CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

(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 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.

September 18, 2014

MNP LLP

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Melior Resources Inc.

We have audited the accompanyingconsolidated financial statements of Melior Resources Inc., which comprise the consolidated statements of financial position as at June 30, 2014 and 2013, 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 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
September 18, 2014

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Melior Resources Inc.
Consolidated Statements of Financial Position
(Expressed in Thousands of Canadian Dollars)

As at June 30,		2014		2013
Assets				
Current Assets				
Cash and cash equivalents	$	**18,544**	$	22,877
Prepaid expenses and other receivables		**178**		82
Inventories (Note 10)		**17**		-
		18,739		22,959
Non-Current Assets				
Investment in Asian Mineral Resources Limited (Note 8)		**2,364**		1,418
Deposits (Note 9)		**1,169**		-
Property, plant and equipment (Note 6)		**4,105**		-
Mineral properties (Note 11)		**3,320**		-
	$	**29,697**	$	24,377
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (Note 17)	**$**	**1,506**	$	165
Current portion of obligation under finance leases (Note 12)		**56**		-
Mining royalty payable		**352**		-
		1,914		165
Non-Current Liabilities				
Long-term portion of finance leases (Note 12)		**84**		-
Decommissioning liability (Note 13)		**638**		-
		2,636		165
Shareholders' Equity				
Share capital (Note 15(a))		**381,027**		375,885
Contributed surplus		**159,058**		159,058
Accumulated other comprehensive loss		**(2,874)**		(3,782)
Deficit		**(510,150)**		(506,949)
		27,061		24,212
	$	**29,697**	$	24,377

Nature of Operations (Note 1)
Commitments and contingencies (Note 14)

Approved on behalf of the Board:

"Mr. Joseph Connolly"
Director

"Mr. 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,		2014		2013
Administrative Expenses				
Office and administration (Note 16 and 17)	**$**	**3,382**	$	1,154
Depreciation (Note 6)		**70**		-
Loss before other income, (expenses)		**(3,452)**		(1,154)
Other Income (Expense)				
Interest income		**279**		290
Interest expense		**(2)**		-
Foreign exchange (gain) loss		**(26)**		7
		251		297
Loss from continuing operations		**(3,201)**		(857)
Income from discontinued operations (Note 7)		**-**		1,141
Net (Loss) Income For The Year	**$**	**(3,201)**	$	284
Other Comprehensive (Loss) Gain				
Items that will be reclassed subsequently into income:				
Foreign currency translation adjustment		**(38)**		-
Unrealized gain (loss) on available-for-sale financial assets		**946**		(2,837)
Total Comprehensive Loss	**$**	**(2,293)**	$	(2,553)
Per common share, basic and fully diluted:				
(Loss) income from continuing operations	**$**	**(0.018)**	$	(0.005)
Income from discontinued operations	**$**	**0.000**	$	0.007
Net (loss) income	**$**	**(0.018)**	$	0.002
Weighted average number of shares outstanding		**178,181,102**		173,380,974

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, 2012	**173,380,974**	**$ 375,885**	**$ 159,058**	**$ (945)**	**$ (507,233)**	**$ 26,765**
Net income for the year	-	-	-	-	284	284
Unrealized loss on available-for-sale financial assets	-	-	-	(2,837)	-	(2,837)
Balance, June 30, 2013	**173,380,974**	**$ 375,885**	**$ 159,058**	**$ (3,782)**	**$ (506,949)**	**$ 24,212**
Shares issued on acquisition	38,087,971	5,142	-	-	-	5,142
Foreign currency translation adjustment	-	-	-	(38)	-	(38)
Net loss for the year	-	-	-	-	(3,201)	(3,201)
Unrealized gain on available-for-sale financial assets	-	-	-	946	-	946
Balance, June 30, 2014	**211,468,945**	**$ 381,027**	**$ 159,058**	**$ (2,874)**	**$ (510,150)**	**$ 27,061**

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

Melior Resources Inc.
Consolidated Statements of Cash Flows
(Expressed in Thousands of Canadian Dollars)

For the year ended June 30,	2014	2013
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Cash paid to suppliers, employees, and others	$ (2,948)	$ (897)
Cash received from sale of subsidiaries (Note 7)	-	1,141
Interest received	277	-
Cash flows from operating activities	(2,671)	244
Investing Activities		
Loan to Belridge (pre-acquisition)	(1,443)	-
Payments for property, plant and equipment	(264)	-
Payments for mineral properties .	(42)	-
Cash acquired on acquisition (Note 4)	87	-
Repayment from Asian Mineral Resources Limited	-	300
Cash flows from investing activities	(1,662)	300
Change in cash and cash equivalents during the year	(4,333)	544
Cash and cash equivalents, beginning of year	22,877	22,333
Cash and cash equivalents, end of year	$ 18,544	$ 22,877

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

1. Nature of Operations

Melior Resources Inc., (the "Corporation"), is a Canadian company focused on making strategic investments in, and developing, resource based opportunities offering 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"), as described in Note 4.

Belridge 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").

As at June 30, 2014, Pala Investments Limited ("Pala") owned directly or indirectly 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 financial statements were authorized for issue by the Audit Committee on behalf of the Board of Directors of the Corporation on September 18, 2014.

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, Belridge, incorporated under the laws of the State of Queensland, Australia. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

(c) Translation of foreign currencies:

The functional currencies of the parent company and its 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. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

3. Summary of Significant Accounting Policies (Continued)

(c) Translation of foreign currencies (continued)

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 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.

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.

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 and accrued liabilities, and mining royalty payable.

3. Summary of Significant Accounting Policies (Continued)

(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:

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and are net of any rebates and discounts received.

(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 & 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.

(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 statement 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.

3. Summary of Significant Accounting Policies (Continued)

(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.

(k) Income taxes:

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(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 statement of operations and comprehensive income (loss).

(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) Borrowing costs incurred that are attributable to qualifying mining properties;
(v) Certain costs incurred during production, net of proceeds from sales, prior to reaching commercial production; and
(vi) Estimates of reclamation and closure costs.

3. Summary of Significant Accounting Policies (Continued)

(m) Mineral Properties (Continued):

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 and income from discontinued operations 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) Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for annual periods commencing after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Corporation and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Corporation and the expected adoption date.

(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. The Corporation is in the process of assessing the impact of this pronouncement.

3. Summary of Significant Accounting Policies (Continued)

(p) New Standards Adopted During the Current Year:

(i) IFRS 10 – Consolidated financial statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Corporation adopted this standard on July 1, 2013, with no resulting impact on its consolidated financial statements.

(ii) IFRS 11 – Joint arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Corporation adopted this standard on July 1, 2013, with no resulting impact on its consolidated financial statements.

(iii) IFRS 12 – Disclosure of interests in other entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Corporation adopted this standard on July 1, 2013, with no resulting impact on its consolidated financial statements.

(iv) IFRS 13 – Fair value measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosures regarding the fair value hierarchy have been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs;
- and information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Corporation adopted this standard on July 1, 2013, with no resulting impact on its consolidated financial statements.

(v) In October 2011, the IASB issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20"). IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when the following two benefits accrue to the entity from the stripping activity: (i) useable ore that can be used to produce inventory, and (ii) improved access to further quantities of material that will be mined in future periods.

The Interpretation is effective for annual periods beginning on or after January 1, 2013. The Corporation adopted this standard on July 1, 2013, with no resulting impact on its consolidated financial statements.

3. Summary of Significant Accounting Policies (Continued)

(p) New Standards Adopted During the Current Year (Continued):

(vi) In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13. The Corporation adopted this standard on July 1, 2013, with no resulting impact on its consolidated financial statements.

(q) Business Combinations:

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

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

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

(Expressed in Thousands of Canadian Dollars)

4. Acquisition of Belridge Enterprises Pty Ltd

On May 15, 2014, the Corporation closed a share sale and purchase agreement (the "Share Purchase Agreement") with Belridge Enterprises Pty Ltd ("Belridge"). Pursuant to the Share Purchase Agreement, the Corporation acquired all of the issued and outstanding shares of Belridge in exchange for the issuance of 38,087,971 common shares of the Corporation, ascribed a fair value of $5,142 . Furthermore, the Corporation is committed to a residual earn-out payment of up to an additional 38,087,971 common shares, payable on achievement of certain predetermined share price levels, significantly in excess of the Corporation's share price upon close of the Share Purchase Agreement. In connection with this residual earn-out payment, a provisional contingent liability of $nil has been recorded on the Corporation's consolidated statement of financial position, based on the probability of the Corporation's share price exceeding the predetermined share price levels. The acquisition constituted a "Change of Business" transaction of the Corporation in accordance with Policy 5.2 of the Exchange. Upon completion of the acquisition, existing Melior and Belridge shareholders own approximately 82% and 18% of the combined Corporation, respectively, on a basic shares outstanding basis.

The purchase price has been preliminarily allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. Fair values are determined based on third party appraisals, discounted cash flow models, and quoted market prices, as deemed appropriate. The Corporation has incurred acquisition-related transaction costs totaling $2.1 million in the form of advisory, legal, and other professional fees, which have been included in the statement of operations for 2014.

The following sets forth the preliminary allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair value, including a summary of major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition.

Consideration paid:

Fair value of 38,087,971 Corporation shares issued May 15, 2014	**$**	**5,142**

Allocation of purchase price:

Cash and cash equivalents	$	87
Trade and other receivables		109
Inventories		17
Long-term investments		1,181
Property, plant and equipment		3,951
Mineral properties		3,321
Trade and other payables		(945)
Obligations under finance leases		(163)
Long-term compensation payable		(359)
Decommissioning liabilities		(638)
Loan payable		(1,419)
	$	**5,142**

The final purchase price allocation is expected to be completed as soon as management has gathered all significant information available and necessary to finalize this allocation. For the year ended June 30, 2014, the operations of Belridge contributed to the net loss of $355.

(Expressed in Thousands of Canadian Dollars)

5. 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 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.

6. Property, Plant and Equipment

Cost	**Vehicle**	**Plant and Equipment**	**Total**
Balance, June 30, 2013	$ -	$ -	$ -
Acquired upon acquisition of subsidiary (Note 4)	328	3,623	3,951
Additions	-	264	264
Foreign exchange	(3)	(37)	(40)
Balance, June 30, 2014	$ 325	$ 3,850	$ 4,175
Accumulated Depreciation			
Balance, June 30, 2013	$ -	$ -	$ -
Depreciation	15	55	70
Balance, June 30, 2014	$ 15	$ 55	$ 70
Carrying Value			
At June 30, 2013	**$ -**	**$ -**	**$ -**
At June 30, 2014	**$ 310**	**$ 3,795**	**$ 4,105**

(Expressed in Thousands of Canadian Dollars)

7. Discontinued Operations

On March 16, 2012, the Corporation completed the sale of all of the common stock of its wholly owned subsidiary, Coalcorp International, AVV, which was the holding company for all of the Corporation's off-shore subsidiaries. As of the closing date, the purchaser acquired, on an 'as is, where is' basis, all of the issued and outstanding shares of Coalcorp International, AVV for net proceeds of $0.001 ('the Coalcorp AVV Transaction').

Under the terms of the agreement for the sale of Coalcorp International AVV noted in the annual financial statements for the year ended June 30, 2012, the Corporation was entitled to receive, subject to certain terms and conditions, a share of net recoveries of cash, if any, that the purchaser receives as a result of winding up or re-organizing any of the Coalcorp International AVV subsidiaries. During the year ended June 30, 2013, the Corporation received $1,141(US$1,138) from the purchaser of Coalcorp International AVV for its share of cash recovered. The $1,141 (US$1,138) was recognized as a gain from discontinued operations.

8. 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.

In connection with the transaction, the Corporation advanced $300 to AMR, which was repaid during fiscal 2013.

9. Deposits

	2014	2013
Term Deposits - Ergon utility deposit	$ 299	$ -
Term Deposits - State of Queensland (Note 13)	870	-
	$ 1,169	$ -

10. Inventories

	2014	2013
Raw Materials	$ 17	$ -

11. Goodicum Project

	2014	2013
Acquired on acquisition (Note 4)	$ 3,321	$ -
Additions	40	-
Foreign exchange	(41)	-
Closing balance	$ 3,320	$ -

The Goondicum project comprises two mining leases located in Central Queensland, Austrialia and is wholly-owned by Belridge. Belridge 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.

(Expressed in Thousands of Canadian Dollars)

12. Obligation Under Finance Leases

		2014		2013
Obligation under finance leases	$	140	$	-
Less: Current portion		(56)		-
Long-term portion	$	84	$	-

13. Decommissioning Liability

For the Corporation, asset retirement obligations primarily relate to the dismantling of the Goodicum Ilmenite Project. The estimate of future site removal and restoration costs depends on the development of environmentally acceptable mine closure plans.

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 $863;
(b) Weighted average risk-free interest rate at 3.45%; and
(c) The $863 undiscounted provision is expected to be fully disbursed in fiscal 2025.

The Corporation has posted rehabilitation deposits totalling $870 with the State of Queensland as security for the Corporation's obligation under the mine closure plan.

14. Commitments and Contingencies

There are currently two separate entities that have a contractual entitlement to receive a royalty based on the gross income of Belridge 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.

Belridge pays the state government a royalty of 5% of the revenue for all ilmenite sales and approximately A$0.80/tonne for all phosphate rock sales.

A separate entity is also entitled to a success fee of $A419 if gross revenues of Belridge exceed $A23,000 in any rolling 12 month period.

15. 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, 2012, and June 30, 2013,	**173,380,974**	**$**	**375,885**
Shares issued on acquisition (Note 4)	38,087,971		5,142
Balance, June 30, 2014	**211,468,945**	**$**	**381,027**

(Expressed in Thousands of Canadian Dollars)

15. Share Capital (Continued)

(b) Warrants

The following summarizes the warrant activity for the years ended June 30, 2014 and 2013:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2012	**61,873,890**	**$ 2.50**
Expired	(61,873,890)	2.50
Balance, June 30, 2013 and 2014	**-**	**$ -**

(c) Stock Options

As at June 30, 2014, 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, 2012	**3,390,000**	**$ 0.25**
Cancelled/forfeited	(1,380,000)	0.17
Balance, June 30, 2013	**2,010,000**	**$ 0.25**
Cancelled/forfeited	(300,000)	1.13
Balance, June 30, 2014	**1,710,000**	**$ 0.17**

As at June 30, 2014 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	4.23	0.17

(Expressed in Thousands of Canadian Dollars)

16. General and Administrative

	2014	2013
Investigation of actual and prospective investments	**$ 2,129**	$ 49
Directors fees	**216**	216
Salaries and benefits	**355**	268
General and office	**163**	64
Professional fees	**258**	455
Insurance	**29**	24
Filing and regulatory fees	**71**	57
Travel	**105**	21
Utilities and fuel	**14**	-
Repairs and maintenance	**11**	-
Environmental compliance	**31**	-
	$ 3,382	$ 1,154

17. Related Party Transactions and Balances

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

	2014	2013
Salaries and benefits	**$ 239**	$ 257
Directors fees	**$ 216**	$ 216

The Corporation has entered into an Advisory Services Agreement with Pala Investments Limited to provide the Corporation with consultancy support in evaluating potential capital investments. During the year ended June 30, 2014 the Corporation incurred consultancy fees of US$245 (June 30, 2013 - $Nil), 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, 2014 is US$43 (June 30, 2013 - $Nil) pertaining to these fees and reimbursable expenses.

(Expressed in Thousands of Canadian Dollars)

18. Income Taxes

The following table reconciles the expected tax recovery at the Canadian Federal and Provincial statutory rate of 26.50% (2013 - 26.50%) to the amount recognized in the consolidated statements of operations and comprehensive loss:

		2014		2013
Net (loss) income, before income taxes	**$**	**(3,201)**	$	284
Expected income tax (recovery) expense	**$**	**(848)**	$	75
Capital gain on expiry of warrants		**-**		6,193
Non-recognition of tax assets and future tax rate reductions		**(34)**		6
Business combination - Belridge		**(2,933)**		1
Difference in foreign tax rates		**(13)**		-
Non-deductible expenses		**1**		-
Expiry of loss not previously recognized		**-**		34
Changes in tax benefits not recognized		**3,827**		(6,309)
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:

		2014		2013
Non-capital loss carry-forwards - Canada	**$**	**112,808**	$	109,310
Eligible capital expenditures		**16,877**		7,325
Mineral property exploration and development		**1,434**		1,434
Investment		**2,836**		3,782
Other		**129**		76
	$	**134,084**	$	121,927

At June 30, 2014 the Corporation had Canadian non-capital loss carried forwards of approximately $113 million for income tax purposes. The losses may be utilized to reduce future years taxable income earned in Canada and expire between 2027 and 2034. Deductible temporary differences and exploration expenditures do not expire under current tax legislation and can be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

19. Capital Disclosures

The Corporation's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its business. In the definition of capital, the Corporation includes, deficit of $510,708; share capital of $381,027, and contributed surplus $159,058.

The Corporation's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Corporation may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt (secured, unsecured, convertible and/or other types of debt instruments), acquire or dispose of assets or adjust the amount of cash and cash equivalents. The Corporation is currently not subject to externally imposed capital requirements.

20. Financial Instruments

Fair Values

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

The Corporation's financial instruments measured at fair value include cash and cash equivalents and the investment in Asian Mineral Resources Limited. These financial assets are reported at Level 1 of the fair value hierarchy. The Corporation has no financial assets and liabilities measured at fair value at Level 2 or Level 3 as at June 30, 2014 or 2013. Other receivables and deposits, accounts payable 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 a major Canadian financial institution 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, 2014, the Corporation had cash and cash equivalents of $18,544 (June 30, 2013 - $22,877) to settle current liabilities of $1,914 (June 30, 2013 - $165). 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, 2014 would be $185 per year on the interest earned on cash and cash equivalents.

(b) Foreign Currency Risk

As at June 30, 2014, a nominal portion of the Corporation's cash and cash equivalents were held in Australian, and in United States dollars, accordingly, the Corporation is not exposed to material foreign exchange risk. 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, 2014, 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 $353 and reported shareholders' equity would have varied by approximately $353.

(Expressed in Thousands of Canadian Dollars)

21. 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, 2014	Canada	Australia	Total
Property, plant and equipment	$ -	$ 4,105	$ 4,105
Mineral properties	-	3,320	3,320
Corporate and other assets	20,839	1,433	22,272
Total assets	$ 20,839	$ 8,858	$ 29,697
Net loss for the year	$ (2,843)	$ (358)	$ (3,201)

June 30, 2013	Canada	Australia	Total
Property, plant and equipment	$ -	$ -	$ -
Mineral properties	-	-	-
Corporate and other assets	24,377	-	24,377
Total assets	$ 24,377	$ -	$ 24,377
Net income for the year	$ 284	$ -	$ 284