to continue as a going concern.

MNP LLP

October 25, 2017
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

Melior Resources Inc.

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

As at June 30,	**2017**	2016
Assets		
Current Assets		
Cash and cash equivalents (Note 21)	**$ 138**	$ 466
Prepaid expenses and other receivables	**82**	156
Inventories (Note 8)	**58**	80
	278	702
Non-Current Assets		
Investment in Asian Mineral Resources Limited (Note 6)	**945**	945
Deposits (Note 7)	**1,482**	1,438
Property, plant and equipment (Note 5)	**4,707**	5,200
Mineral properties (Note 9)	**4,948**	4,800
	$ 12,360	$ 13,805
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 13 and 16)	**$ 1,651**	$ 1,910
Current portion of obligation under finance leases (Note 10)	**9**	27
Loan payable (Note 11 and Note 21)	**4,549**	3,182
	6,209	5,119
Non-Current Liabilities		
Long-term portion of finance leases (Note 10)	**1**	-
Decommissioning liability (Note 12)	**908**	853
	7,118	5,972
Shareholders' Equity		
Share capital (Note 14(a))	**382,773**	381,027
Contributed surplus	**159,274**	159,058
Accumulated other comprehensive loss	**40**	(253)
Deficit	**(536,845)**	(532,719)
	5,242	7,113
	$ 12,360	$ 13,805

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 13)
Subsequent Event (Note 21)

Approved on behalf of the Board:

"Charles Entrekin"
Director

"Mark McCauley"
Director

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

Melior Resources Inc.

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

For the Year Ended June 30,	2017	2016
Administrative Expenses		
Office and administration (Note 15 and 16)	**$ 2,767**	$ 2,328
Depreciation (Note 5)	**653**	1,255
Accretion (Note 12)	**29**	28
Loss before other income, (expenses)	**(3,449)**	(3,611)
Other Income (Expense)		
Interest income	**34**	54
Impairment of plant & equipment and mineral properties (Note 5 & 9)	**-**	(10,615)
Impairment of investment in Asian Mineral Resources Limited (Note 6)	**-**	(4,256)
Litigation expense	**(46)**	(800)
Share-based payments (Note 14 & 16)	**(217)**	-
Gain on sale of property plant & equipment	**9**	50
Interest expense	**(463)**	(430)
Foreign exchange gain	**6**	(26)
	(677)	(16,023)
Net Loss for the Year	**$ (4,126)**	$ (19,634)
Other Comprehensive Loss		
Reclassification of unrealized loss on available-for-sale assets (Note 6)	**-**	4,256
Items that will be reclassed subsequently into income:		
Foreign currency translation adjustment	**293**	720
Unrealized (loss) gain on available-for-sale financial assets	**-**	(1,182)
	293	3,794
Total Comprehensive Loss	**$ (3,833)**	$ (15,840)
Loss per common share, basic and fully diluted	**$ (0.017)**	$ (0.093)
Weighted average number of shares outstanding	**243,030,589**	211,468,945

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

Melior Resources Inc.

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

	Common Shares Number	Common Shares Amount	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, June 30, 2015	**211,468,945**	**$ 381,027**	**$ 159,058**	**$ (4,047)**	**$ (513,085)**	**$ 22,953**
Foreign currency translation adjustment	-	-	-	720	-	720
Net loss for the year	-	-	-	-	(19,634)	(19,634)
Unrealized gain on available-for-sale financial assets	-	-	-	(1,182)	-	(1,182)
Reclassification of unrealized loss on available-for-sale assets	-	-	-	4,256	-	4,256
Balance, June 30, 2016	**211,468,945**	**$ 381,027**	**$ 159,058**	**$ (253)**	**$ (532,719)**	**$ 7,113**
Shares Issued	60,000,000	1,746	-	-	-	1,746
Foreign currency translation adjustment	-	-	-	293	-	293
Net loss for the year	-	-	-	-	(4,126)	(4,126)
Share-based payments	-	-	217	-	-	217
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-
Balance, June 30, 2017	**271,468,945**	**$ 382,773**	**$ 159,275**	**$ 40**	**$ (536,845)**	**$ 5,243**

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 Twelve Months ended June 30,		2017		2016
Cash and cash equivalents (used in) provided by:				
Operating Activities				
Cash paid to suppliers, employees, and others	**$**	**(3,104)**	$	(4,492)
Interest received		**34**		54
Cash flows from operating activities		**(3,070)**		(4,438)
Investing Activities				
Payments for plant and equipment		**-**		(417)
Payments for mineral properties .		**-**		(3,350)
Cash receipts from pre-production		**-**		1,983
Cash flows from investing activities		**-**		(1,784)
Financing Activities				
Proceeds from issue of ordinary shares		**1,746**		-
Loan Proceeds		**1,006**		2,894
Proceeds from disposal of equipment .		**9**		118
Finance lease repayment		**(19)**		-
Cash flows from investing activities		**2,742**		(3,012)
Change in cash and cash equivalents during the year		**(328)**		(3,210)
Cash and cash equivalents, beginning of year		**466**		3,676
Cash and cash equivalents, end of year	**$**	**138**	$	466

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

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 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 closed a share sale and purchase agreement (the "Share Purchase Agreement") with respect to the acquisition of 100% of the issued and outstanding shares of Belridge Enterprises Pty Ltd. ("Belridge"). Belridge Enterprises Pty Ltd. changed its name to Goondicum Resources Pty Ltd. ("Goondicum Resources") on September 3, 2014.

Goondicum Resources is an Australian incorporated company which owns the Goondicum Ilmenite Project located in Queensland, Australia. The acquisition constituted a "Change of Business" transaction of the Corporation in accordance with Policy 5.2 of the TSX Venture Exchange ("the Exchange").

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 $536,845 as at June 30, 2017 (2016 - $532,719). The continuing operations of the Corporation are dependent upon its ability to continue to raise adequate financing, to commence profitable operations in the future, and repay its liabilities arising from normal business operations as they become due. These material uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern.

As at June 30, 2017, Pala Investments Limited ("Pala") owned directly or indirectly 48.3% (2016 – 44.7%) of the Corporation's issued and outstanding common shares.

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") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Handbook of the Chartered Professional Accountants of Canada.

The consolidated financial statements were authorized for issue by the Board of Directors of the Corporation on October 25, 2017.

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

3. Summary of Significant Accounting Policies

(a) Basis of presentation:

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

(b) Basis of consolidation:

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

3. Summary of Significant Accounting Policies (Continued)

(c) Translation of foreign currencies:

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

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

(d) Financial Instruments:

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

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

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

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

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

ii) Available-for-sale financial assets

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

Available-for-sale financial assets is comprised of the investment in Asian Mineral Resources Limited.

iii) Loans and receivables

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

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

3. Summary of Significant Accounting Policies (Continued)

(d) Financial Instruments: (Continued)

iv) Other financial liabilities

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

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

(e) Cash and cash equivalents:

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

(f) Inventories:

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

(g) Property, plant and equipment:

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

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

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

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

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

(h) Decommissioning liabilities:

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

3. Summary of Significant Accounting Policies (Continued)

(i) Leases:

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

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

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

(j) Revenue recognition:

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

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

(k) Income taxes:

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

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

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

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

(l) Stock-based compensation:

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

3. Summary of Significant Accounting Policies (Continued)

(m) Mineral Properties:

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

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

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

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

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

(n) Per share information:

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

(o) Future accounting changes:

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

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective as at January 1, 2018 and will be adopted by the Corporation effective July 1, 2018. The Corporation is in the process of assessing the impact of this pronouncement.

3. Summary of Significant Accounting Policies (Continued)

(o) (Continued)

There are no other relevant IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

(p) Business Combinations:

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

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

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

(q) Provisions:

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

4. Critical Accounting Estimates and Judgments

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

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

(i) Impairment of non-financial assets

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

(ii) Decommissioning liabilities

Management is required to make significant estimates and assumptions in determining the Corporation’s ultimate obligation for decommissioning liabilities. There are numerous factors that will affect the ultimate liability payable including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Management is also required to apply judgment

4. Critical Accounting Estimates and Judgments (Continued)

(iii) Valuation of stock options

In determining whether any legal or constructive obligation exist to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties.

(iii) Valuation of stock options

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

(Expressed in Thousands of Canadian Dollars)

5. Plant and Equipment

Cost		**Vehicles**		**Plant and Equipment**		**Total**
Balance, June 30, 2015	$	475	$	12,231	$	12,706
Additions		-		369		417
Disposals		(284)		-		(284)
Foreign exchange		2		73		31
Impairment [See also Note (9)]		-		(5,602)		(5,602)
Balance, June 30, 2016	$	193	$	7,071	$	7,264
Additions		-		-		-
Disposals		-		-		-
Foreign exchange		6		232		238
Balance, June 30, 2017	$	199	$	7,303	$	7,502
Accumulated Depreciation						
Balance, June 30, 2015	$	115	$	749	$	864
Disposals		(165)		-		(165)
Depreciation		92		1,275		1,367
Foreign Exchange		-		(2)		(2)
Balance, June 30, 2016	$	42	$	2,022	$	2,064
Disposals		-		-		-
Depreciation		55		598		653
Foreign Exchange		3		75		78
Balance, June 30, 2017	$	100	$	2,695	$	2,795
Carrying Value						
At June 30, 2016	**$**	**151**	**$**	**5,049**	**$**	**5,200**
At June 30, 2017	**$**	**99**	**$**	**4,608**	**$**	**4,707**

During the year ended June 30, 2017 $nil (2016 - $112) of depreciation was capitalised to the mineral properties.

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 $5,200 (the “Strategic Investment”). The common shares are recorded at fair value. The Corporation owns and controls, directly and indirectly, a total of 47,272,727 AMR Shares representing approximately 6% of the issued and outstanding AMR Shares on an undiluted basis. Due to the prolonged decline in value of the equity investment, the Corporation took an impairment charge of $4,256 in the year ended June 30, 2016.

(Expressed in Thousands of Canadian Dollars)

7. Deposits

		2017		2016
Term Deposits - Ergon utility deposit	$	**151**	$	146
Term Deposits - State of Queensland (Note 12)		**1,290**		1,252
Office lease deposit		**41**		40
	$	**1,482**	**$**	**1,438**

8. Inventories

		2017		2016
Supplies	**$**	**58**	$	80

9. Mineral Properties

		2017		2016
Opening balance	**$**	**4,800**	$	7,829
Additions		**-**		3,350
Depreciation		**-**		112
Pre-production revenue		**-**		(1,539)
Impairment		**-**		(5,013)
Foreign exchange		**148**		61
Closing balance	$	**4,948**	$	4,800

The Goondicum Ilmenite Project comprises two mining leases located in Central Queensland, Australia and is wholly-owned by Goondicum Resources. Goondicum Resources mined the deposit for a period of nine months between fiscal 2012 and 2013 before placing the mine on care and maintenance in June of 2013. Goondicum Resources commenced the upgrade and the necessary work to restart the Goondicum mine in August 2014. Goondicum Resources commenced mineral commissioning of the upgraded Goondicum mine processing facility in April 2015.

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

The key assumptions and estimates used in determining the VIU were calculated using discounted after-tax cash flows based on cash flow projections in the Corporation’s current life of mine plans. These projected cash flows were based on the latest expectation of future ilmenite prices, future capital expenditures, production costs estimates, discount rates and exchange rates. VIU was determined by calculating the net present value (“NPV”) of the future cash flows expected to be generated by the mine. The key assumptions used by the Corporation for impairment testing are: ilmenite price per tonne US$192-US$216 (2016 - US$102-US$160); discount rate of 20% (2016 – 20%); life of mine years of 9 (2016 - 9). For the year ended June 30, 2017, impairment charges totalled $nil (2016 - $10,615). A 10% decrease in the price of forecasted ilmenite holding all other assumptions constant would result in a decrease in fair value of plant and equipment and mineral properties of $10,300 (2016 - $7,500).

(Expressed in Thousands of Canadian Dollars)

10. Obligation Under Finance Leases

		2017		2016
Obligation under finance leases	$	**10**	$	27
Less: Current portion		**(9)**		(27)
Long-term portion	$	**1**	$	-

11. Loan Payable

On August 2, 2015, the Corporation entered into a secured loan agreement with Pala Investments Limited ("Pala") bearing interest at 10% per annum, a term of 365 days from the first draw down (August 28, 2015), 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, 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 reached an agreement with Pala to extend the expiry and repayment date of the loan facility from August 28, 2016 to October 31, 2017. Under the terms of the extension, an additional US$475 thousand was available to be drawn down by Melior prior to the expiry of the loan on October 31, 2017.

On November 16, 2016 the Corporation reached an agreement with Pala to extend the expiry and repayment date of the loan facility from October 31, 2017 to October 31, 2022; however, Pala may demand settlement within five business days at any time on or after October 24, 2017. Under the terms of the extension, an additional US$300 was available to be drawn down by Melior prior to the expiry of the loan on October 31, 2017. The total amount outstanding under the loan, including accrued interest and fees, is US$3,505 (2016 – US$2,447).

On July 7, 2017, the Corporation reached an agreement with Pala Investments Limited to amend the terms of the secured loan. Under the terms of the extension, an additional US$1,240 is available for immediate draw down by Melior and the date on which Pala may demand settlement within five business days was changed to any time on or after June 23, 2019.

Draw downs on facility	$	2,894
Interest		218
Commitment fee on unused portion of loan facility		71
Foreign exchange		(1)
Balance, June 30, 2016	$	3,182
Draw downs on facility	$	1,006
Interest incurred		391
Interest paid		(28)
Commitment fee on unused portion of loan facility		4
Foreign exchange		(6)
Balance, June 30, 2017	**$**	**4,549**

(Expressed in Thousands of Canadian Dollars)

12. 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.

		2017		2016
Opening balance	$	**853**	$	819
Accretion		**29**		28
Foreign exchange		**26**		6
Closing balance	**$**	**908**	$	853

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 $1,334;
(b) Weighted average risk-free interest rate at 3.25%; and
(c) The $1,334 undiscounted provision is expected to be fully disbursed in fiscal 2029.

The Corporation has posted rehabilitation deposits totalling $1,334 with the State of Queensland as security for the Corporation's obligation under the mine closure plan.

13. Commitments and Contingencies

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

Goondicum Resources pays the state government a royalty of 5% of the revenue for all ilmenite sales and approximately $A0.80/tonne for all phosphate rock sales. Included in accounts payable and accrued liabilities is A$457 ($456) (June 30, 2016 - A$482 ($475)) pertaining to production royalties.

A separate entity is also entitled to a success fee of A$419 ($418) if gross revenues of Goondicum Resources exceed A$23,000 ($22,927) in any rolling 12 month period.

14. Share Capital

(a) Authorized

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

Issued	**Number of Common Shares**		**Stated Value**
Balance, June 30, 2015	211,468,945	$	381,027
Ordinary shares issued during the year	-		-
Balance, June 30, 2016	211,468,945	$	381,027
Private Placement during the year	60,000,000		1,746
Balance, June 30, 2017	**271,468,945**	**$**	**382,773**

(Expressed in Thousands of Canadian Dollars)

14. Share Capital (continued)

(b) Stock Options

As at June 30, 2017, 19,436,895 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		Weighted Average Exercise Price
Balance, June 30, 2015	1,710,000	$	0.17
Stock options issued during the year	-		-
Balance, June 30, 2016	1,710,000	$	0.17
Stock options issued during the year	11,500,000		0.06
Balance, June 30, 2016	**13,210,000**	**$**	**0.07**

As at June 30, 2017 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
Sept. 21, 2018	1,710,000	1,710,000	1.23	$	0.17
Feb. 10, 2020	-	11,500,000	2.62	$	0.06

In February 2017, the Corporation granted 11,500,000 stock options to directors and senior executives of the Corporation at an exercise price of $0.06. 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 - $0.055.

(Expressed in Thousands of Canadian Dollars)

15. General and Administrative

		2017		2016
Salaries and benefits	$	**875**	$	952
Professional fees		**453**		383
Directors fees		**30**		16
General and office		**352**		275
Process Technology		**274**		-
Travel		**267**		43
Filing and regulatory fees		**14**		21
Environmental compliance		**263**		33
Insurance		**66**		124
Utilities and fuel		**118**		241
Repairs and maintenance		**55**		240
	$	**2,767**	$	2,328

16. Related Party Transactions and Balances

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

		2017		2016
Salaries and benefits	**$**	**423**	$	386
Directors fees	**$**	**30**	$	16
Share based payments	**$**	**217**	$	-

The Corporation and Goondicum Resources have entered into an Advisory Services Agreement (ASA) with Pala (a significant shareholder) to provide the Corporation with consultancy support in evaluating potential capital investments and Goondicum Resources with support advisory services. The ASA was suspended indefinitely on January 1, 2017 and during the year ended June 30, 2017 the Corporation incurred consultancy fees of US$50 (June 30, 2016 - US$100), under the terms of the Advisory Services Agreement, included in office and administration expenses. Included in accounts payable and accrued liabilities as at June 30, 2017 was US$216 (June 30, 2016 - US$175) pertaining to these fees and reimbursable expenses.

The Corporation entered into a secured loan agreement with Pala and the details of this loan are set out in notes 11 and 21. During the year the Corporation incurred interest and fees on the Pala loan of $395 (2016 – 288)

17. Income Taxes

The following table reconciles the expected tax recovery at the Canadian Federal and Provincial statutory rate of 26.50% (2016 - 26.50%) to the amount recognized in the consolidated statements of operations and comprehensive loss:

		2017		2016
Net (loss) , before income taxes	**$**	**(4,126)**	$	(19,634)
Expected income tax (recovery) expense	**$**	**(1,090)**	$	(5,203)
Non-recognition of tax assets and future tax rate reductions		**-**		3
Difference in foreign tax rates		**1,220**		(510)
Non-deductible expenses		**110**		(200)
Permanent difference		**-**		2,630
Changes in tax benefits not recognized		**(240)**		3,280

(Expressed in Thousands of Canadian Dollars)

17. Income Taxes (continued)

		2017		2016
Deferred income tax recovery	**$**	**-**	$	-

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

		2017		2016
Non-capital loss carry-forwards - Canada	**$**	**116,270**	$	115,130
Non-capital loss carry-forwards - Australia		**22,910**		5,646
Eligible capital expenditures		**12,170**		16,960
Mineral property exploration and development		**1,430**		1,434
Investment		**4,250**		4,255
Other		**8,870**		8,773
	$	**165,900**	$	152,197

At June 30, 2017 the Corporation had Canadian non-capital loss carried forwards of approximately $116 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.

18. 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 $536,845; share capital of $382,773, and contributed surplus $159,274.

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.

19. Financial Instruments

Fair Values

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

The Corporation’s financial instruments measured at fair value include cash and cash equivalents and the

19. Financial Instruments (continued)

investment in Asian Mineral Resources Limited. These financial assets are reported at Level 1 of the fair value hierarchy. The Corporation had no financial assets and liabilities measured at fair value at Level 2 or Level 3 as at June 30, 2017 and 2016. Other receivables and deposits, accounts payable, loans payables and accrued liabilities and mining royalty payable approximate their carrying values due to their short term maturity.

Risk Management

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

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, 2017 the Corporation had cash and cash equivalents of $138 (June 30, 2016 - $466) to settle current liabilities of $6,209 (June 30, 2016 - $5,119). Most of the Corporation's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

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 impact of a change in interest rates of 1% in either direction at June 30, 2017 would be $1 per year on the interest earned on cash and cash equivalents.

(b) Foreign Currency Risk

As at June 30, 2017, approximately 20% of the Corporation's cash and cash equivalents were held in Australian dollars, and approximately 4% in United States dollars. The Corporation is exposed to foreign exchange risk associated with the potential fluctuation of the Canadian dollar relative to the Australian and US dollars. A plus or minus 5% change in foreign exchange rates at the end of the reporting period would affect comprehensive loss by approximately $237. Derivative financial instruments are not used to reduce exposure to fluctuations in foreign exchange rates.

(c) Price Risk

The Corporation's investment in the common shares of AMR are subject to fair value fluctuations. As at June 30, 2017, if the share price of these investments had changed by 10% with all other variables held constant, comprehensive loss for the year would have varied by approximately $95 and reported shareholders' equity would have varied by approximately $95.

(Expressed in Thousands of Canadian Dollars)

20. Segmented Information

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

June 30, 2017	**Canada**	**Australia**	**Total**
Plant and equipment	$ -	$ 4,707	$ 4,707
Mineral properties	-	4,948	4,948
Corporate and other assets	1,063	1,642	2,705
Total assets	$ 1,063	$ 11,297	$ 12,360
Net profit (loss) for the year	$ 41	$ (4,167)	$ (4,126)

June 30, 2016	**Canada**	**Australia**	**Total**
Property, plant and equipment	$ -	$ 5,200	$ 5,200
Mineral properties	-	4,800	4,800
Corporate and other assets	1,255	1,830	3,805
Total assets	$ 1,255	$ 11,830	$ 13,805
Net loss for the year	$ (5,143)	$ (14,491)	$ (19,634)

21. Subsequent Event

On July 7, 2017, the Corporation reached an agreement with Pala Investments Limited to amend the terms of the secured loan. Under the terms of the extension, an additional US$1,240 is available for immediate drawn down by Melior and the date which Pala may demand settlement within five business days was changed to any time on or after June 23, 2019.

The loan is 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 is convertible at a conversion price of $0.052 from July 6, 2017 to July 6, 2018 and following July 6,2018, the greater of $0.10 and the conversion price as adjusted for the Required Share Consolidation.