



**MELKIOR RESOURCES INC.
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2025 AND 2024
(EXPRESSED IN CANADIAN DOLLARS)**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Melkior Resources Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Melkior Resources Inc. (the "Company"), which comprise the statements of financial position as at August 31, 2025 and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis of Opinion

We conducted our audit 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 financial statements, which indicates that the Company incurred a net loss during the year ended August 31, 2025. 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 Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. The matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter of the Material Uncertainty Related to Going Concern described above, we have determined that there are no other key audit matters to communicate in our report.

Other Matter

The financial statements of the Company for the year ended August 31, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on December 21, 2024.

As part of our audit of the financial statements of the Company for the year ended August 31, 2025, we also audited the adjustment described in Note 12 that was applied to restate the financial statements for the year ended August 31, 2024. In our opinion, the adjustment is appropriate and has been properly applied. We do not express an opinion or any other form of assurance on the financial statements for the year ended August 31, 2024 taken as a whole.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis for the year ended August 31, 2025, which we obtained prior to the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, 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.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings that we identify during our audit, including any:

- Significant deficiencies in internal control;
- Identified fraud or suspected fraud; and
- Other matters related to fraud that are, in our judgment, relevant to the responsibilities of those charged with governance.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Candace Xiao.

January 7, 2026
Markham, Ontario

Horizon Assurance LLP
Chartered Professional Accountants
Licensed Public Accountants

Melkior Resources Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)

	As at August 31, 2025	As at August 31, 2024 Restated (Note 12)	As at September 1, 2023 Restated (Note 12)
ASSETS			
Current assets			
Cash	\$ 2,095,001	\$ 1,991,833	\$ 2,252,578
Sales tax receivable	64,753	36,066	43,125
Prepaid expenses	159,175	26,459	24,640
Total assets	\$ 2,318,929	\$ 2,054,358	\$ 2,320,343
SHAREHOLDERS' EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (note 6)	\$ 125,985	\$ 81,664	\$ 159,776
Flow-through share liability (note 5(b))	104,479	76,596	142,136
Total liabilities	230,464	158,260	301,912
Shareholders' equity			
Share capital (note 5)	51,968,855	50,381,230	49,990,726
Reserves (note 5)	5,943,798	5,825,857	5,818,009
Deficit	(55,824,188)	(54,310,989)	(53,790,304)
Total shareholders' equity	2,088,465	1,896,098	2,018,431
Total liabilities and shareholders' equity	\$ 2,318,929	\$ 2,054,358	\$ 2,320,343

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

Nature of operations and going concern (note 1)

Commitment (note 7)

Subsequent events (note 11)

Approved on behalf of the Board:

(Signed) "Norman Farrell" _____ Director

(Signed) "Keith James Deluce" _____ Director

Melkior Resources Inc.**Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)**

	Year Ended August 31, 2025	Year Ended August 31, 2024 Restated (Note 12)
Expenses		
Consulting and management fees (note 6)	\$ 88,459	\$ 29,130
Exploration and evaluation expenditures (notes 4 and 6)	1,069,222	510,097
General and administrative	49,410	39,799
Marketing	29,613	64,444
Professional fees (note 6)	283,287	88,641
Regulatory fees (note 6)	65,417	55,579
Share-based payments (notes 5 and 6)	65,506	-
Travel and promotion	16,724	-
Net loss from operations	(1,667,638)	(787,690)
Other items		
Interest income	66,704	114,022
Reversal of flow-through share liability (note 5)	87,735	152,983
Net loss and comprehensive loss for the year	\$ (1,513,199)	\$ (520,685)
Basic and diluted net loss per share	\$ (0.04)	\$ (0.02)
Weighted average number of common shares outstanding - Basic and diluted	37,393,395	33,450,638

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

Melkior Resources Inc.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended August 31, 2025	Year Ended August 31, 2024 Restated (Note 12)
Operating activities		
Net loss for the year	\$ (1,513,199)	\$ (520,685)
Adjustments for:		
Share-based payments	65,506	-
Reversal of flow-through share liability	(87,735)	(152,983)
Common shares issued for exploration and evaluation expenditures	131,250	47,500
Changes in non-cash working capital items:		
Sales tax receivable	(28,687)	7,059
Prepaid expenses	(132,716)	(1,819)
Amounts payable and accrued liabilities	44,321	(78,112)
Net cash used in operating activities	(1,521,260)	(699,040)
Financing activities		
Shares issued for cash	1,699,999	466,360
Share issue costs	(75,571)	(28,065)
Net cash provided by financing activities	1,624,428	438,295
Net change in cash	103,168	(260,745)
Cash, beginning of year	1,991,833	2,252,578
Cash, end of year	\$ 2,095,001	\$ 1,991,833
Supplemental cash flow information		
Interest income from cash	\$ 66,704	\$ 114,022
Finders' warrants	\$ 31,555	\$ 7,848
Flow-through share liability	\$ 115,618	\$ 87,443
Taxes paid in cash	\$ -	\$ -

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

Melkior Resources Inc.

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

	Share capital				
	Number of shares	Share capital	Reserves	Deficit	Total
Balance, August 31, 2023 - Restated (note 12)	31,352,697	\$ 49,990,726	\$ 5,818,009	\$ (53,790,304)	\$ 2,018,431
Shares issued for cash	2,914,750	466,360	-	-	466,360
Share issue costs	-	(35,913)	7,848	-	(28,065)
Flow-through share liability	-	(87,443)	-	-	(87,443)
Shares issued for exploration and evaluation assets	500,000	47,500	-	-	47,500
Net and comprehensive loss for the year	-	-	-	(520,685)	(520,685)
Balance, August 31, 2024 - Restated (note 12)	34,767,447	\$ 50,381,230	\$ 5,825,857	\$ (54,310,989)	\$ 1,896,098
Units issued for cash	10,782,763	1,679,119	20,880	-	1,699,999
Share issue costs	-	(107,126)	31,555	-	(75,571)
Flow-through share liability	-	(115,618)	-	-	(115,618)
Shares issued for exploration and evaluation assets	1,050,000	131,250	-	-	131,250
Share-based payments	-	-	65,506	-	65,506
Net and comprehensive loss for the year	-	-	-	(1,513,199)	(1,513,199)
Balance, August 31, 2025	46,600,210	\$ 51,968,855	\$ 5,943,798	\$ (55,824,188)	\$ 2,088,465

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

Melkior Resources Inc.

Notes to Financial Statements

Years Ended August 31, 2025 and 2024

(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Melkior Resources Inc. (the "Company"), incorporated under the *Business Corporations Act* (Canada), is a junior mining exploration company operating in Canada. The Company's operations include the acquisition and exploration of mineral properties in Canada. The address of the registered office is Bentall 5, 550 Burrard Street, Suite 1008, Vancouver, British Columbia, Canada, V6C 2B5, and its principal place of business is 207 – 66 Brousseau Avenue, Timmins, Ontario, Canada, P4N 5Y2. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "MKR", on the OTC Exchange in the United States under the symbol "MKRIF" and on the Frankfurt Stock Exchange under the symbol "MEK".

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred a net loss during the year ended August 31, 2025 of \$1,513,199 (year ended August 31, 2024 - net loss of \$520,685) and has a deficit at August 31, 2025 of \$55,824,188 (August 31, 2024 - \$54,310,989), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. The Company is in the exploration stage and, accordingly, has not yet commenced revenue-producing operations. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

If the going concern assumption were not appropriate for these financial statements then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used. Such adjustments could be material.

There are many external factors that can adversely affect general workforces, economies and financial markets globally such as global health conditions and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of these factors and its effects on the Company's business or ability to raise funds.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS® Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These financial statements were approved and authorized for issue by the Board of Directors on January 7, 2026.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

2. Basis of presentation (continued)

(b) Basis of measurement

These financial statements have been prepared under the historical cost basis, except for financial instruments measured at fair value. These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

(c) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

(d) Critical accounting estimates and judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Accounting policy for exploration and evaluation expenditures

The Company's projects are at an early stage, and the technical feasibility and commercial viability of its mineral resources have not yet been demonstrated. Management has concluded that expensing all exploration and evaluation expenditures provides the most reliable and relevant financial information. This approach reflects the high uncertainty of recovery and the dependence on factors such as future exploration success, availability of financing, commodity prices, regulatory approvals, and maintenance of exploration rights.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Fair value of marketable securities

The determination of the fair value requires significant judgement by the Company. The Company acts in good faith to fair value its marketable securities on the date of purchase and on a quarterly basis thereafter, consistent with fair value accounting guidance in accordance with IFRS 13, Fair Value Measurement.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

2. Basis of presentation (continued)

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

Decommissioning liabilities

Rehabilitation provisions are created based on the Company's internal estimates. Assumptions, based on the current economic environment, are made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at August 31, 2025 and 2024, the Company has no known rehabilitation requirements and accordingly, no provision has been made.

3. Material accounting policies

The material accounting policies have been applied consistently throughout by the Company for purposes of these financial statements.

(a) Change in accounting policy

Effective September 1, 2024, as permitted under IFRS 6, Exploration for and Evaluation of Mineral Resources, the Company voluntarily changed its accounting policy for its exploration and evaluation ("E&E") expenditures, to expense exploration and evaluation costs in the Statement of Loss and Comprehensive Loss in the period in which they were incurred whereas previously all of the E&E expenditures had been capitalized on the Statement of Financial Position.

The Company has determined that this change in accounting policy enhances the reliability of the financial statements because of the difficulty associated with demonstrating that these costs meet the definition of an asset. The Company has also determined that reflecting its E&E expenditures in the Consolidated Statements of Loss and Comprehensive Loss and categorizing them as part of its operating activities in the Consolidated Statement of Cash Flows better reflects the economic substance of its operations during the fiscal periods presented. This change in accounting policy has been applied retrospectively.

(b) Exploration and evaluation expenditures

Exploration and evaluation expenditures

The Company expenses exploration and evaluation expenditures as incurred. These expenditures include acquisition costs of mineral rights, property option payments and costs directly attributable to exploration and evaluation activities. When shares are issued as part of mineral property acquisitions, they are measured at the closing share price on the date of issuance, unless the fair value of goods or services received is determinable. Payments related to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded at the time of payment. Exploration and evaluation activities include the search for minerals, the determination of technical feasibility, and the assessment of the commercial viability of an identified mineral resource.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

3. Material accounting policies (continued)

(b) Exploration and evaluation expenditures (continued)

Once a project has been established as technically feasible and commercially viable, and the decision to proceed has been approved by the Board of Directors, the property is classified as a “mine under development”, and subsequent expenditures are accounted for in accordance with applicable IFRS standards.

As the Company does not capitalize exploration and evaluation expenditures, no exploration and evaluation assets are recognized, and such expenditures are not subject to impairment testing prior to development.

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

For the years presented, the Company does not have any decommissioning obligations.

(c) Provisions

Provisions are recognized when present legal and constructive obligations as a result of a past event will likely lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(d) Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the *Mining Tax Act*. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits in the period when there is reasonable assurance with regard to collections and assessments and that the Company will comply with conditions associated with them.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

3. Material accounting policies (continued)

(e) Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statements of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- iii) amortized cost;
- iv) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- v) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company's financial assets consists of cash, which is classified and subsequently measured at amortized cost, and marketable securities, which are classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in net loss.

The Company's financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

3. Material accounting policies (continued)

(e) Financial instruments (continued)

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

(f) Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which include options and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the average market price at the beginning of the year or, if later, at the date of issue of the potential common shares. For the years presented, all options and warrants were anti-dilutive.

(g) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company is in the exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries, associates and joint ventures are not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

3. Material accounting policies (continued)

(g) Income taxes (continued)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary differences will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income or expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full. Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

(h) Shareholders' equity

Share capital represents the amount received on the issue of shares. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as reserves. In addition, if shares were issued as consideration for the acquisition of exploration and evaluation assets or some other form of non-monetary assets, when the fair value of the non-monetary assets cannot be determined, the shares are measured at their fair value according to the quoted price on the day of the conclusion of the agreement to issue shares.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the other liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financing expense until qualifying expenditures are incurred.

Other elements of equity

Reserves includes charges related to share options and warrants not exercised. When share options and warrants are exercised, the related compensation cost is transferred to share capital. Deficit includes all current and prior period retained profits or losses.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(i) Share-based payments

The Company operates an equity-settled share-based remuneration plan (stock option plan) for its eligible directors, officers, employees and consultants. The Company's plan is not cash-settled.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or service received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted. The Company uses the Black-Scholes valuation model to estimate fair value.

Equity-settled share-based payments (except finders' warrants to brokers) are ultimately recognized as an expense in profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment, with a corresponding credit to reserves in equity. Finders' warrants to brokers in respect of an equity financing are recognized as issuance cost of the equity instruments in deficit, with a corresponding credit to reserves in equity. When share options and warrants are exercised, the related compensation cost is transferred to share capital. The compensation cost related to options and warrants expired unexercised remain in reserves.

If vesting periods or other vesting conditions apply, the expenses are allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different from that estimated on vesting.

(j) Accounting standards issued but not yet effective

The Company has reviewed the accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and determined that these are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

4. Exploration and evaluation expenditures

For year ended August 31, 2025	Val d'Or	Beschefer East	Carscallen	Genex	Total
Acquisitions and claims	\$ -	\$ 101,250	\$ 40,000	\$ -	\$ 141,250
Assays	-	-	1,853	332	2,185
Consulting	1,782	48,808	37,375	84,773	172,738
Drilling	-	329,654	351,740	27,027	708,421
Geochemistry	-	2,201	-	-	2,201
Geophysics	-	45,331	-	-	45,331
Tax credits received	-	(2,904)	-	-	(2,904)
	\$ 1,782	\$ 524,340	\$ 430,968	\$ 112,132	\$ 1,069,222

For year ended August 31, 2024	Val d'Or	Beschefer East	Carscallen	Hemlo	Genex	Total
Acquisitions and claims	\$ -	\$ 52,241	\$ 1,400	\$ -	\$ -	\$ 53,641
Consulting	212	48,762	231	2,750	88,554	140,509
Drilling	2,750	-	-	-	-	2,750
Geochemistry	-	362,710	-	-	110,716	473,426
Geophysics	-	2,164	-	-	10,542	12,706
Other recoveries	-	(15,513)	-	-	-	-
Tax credits received	-	-	-	-	(157,422)	-
Balance, August 31, 2024	\$ 2,962	\$ 450,364	\$ 1,631	\$ 2,750	\$ 52,390	\$ 510,097

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

4. Exploration and evaluation expenditures (continued)

Quebec

(a) Urban

During the year ended August 31, 2017, the Company acquired claims in the Urban area of Quebec through map staking. The Company has a 100% ownership in the claims and there is no net smelter return royalty ("NSR").

During the year ended August 31, 2018, the Company acquired additional claims through staking.

(b) Launay

The Company retains a 1.5% NSR on the Launay property, of which one-half may be purchased by Beaufield Resources Inc. for \$750,000.

(c) Val d'Or

In May 2020, the Company acquired 2 packages of claims in Tiblemont Township, Quebec by direct staking.

(d) Beschefer East

In June 2023, the Company entered into an option agreement to acquire 100% of the Beschefer East Project located north of La Sarre, Quebec. The Company can acquire 100% of the property in consideration for:

- On July 3, 2023, make a cash payment of \$50,000 and issue \$50,000 worth of common shares issued at the higher of \$0.20 per share or the weighted average price of the common shares for the 10 trading days immediately preceding July 3, 2023 (completed);
- On or before July 3, 2024, issue \$100,000 worth of common shares issued at the higher of \$0.20 per share or the weighted average price of the common shares for the 10 trading days immediately preceding July 3, 2024 and incur \$375,000 in aggregate work expenditures (completed);
- On or before July 3, 2025, issue \$150,000 worth of common shares issued at the higher of \$0.20 per share or the weighted average price of the common shares for the 10 trading days immediately preceding July 3, 2025 and incur \$750,000 in aggregate work expenditures (completed); and
- On or before July 3, 2026, issue \$200,000 worth of common shares issued at the higher of \$0.20 per share or the weighted average price of the common shares for the 10 trading days immediately preceding July 3, 2026 and incur \$1,500,000 in aggregate work expenditures.

The property is subject to a NSR of up to 2.5% on certain claims made up of a historical NSR of 1.5% and 1% granted to the vendor.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

4. Exploration and evaluation expenditures (continued)

Ontario

(e) Carscallen

The Company holds a 100% interest in the Carscallen property, west of Timmins, Ontario. Some claims are subject to a 1.5% NSR while another group of claims is subject to a 2% NSR, of which the Company may buy back one-half for \$1,000,000.

In October and November 2010, the Company signed three agreements to acquire 100% interests in additional mining claims in consideration of \$10,000 cash and two 2% NSR royalties, of which 1% can be repurchased for \$500,000 each.

In October 2013, the Company signed a memorandum of understanding ("MOU") with the Mattagami First Nations. The Company will pay 2% of all exploration costs eligible for assessment credit to the Mattagami First Nation.

On April 7, 2016, the Company acquired a 100% interest in an additional mining claim from an arm's length party, subject to a 2% NSR. The Company may purchase 0.5% of the NSR for \$500,000 and a first right of refusal to purchase the remaining 1.5% NSR.

During the year ended August 31, 2017, the Company acquired additional claims through cash purchase agreements and staking. One of the claims is subject to a 2% NSR.

During the year ended August 31, 2018, the Company entered into three agreements for the purchase of six additional claims for the Carscallen property. Two of the claims are subject to a 2% NSR.

On May 6, 2020, the Company entered into an option agreement of 6 cell units (the "Carscallen Claims"). Pursuant to the option agreement, the Company acquired 100% interest in the Carscallen Claims, subject to a 3% NSR. The Company may purchase one-half of the NSR at any time for the sum of \$1,000,000.

On February 28, 2025, the Company announced that it entered into an agreement to acquire a 100% interest in an additional 76 mineral claims located on the northwest boundary of the Carscallen Property. In consideration, the Company will make a cash payment of \$10,000 and issue 300,000 common shares of the Company (completed). The claims are subject a 2% NSR. The Company may purchase 1% of the NSR at any time for the sum of \$1,000,000.

(f) Hemlo

On May 12, 2017, the Company entered into an agreement to acquire a 100% interest in the Hemlo property. The vendor holds a 3% NSR, of which one-third may be purchased by the Company for \$1,000,000.

During the year ended August 31, 2017, the Company acquired additional claims through cash purchase agreements and staking.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

4. Exploration and evaluation expenditures (continued)

(g) Genex

On April 19, 2022, the Company entered into an option agreement with International Explorers & Prospectors Inc. ("IEP") to acquire 100% of the Genex Project, located near Timmins, Ontario. The Genex option agreement was approved by the TSX-V in July 2022. Under the terms of the option agreement, in consideration for an undivided 50% interest in the property (the "First Option"), the Company must:

- make a cash payment of \$50,000, issue 500,000 common shares, and contribute \$500,000 in assessment credits from the Company's Carscallen Project within 20 days from the Effective Date (completed);
- make a cash payment of \$50,000, issue 500,000 common shares, and incur \$750,000 in aggregate work expenditures on or before the first anniversary of the Effective Date (completed);
- make a cash payment of \$50,000, issue 500,000 common shares, and incur \$1,750,000 in cumulative work expenditures on or before the second anniversary of the Effective Date (second anniversary obligations suspended at the election of the Company in line with terms and conditions of Agreement); and
- make a cash payment of \$100,000, issue 1,000,000 common shares, and incur \$2,750,000 in cumulative work expenditures on or before the third anniversary of the Effective Date.

The agreement has an Effective Date of April 28, 2022 for all anniversary payments.

The vendor is also permitted to remove \$500,000 each in assessment credits from the Genex Project during years 2 and 3.

In consideration for the additional 50% interest in the property (the "Second Option"), the Company must at any time after exercising the First Option make a one-time issuance of 2,500,000 common shares. If the Second Option is exercised, then the Company will own a 100% interest in the property and the vendor will retain a NSR of up to 2% calculated as the difference between 2% and any amounts payable pursuant to any existing royalties.

During the year ended August 31, 2025, the Company and IEP appointed an arbitral tribunal to determine the parties' rights and obligations under their option agreement (see note 10).

5. Share capital

(a) Authorized share capital

- (i) an unlimited number of common shares without par value, voting and participating; and
- (ii) an unlimited number of preferred shares with an 8% non-cumulative dividend, redeemable at the request of the Company at paid-up capital.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

5. Share capital (continued)

(b) Issued

During the year ended August 31, 2025

- (i) On March 25, 2025, the Company issued 300,000 common shares (valued at \$30,000) for the acquisition of additional claims in the Carscallen Property (see note 4(e)).
- (ii) On June 12, 2025, the Company closed its non-brokered private placements raising total gross proceeds of \$1,699,999 through the issuance of (i) 4,175,993 units at a price of \$0.15 per unit for gross proceeds of \$626,399, and (ii) 6,606,770 flow-through common shares at a price of \$0.1625 per share for gross proceeds of \$1,073,600. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional share at a price of \$0.22 per share for a period of 2 years from the date of issuance. In connection with the private placement, the Company paid cash finders' fees of \$75,571 and issued 480,434 finders' warrants. The finders' warrants are exercisable at \$0.22 per share for a period of 2 years from the date of issuance.

The 480,434 finders' warrants were assigned a grant date fair value of \$31,555 as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 121%, which is based on historical volatility of the Company's share price, risk-free rate of return of 2.68% and an expected maturity of 2 years.

The premium paid by investors was calculated as \$0.0175 per share, and accordingly, \$115,618 was recorded as flow-through share liability. During the year ended August 31, 2025, \$11,139 was derecognized as reversal of flow-through share liability and the flow-through share liability has been reduced to \$104,479.

- (iii) On July 7, 2024, the Company issued 750,000 common shares (valued at \$101,250) for the acquisition of Beschefer East Project (see note 4(d)).

During the year ended August 31, 2024

- (i) On December 21, 2023, the Company closed a non-brokered private placement of 2,914,750 flow-through units at a price of \$0.16 per unit for gross proceeds of \$466,360. Each unit consisted of one flow-through share of the Company and one-half of a common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.25 per share until December 22, 2025. In connection with the private placement, the Company share issue costs of \$28,065 and issued 140,000 finders' warrants exercisable for a period of 24 months at an exercise price of \$0.18 per share.

The 140,000 finders' warrants were assigned a grant date fair value of \$7,848 as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 94%, which is based on historical volatility of the Company's share price, risk-free rate of return of 3.94% and an expected maturity of 2 years.

The premium paid by investors was calculated as \$0.03 per share, and accordingly, \$87,443 was recorded as flow-through share liability. During the year ended August 31, 2025, \$60,675 was derecognized as reversal of flow-through share liability and the flow-through share liability has been reduced to \$nil.

- (ii) On July 7, 2024, the Company issued 500,000 common shares (valued at \$47,500) for the acquisition of Beschefer East Project (see note 4(d)).

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

5. Share capital (continued)

(c) Stock options

The Company maintains a stock option plan (the "Plan") pursuant to which options to purchase common shares may be granted for its eligible directors, officers and employees of the Company, as well as persons providing ongoing services to the Company.

The number of shares to be delivered upon the exercise of all options granted under the Plan shall not exceed 10% of the aggregate number of common shares of the Company issued and outstanding.

In the event that an optionee ceases to be an eligible person prior to the expiry date of their respective options, the options shall expire 12 months after the termination date or on the expiry date, whichever comes first (except for persons providing investor relations activities who will remain subject to a 30-day expiry period). In the event of termination with cause, the options of an eligible person shall expire on the date of notice of termination.

The purchase price of the common shares, upon exercise of each option granted under the Plan, shall be a price fixed for such option by the Board of Directors upon grant of each such option, but such price shall not be less than the market price at closing of transactions the day prior to the grant or any other regulations by the TSX-V. Each option, unless sooner terminated in accordance with the terms, conditions and limitations thereof, or unless sooner exercised, shall expire on the date determined by the Board of Directors when the option is granted or, failing such determination, not later than upon the tenth anniversary of the grant of the option.

The total number of options granted to any one individual in any 12-month period will not exceed 5% of the issued common shares. The total number of options granted to a consultant in any 12-month period will not exceed 2% of the issued common shares at the time of grant. The total number of options granted to persons providing investor relations activities in any 12-month period will not exceed 2% of the issued common shares at the time of grant. These options must vest in stages over a 12-month period from the date of grant with no more than 25% of the options vesting in any three-month period.

A summary of changes of the Company's common share purchase options is presented below for the years ended August 31, 2025 and 2024:

	Number of stock options	Weighted average exercise price
Balance, August 31, 2023	1,925,000	\$ 0.54
Expired	(100,000)	1.50
Balance, August 31, 2024	1,825,000	0.48
Issued (i)	1,200,000	0.08
Expired	(475,000)	0.20
Balance, August 31, 2025	2,550,000	\$ 0.35

- (i) On February 5, 2025, the Company granted 1,200,000 stock options to the directors of the Company exercisable at \$0.37 per common share. The options vest immediately and expire in five years. The grant date fair value of \$65,506 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 111%, which is based on historical volatility of the Company's share price, risk-free rate of return of 2.63% and an expected maturity of 5 years.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

5. Share capital (continued)

(c) Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of August 31, 2025:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
February 22, 2026	0.70	0.48	900,000	900,000
January 25, 2027	0.35	1.40	450,000	450,000
February 5, 2030	0.08	4.44	1,200,000	1,200,000
	0.35	2.50	2,550,000	2,550,000

(d) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, August 31, 2023	-	\$ -
Issued	1,457,375	0.25
Balance, August 31, 2024	1,457,375	0.25
Issued	2,087,996	0.22
Balance, August 31, 2025	3,545,371	\$ 0.23

The following warrants were outstanding and exercisable as of August 31, 2025:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of warrants outstanding
December 22, 2025	0.25	0.31	1,457,375
June 12, 2027	0.22	1.78	2,087,996
	0.23	1.18	3,545,371

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

5. Share capital (continued)

(e) Finders' warrants

	Number of warrants	Weighted average exercise price
Balance, August 31, 2023	217,000	\$ 0.24
Issued (note 5(b))	140,000	0.18
Balance, August 31, 2024	357,000	0.22
Issued (note 5(b))	480,434	0.22
Expired	(217,000)	0.24
Balance, August 31, 2025	620,434	\$ 0.21

The following finders' warrants were outstanding and exercisable as of August 31, 2025:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of warrants outstanding
December 22, 2025	0.18	0.31	140,000
June 12, 2027	0.22	1.78	480,434
	0.21	1.40	620,434

6. Related party transactions

The Company's related parties include companies controlled by officers and close family members of directors and key management, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The Company's key management personnel are members of the Board of Directors, as well as the chief executive officer ("CEO"), chief financial officer and the corporate secretary. Key management compensation is as follows:

	Year Ended August 31, 2025	Year Ended August 31, 2024
Consulting and management fees (i)	\$ 75,000	\$ 75,000
Professional fees (ii)	45,133	39,026
Regulatory fees (ii)	33,099	28,343
Total short-term compensation	153,232	142,369
Share-based payments	65,506	-
Total key management compensation	\$ 218,738	\$ 142,369

As at August 31, 2025, the balance due to related parties amounted to \$2,536 (August 31, 2024 - \$11,893) and was recorded in accounts payable and accrued liabilities.

Melkior Resources Inc.

Notes to Financial Statements

Years Ended August 31, 2025 and 2024

(Expressed in Canadian Dollars)

6. Related party transactions (continued)

(i) Management fees to the Company's CEO are paid pursuant to a 2020 consulting agreement under which Silverwater Capital Corp., a company controlled by the Company's CEO, receives a monthly fee of \$6,250. The Company can terminate the agreement with three months' notice. The fees are recorded partially as consulting fees in exploration and evaluation assets.

(ii) During the year ended August 31, 2025, the Company paid professional fees and regulatory fees of \$78,232 (year ended August 31, 2024 - \$67,369) to Marrelli Support Services Inc., DSA Corporate Services Inc., and Marrelli Trust Company Ltd., together known as the "Marrelli Group", for:

- An employee of Marrelli Group to act as the CFO of the Company;
- Bookkeeping services;
- Regulatory filing services;
- Corporate secretarial services; and
- Transfer agent services.

7. Commitment

In connection with the flow-through share financings in 2025, the Company has committed to incur qualifying Canadian Exploration Expenditures (as such term is defined in the Income Tax Act (Canada)) of a total of \$1,073,600 by December 31, 2026. If the Company does not incur the required qualifying expenditures, it will be required to indemnify the holders of the flow-through shares for any tax and other costs payable by them as a result of the Company not making the required expenditures.

As at August 31, 2025, the Company is required to incur qualifying exploration expenditure exceeding approximately \$970,000 by December 31, 2026.

8. Financial instruments

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity. Marketable securities are designated as financial assets at FVTPL.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As at August 31, 2025 and 2024, the Company did not have any financial assets measured at fair value.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

8. Financial instruments (continued)

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing at major Canadian financial institutions. The Company's maximum exposure to credit risk at August 31, 2025 was \$2,095,001 (2024 - \$1,991,833).

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of August 31, 2025 equal \$125,985 (2024 - \$81,664). All of the liabilities presented as accounts payable are due within 30 days of August 31, 2025. The cash available is sufficient to meet the Company's financial obligations at year end.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

- (i) Currency risk - The Company has no funds held in a foreign currency and as a result is not exposed to significant currency risk on its financial instruments at year-end.
- (ii) Interest rate risk - Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates and, therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.
- (iii) Other price risk - Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to other price risk with respect to its marketable securities.

(d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the years ended August 31, 2025 and 2024. The Company is not subject to externally imposed capital requirements.

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

9. Income tax

The relationship between the expected tax recovery based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statement of comprehensive loss can be reconciled as follows:

	Year Ended August 31, 2025	Year Ended August 31, 2024
Loss before income taxes	\$ (1,513,199)	\$ (520,685)
Expected tax payable (recovery) at 27%	(409,000)	(141,000)
Adjustments for the following items:		
Permanent differences	(24,000)	(41,000)
Impact of flow through share	141,000	239,000
Share issue cost	(20,000)	(16,000)
Adjustment to prior years provision versus statutory tax returns	222,000	139,000
Change in unrecognized deductible temporary differences	90,000	(180,000)
Deferred income tax recovery	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	August 31, 2025	August 31, 2024
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 19,000	\$ 87,000
Property and equipment	6,000	6,000
Share issue costs	27,000	16,000
Marketable securities	35,000	35,000
Allowable capital losses	109,000	109,000
Non-capital losses available for future period	1,927,000	1,780,000
	2,123,000	2,033,000
Unrecognized deferred tax assets	(2,123,000)	(2,033,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	August 31, 2025	Expiry date range	August 31, 2024	Expiry date range
Temporary differences				
Exploration and evaluation assets	\$ 71,000	No expiry date	\$ 323,000	No expiry date
Property and equipment	21,000	No expiry date	21,000	No expiry date
Share issue costs	102,000	2044 to 2048	60,000	2043 to 2046
Marketable securities	260,000	No expiry date	260,000	No expiry date
Allowable capital losses	405,000	No expiry date	405,000	No expiry date
Non-capital losses available for future periods				
- Canada	7,132,000	2026 to 2045	6,587,000	2026 to 2044

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

10. Contingency

The Company is currently in arbitration with IEP regarding the Genex Property (see note 4(g)). The proceedings are ongoing and no decision has been rendered as at the reporting date. Claims and counterclaims have been asserted by the parties, and the outcome remains uncertain. Management is unable to determine the likelihood or amount of any potential obligation or recovery. Accordingly, no provision has been recorded.

11. Subsequent events

Subsequent to August 31, 2025, 1,457,375 warrants and 140,000 finders' warrants expired unexercised.

12. Change in accounting policy

In order to enhance the relevance to the decision-making needs of users and improve comparability with its peers, the Company has voluntarily changed its accounting policy with respect to exploration properties, consistent with the guidance provided in IFRS 6 - Exploration for and Evaluation of Mineral Resources and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

The full accounting policy is as follows:

The Company expenses exploration and evaluation expenditures as incurred. These expenditures include acquisition costs of mineral rights, property option payments and costs directly attributable to exploration and evaluation activities. When shares are issued as part of mineral property acquisitions, they are measured at the closing share price on the date of issuance, unless the fair value of goods or services received is determinable. Payments related to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded at the time of payment. Exploration and evaluation activities include the search for minerals, the determination of technical feasibility, and the assessment of the commercial viability of an identified mineral resource.

Once a project has been established as technically feasible and commercially viable, and the decision to proceed has been approved by the Board of Directors, the property is classified as a "mine under development", and subsequent expenditures are accounted for in accordance with applicable IFRS standards.

As the Company does not capitalize exploration and evaluation expenditures, no exploration and evaluation assets are recognized, and such expenditures are not subject to impairment testing prior to development.

The change in accounting policy requires full retrospective application. IAS 1 - Presentation of Financial Statements also requires a third statement of financial position be presented.

The impact of the change in the accounting policy on the statements of financial position, statements of loss and comprehensive loss, statements of cash flows, and statements of changes in equity is set out below:

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

12. Change in accounting policy (continued)

Summary of impact on the Statements of Financial Position

As at September 1, 2023	As reported	Effect on change in accounting policy	As restated
Assets			
Exploration and evaluation assets	\$ 13,444,632	\$ (13,444,632)	\$ -
Total assets	\$ 15,764,975	\$ (13,444,632)	\$ 2,320,343
Shareholders' equity			
Deficit	\$ (40,345,672)	\$ (13,444,632)	\$ (53,790,304)
Total shareholders' equity	\$ 15,463,063	\$ (13,444,632)	\$ 2,018,431
Total liabilities and shareholders' equity	\$ 15,764,975	\$ (13,444,632)	\$ 2,320,343

As at August 31, 2024	As reported	Effect on change in accounting policy	As restated
Exploration and evaluation assets	\$ 13,954,729	\$ (13,954,729)	\$ -
Total assets	\$ 16,009,087	\$ (13,954,729)	\$ 2,054,358
Deficit	\$ (40,356,260)	\$ (13,954,729)	\$ (54,310,989)
Total shareholders' equity	\$ 15,850,827	\$ (13,954,729)	\$ 1,896,098
Total liabilities and shareholders' equity	\$ 16,009,087	\$ (13,954,729)	\$ 2,054,358

Summary of impact on the Statements of Loss and Comprehensive Loss

Year Ended August 31, 2024	As reported	Effect on change in accounting policy	As restated
Exploration and evaluation expenditures	\$ -	\$ 510,097	\$ 510,097
Net loss from operations	\$ (277,593)	\$ (510,097)	\$ (787,690)
Net loss and comprehensive loss for the year	\$ (10,588)	\$ (510,097)	\$ (520,685)
Basic and diluted net loss per share	\$ (0.00)	\$ (0.02)	\$ (0.02)

Melkior Resources Inc.
Notes to Financial Statements
Years Ended August 31, 2025 and 2024
(Expressed in Canadian Dollars)

12. Change in accounting policy (continued)

Summary of impact on the Statements of Cash Flows

Year Ended August 31, 2024	As reported	Effect on change in accounting policy	As restated
Operating activities			
Net loss for the year	\$ (10,588)	\$ (510,097)	\$ (520,685)
Adjustments for:			
Common shares issued for exploration and evaluation expenditures	\$ -	\$ 47,500	\$ 47,500
Changes in non-cash working capital items:			
Amounts payable and accrued liabilities	\$ (27,668)	\$ (50,444)	\$ (78,112)
Net cash used in operating activities	\$ (185,999)	\$ (513,041)	\$ (699,040)
Investing activities			
Exploration and evaluation asset expenditures	\$ (685,976)	\$ 685,976	\$ -
Tax credit received and other recoveries	\$ 172,935	\$ (172,935)	\$ -
Net cash used in investing activities	\$ (513,041)	\$ 513,041	\$ -
Supplemental cash flow information			
Common shares issued for exploration and evaluation assets	\$ 47,500	\$ (47,500)	\$ -

Summary of impact on the Statements of Changes in Shareholders' Equity

	As reported	Effect on change in accounting policy	As restated
Deficit			
Balance, August 31, 2023	\$ (40,345,672)	\$ (13,444,632)	\$ (53,790,304)
Net and comprehensive loss for the year	\$ (10,588)	\$ (510,097)	\$ (520,685)
Balance, August 31, 2024	\$ (40,356,260)	\$ (13,954,729)	\$ (54,310,989)