

**MELIOR RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2014 AND 2013**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

**NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Corporation's auditors.



# Melior Resources Inc.

## Condensed Interim Consolidated Statements of Financial Position (Expressed in Thousands of Canadian Dollars) (Unaudited)

As at	December 31, 2014	June 30, 2014
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 11,387	\$ 18,544
Prepaid expenses and other receivables	441	178
Inventories (Note 6)	67	17
	<b>11,895</b>	<b>18,739</b>
Non-Current Assets		
Investment in Asian Mineral Resources Limited (Note 4)	1,655	2,364
Deposits (Note 5)	1,054	1,169
Property, plant and equipment (Note 3)	7,817	4,105
Mineral properties (Note 7)	3,233	3,320
	<b>\$ 25,654</b>	<b>\$ 29,697</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,430	\$ 1,419
Current portion of obligation under finance leases (Note 8)	53	56
Mining royalty payable (Note 10)	413	439
	<b>1,896</b>	<b>1,914</b>
Non-Current Liabilities		
Long-term portion of finance leases (Note 8)	69	84
Decommissioning liability (Note 9)	611	638
	<b>2,576</b>	<b>2,636</b>
<b>Shareholders' Equity</b>		
Share capital (Note 11(a))	381,027	381,027
Contributed surplus	159,058	159,058
Accumulated other comprehensive loss	(4,903)	(2,874)
Deficit	(512,104)	(510,150)
	<b>23,078</b>	<b>27,061</b>
	<b>\$ 25,654</b>	<b>\$ 29,697</b>

Nature of Operations (Note 1)

Commitments and Contingencies (Note 10)

Approved on behalf of the Board:

"Mr. Joseph Connolly"  
Director

"Mr. Mark McCauley"  
Director

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements*

# Melior Resources Inc.

## Condensed Interim Consolidated Statements of Operations and Comprehensive Loss (Expressed in Thousands of Canadian Dollars) (Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
<b>Administrative Expenses</b>				
Office and administration (Notes 12 and 13)	\$ 1,018	\$ 569	\$ 1,770	\$ 1,006
Depreciation (Note 3)	165	-	344	-
	(1,183)	(569)	(2,114)	(1,006)
<b>Other Income (Expense)</b>				
Interest income	95	73	167	147
Interest expense	(2)	-	(4)	-
Foreign exchange gain (loss)	(2)	5	(3)	4
	91	78	160	151
<b>Net Loss For the Period</b>	<b>\$ (1,092)</b>	<b>\$ (491)</b>	<b>\$ (1,954)</b>	<b>\$ (855)</b>
<b>Other Comprehensive Loss</b>				
Items that will be reclassified subsequently into income:				
Foreign currency translation adjustment	(635)	-	(1,320)	-
Unrealized gain (loss) on available-for-sale financial assets	236	-	(709)	-
<b>Total Comprehensive Loss</b>	<b>\$ (1,491)</b>	<b>\$ (491)</b>	<b>\$ (3,983)</b>	<b>\$ (855)</b>
<b>Per common share, basic and fully diluted:</b>				
<b>Net loss per share</b>	<b>\$ (0.005)</b>	<b>\$ (0.003)</b>	<b>\$ (0.009)</b>	<b>\$ (0.005)</b>
<b>Weighted average number of shares outstanding</b>	<b>211,468,945</b>	<b>173,380,974</b>	<b>211,468,945</b>	<b>173,380,974</b>

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

# Melior Resources Inc.

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

	Common Shares Number	Common Shares Amount	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
<b>Balance, June 30, 2013</b>	<b>173,380,974</b>	<b>\$ 375,885</b>	<b>\$ 159,058</b>	<b>\$ (3,782)</b>	<b>\$ (506,949)</b>	<b>\$ 24,212</b>
Net income for the period	-	-	-	-	(855)	(855)
Unrealized gain on available-for-sale financial assets	-	-	-	237	-	237
<b>Balance, December 31, 2013</b>	<b>173,380,974</b>	<b>\$ 375,885</b>	<b>\$ 159,058</b>	<b>\$ (3,545)</b>	<b>\$ (507,804)</b>	<b>\$ 23,594</b>
<b>Balance, June 30, 2014</b>	<b>211,468,945</b>	<b>\$ 381,027</b>	<b>\$ 159,058</b>	<b>\$ (2,874)</b>	<b>\$ (510,150)</b>	<b>\$ 27,061</b>
Foreign currency translation adjustment	-	-	-	(1,320)	-	(1,320)
Net loss for the period	-	-	-	-	(1,954)	(1,954)
Unrealized loss on available-for-sale financial assets	-	-	-	(709)	-	(709)
<b>Balance, December 31, 2014</b>	<b>211,468,945</b>	<b>\$ 381,027</b>	<b>\$ 159,058</b>	<b>\$ (4,903)</b>	<b>\$ (512,104)</b>	<b>\$ 23,078</b>

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# Melior Resources Inc.

## Condensed Interim Consolidated Statements of Cash Flows (Expressed in Thousands of Canadian Dollars) (Unaudited)

For the six months ended December 31,	2014	2013
<b>Cash and cash equivalents (used in) provided by:</b>		
<b>Operating Activities</b>		
Cash paid to suppliers, employees, and others	\$ (2,627)	\$ (590)
Interest received	165	-
Cash flows from operating activities	(2,462)	(590)
<b>Investing Activities</b>		
Payments for property, plant and equipment	(4,636)	-
Payments for mineral properties	(59)	-
Cash flows from investing activities	(4,695)	-
<b>Change in cash and cash equivalents during the period</b>	<b>(7,157)</b>	<b>(590)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>18,544</b>	<b>22,877</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 11,387</b>	<b>\$ 22,287</b>

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements*

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2014 and 2013 (Expressed in Thousands of Canadian Dollars) (Unaudited)

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### 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.

As at December 31, 2014, Pala Investments Limited ("Pala") owned directly or indirectly 44.7% of the Corporation's issued and outstanding common shares.

### 2. Summary of Significant Accounting Policies

#### Statement of Compliance

The Corporation applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of February 19, 2015, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2014. Any subsequent changes to IFRS that are given effect in the Corporation's annual financial statements for the year ending June 30, 2015 could result in restatement of these condensed interim consolidated financial statements.

#### New Standards Not Yet Adopted and Interpretations Issued But Not Yet Effective

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.

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2014 and 2013 (Expressed in Thousands of Canadian Dollars) (Unaudited)

### 3. Property, Plant and Equipment

<b>Cost</b>	<b>Vehicle</b>	<b>Plant and Equipment</b>	<b>Total</b>
Balance, June 30, 2013	\$ -	\$ -	\$ -
Acquired upon acquisition of subsidiary	328	3,623	3,951
Additions	-	264	264
Foreign exchange	(3)	(37)	(40)
Balance, June 30, 2014	\$ 325	\$ 3,850	\$ 4,175
Additions	-	4,636	4,636
Foreign exchange	(21)	(559)	(580)
Balance, December 31, 2014	\$ 304	\$ 7,927	\$ 8,231
<b>Accumulated Depreciation</b>			
Balance, June 30, 2013	\$ -	\$ -	\$ -
Depreciation	15	55	70
Balance, June 30, 2014	\$ 15	\$ 55	\$ 70
Depreciation	17	327	344
Balance, December 31, 2014	\$ 32	\$ 382	\$ 414
<b>Carrying Value</b>			
At June 30, 2014	\$ 310	\$ 3,795	\$ 4,105
At December 31, 2014	\$ 272	\$ 7,545	\$ 7,817

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2014 and 2013 (Expressed in Thousands of Canadian Dollars) (Unaudited)

### 4. 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.

### 5. Deposits

<b>As at</b>	<b>December 31, 2014</b>	<b>June 30, 2014</b>
Term Deposits - Ergon utility deposit	\$ 235	\$ 299
Term Deposits - State of Queensland (Note 9)	819	870
	<b>\$ 1,054</b>	<b>\$ 1,169</b>

### 6. Inventories

<b>As at</b>	<b>December 31, 2014</b>	<b>June 30, 2014</b>
Raw Materials	\$ 67	\$ 17

### 7. Goondicum Project

	<b>Six Months Ended December 31, 2014</b>	<b>Year Ended June 30, 2014</b>
Opening balance	\$ 3,320	\$ -
Acquired on acquisition	-	3,321
Additions	59	40
Foreign exchange	(146)	(41)
Closing balance	<b>\$ 3,233</b>	<b>\$ 3,320</b>

The Goondicum Ilminte Project comprises two mining leases located in Central Queensland, Australia and is wholly-owned by Goondicum Resources Pty Ltd. ("Goondicum Resources"). Goondicum Resources mined the deposit for a period of nine months between fiscal 2012 and 2013 before placing the mine on care and maintenance in June of 2013. Melior has commenced the upgrade and the necessary work to restart of the Goondicum mine, which it expects to complete during the quarter ended June 30, 2015.



# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2014 and 2013 (Expressed in Thousands of Canadian Dollars) (Unaudited)

### 8. Obligation Under Finance Leases

As at	December 31, 2014	June 30, 2014
Obligation under finance leases	\$ 122	\$ 140
Less: Current portion	(53)	(56)
Long-term portion	\$ 69	\$ 84

### 9. Decommissioning Liability

For the Corporation, asset retirement obligations primarily relate to the dismantling of the Goondicum Ilminite 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 A\$863 (\$819) with the State of Queensland as security for the Corporation's obligation under the mine closure plan.

### 10. Commitments and Contingencies

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

Goondicum Resources pays the state government a royalty of 5% of the revenue for all ilminite sales and approximately \$A0.80/tonne for all phosphate rock sales. Included in mining royalty payable is A\$436 (\$413) (June 30, 2014 - A\$436 (\$439)) pertaining to pre-acquisition production royalties.

A separate entity is also entitled to a success fee of A\$419 if gross revenues of Belridge exceed A\$23,000 in any rolling 12 month period.

### 11. 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, 2013, and December 31, 2013	173,380,974	\$ 375,885
Balance, June 30, 2014 and December 31, 2014	211,468,945	\$ 381,027

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2014 and 2013 (Expressed in Thousands of Canadian Dollars) (Unaudited)

### 11. Share Capital (Continued)

#### (b) Stock Options

As at December 31, 2014, 19,436,895 common shares remain available for grant under the stock option plan ("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, 2013 and December 31, 2013	2,010,000	\$ 0.31
Balance, June 30, 2014 and December 31, 2014	1,710,000	\$ 0.17

As at December 31, 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	3.73	0.17

### 12. General and Administrative

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Investigation of actual and prospective investments	\$ 12	\$ 298	\$ 66	\$ 502
Directors fees	35	60	68	116
Salaries and benefits	414	62	741	123
General and office	272	18	395	90
Professional fees	58	73	107	96
Insurance	23	11	55	16
Filing and regulatory fees	12	5	18	20
Travel	57	42	80	43
Utilities and fuel	33	-	57	-
Repairs and maintenance	86	-	109	-
Environmental compliance	16	-	74	-
	\$ 1,018	\$ 569	\$ 1,770	\$ 1,006

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2014 and 2013 (Expressed in Thousands of Canadian Dollars) (Unaudited)

### 13. Related Party Transactions and Balances

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Salaries and benefits	\$ 115	\$ 62	\$ 224	\$ 123
Directors fees	\$ 35	\$ 60	\$ 68	\$ 116

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 three and six months ended December 31, 2014, the Corporation incurred consultancy fees of US\$25 (three and six months ended December 31, 2013 - US\$100 and \$200, respectively), under the terms of the Advisory Services Agreement, included in office and administration expenses. Included in accounts payable and accrued liabilities as at December 31, 2014 is \$nil (June 30, 2014 - US\$43) pertaining to these fees and reimbursable expenses.

### 14. 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:

December 31, 2014	Canada	Australia	Total
Property, plant and equipment	\$ -	\$ 7,817	\$ 7,817
Mineral properties	-	3,233	3,233
Corporate and other assets	3,888	10,716	14,604
<b>Total assets</b>	<b>\$ 3,888</b>	<b>\$ 21,766</b>	<b>\$ 25,654</b>
Net loss for the six months ended December 31, 2014	\$ (372)	\$ (1,582)	\$ (1,954)

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
<b>Total assets</b>	<b>\$ 20,839</b>	<b>\$ 8,858</b>	<b>\$ 29,697</b>
Net loss for the six months ended December 31, 2013	\$ (855)	\$ -	\$ (855)

### 15. Comparative Information

Certain comparative amounts have been reclassified to conform to current period financial statement presentation.