Management's Discussion and Analysis
Consolidated Financial Statements

MELIOR RESOURCES INC.

Three and six months ended
December 31, 2014

MELIOR RESOURCES INC.
(“Melior” or the “Corporation”)

Management’s Discussion and Analysis of Financial Condition and Results of Operations
For The Three and Six Months Ended December 31, 2014
(All amounts, except per share amounts and where specified, are in thousands of Canadian Dollars)

This Management’s Discussion and Analysis (“**MD&A**”) of the results of operations, liquidity and capital resources of Melior Resources Inc. (“**Melior**” or the “**Corporation**”) constitutes management’s review of the Corporation’s financial and operating performance for the three and six months ended December 31, 2014, the Corporation’s financial condition and future prospects. Except as otherwise noted, this discussion is dated February 19, 2015 and should be read in conjunction with the Corporation’s unaudited financial statements and the notes thereto for the quarter ended December 31, 2014 and the Corporation’s audited financial statements and the notes thereto and related MD&A for the fiscal year ended June 30, 2014. The Corporation prepares its financial statements in Canadian dollars and all amounts in this MD&A are expressed in Canadian dollars, unless otherwise stated. References in this MD&A to “US$” are to United States dollars and references to “A$” are to Australian dollars.

Securities regulators encourage companies to disclose forward-looking information to help investors understand a company’s future prospects. This discussion contains statements about the Corporation’s future financial condition, results of operations and business. See “Forward Looking Information” below for more information on forward-looking statements.

Forward Looking Information

Certain statements in this MD&A may constitute “forward-looking” statements regarding, among other things, the beliefs, plans, objectives, strategies, estimates, intentions or expectations of the Corporation, including as they relate to its financial results and the ability to execute on its investing and business strategies. Inherent in these forward-looking statements are known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements can often be identified by the use of words such as “may”, “will”, “expect”, “believe”, “plan”, “intend”, “anticipate”, “estimate” and other similar terminology. These statements reflect current expectations regarding future events and performance and speak only as of the date of this MD&A. Similarly, statements contained in, but not limited to, the sections “Overview of the Corporation’s Business”, “Outlook”, “Results of Discontinued Operations”, “Liquidity and Capital Resources”, and “Commitments and Contingencies” of this MD&A, including those with respect to the implementation of the Corporation’s business strategy, the development of the Goondicum Ilmenite Project (defined below) and expectations concerning the Corporation’s financial condition, results of operations, business, assets, prices, foreign exchange rates, earnings, market conditions, capital expenditures, risks, availability of regulatory approvals, corporate objectives and plans or goals, are or may be forward-looking statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, the factors discussed under “Risk Factors”. Although the forward-looking statements contained in this MD&A are based upon what management of the Corporation believes are reasonable assumptions, the Corporation cannot assure readers that actual results will be consistent with these forward-looking statements.

Investors and others should carefully consider risk factors including, without limitation, those set out under the heading “Risk Factors”, and not place undue reliance on forward-looking statements. The Corporation anticipates that subsequent events and circumstances may cause the Corporation’s views to change. Forward-looking statements are made as of the date of this MD&A and the Corporation assumes no obligation to update or revise any forward looking statements to reflect new events or circumstances, except as required by law.

Overview of the Corporation’s Business

On May 15, 2014, the Corporation completed the acquisition (the “**Belridge Acquisition**”) of 100% of the issued and outstanding shares of Belridge Enterprises Pty Ltd (“**Belridge**”). On September 3, 2014 the Corporation's subsidiary Belridge Enterprises Pty. Ltd. changed its name to Goondicum Resources Pty. Ltd. ("**Goondicum Resources**"). Goondicum Resources is an Australian incorporated company which owns the Goondicum ilmenite and apatite mining and processing facility near the town of Monto in Queensland, Australia (the “**Goondicum Ilmenite Project**”). The transaction constituted a “Change of Business” transaction of the Corporation in accordance with Policy 5.2 of the TSX Venture Exchange (the “**TSXV**”). Concurrent with closing of the acquisition, the Corporation was re-classified from a Tier 1 Investment Issuer to a Tier 1 Mining Issuer on the TSXV.

On August 27, 2014 (with further clarification on September 5, 2014), the Corporation announced that it has commenced the upgrade and restart of the Goondicum Ilmenite Project which it expects to complete during the quarter ending June 30, 2015. The Goondicum mine has been in operation several times previously producing and selling over 60kt of ilmenite. Highlights of the restart include:

- Expected 50% increase in throughput of the processing plant to 375 tonnes per hour;
- Installation of additional equipment to enhance product quality and recovery as well as plant availability; and
- Construction of a new access road to the mine, reducing haulage distance to port by approximately 35%, or 100km.

As disclosed in the press release, the proposed upgrades will build on the A$120 million of historically invested capital and are expected to result in increased production and significantly lower operating costs than those previously achieved by the mine. These expectations represent management’s objectives based on its internal analysis and studies of project scope, capital costs and production plans (the “**Internal Analysis**”) which have included detailed mechanical and electrical design as well as quotes on equipment and construction work packages. However, the Internal Analysis relies in part on inferred resources and does not constitute a preliminary feasibility study or a feasibility study for the purposes of National Instrument 43-101 (“**NI 43-101**”). As a result, the Internal Analysis is subject to increased uncertainty and technical and economic risks of project failure and there can be no assurance that management’s expectations will be achieved. See “Risk Factors – Business Risk Factors – Exploration and Estimates of Mineral Reserves and Resources”.

<u>Changes to Board of Directors and Officers</u>

On October 2, 2012, the Corporation announced the appointment of Mr. Thomas Masney, CA, CPA as the Chief Financial Officer on the resignation of Mr. Rishi Tibriwal.

On February 14, 2013, Mr. Charles Entrekin, Mr. Evgenij Iorich, Mr. Remo Mancini and Mr. Muneeb Yusuf were elected as directors of Melior at the annual and special meeting of the shareholders.

On March 30, 2014, Mr. Remo Mancini, Mr. Muneeb Yusuf and Mr. Evgenij Iorich resigned as directors of the Corporation. Mr. Joseph Connolly, Mr. Glenn Black and Mr. Martyn Buttenshaw were appointed to the Corporation's board of directors (the "**Board**") on March 30, 2014. Mr. Mark McCauley was appointed to the Board and assumed the role of Chief Executive Officer of the Corporation on May 15, 2014.

On November 19, 2014, Mr. Charles Entrekin, Mr. Joseph Connolly, Mr. Glenn Black, Mr. Martyn Buttenshaw and Mr. Mark McCauley were elected as directors of Melior at the annual and special meeting of the shareholders.

Outlook

The Corporation is focused on the development of the Goondicum Ilmenite Project located in Queensland Australia. The project involves equipment and infrastructure upgrades anticipated to result in higher production rates and lower production costs, resulting in more robust financial outcomes across market cycles.

Once restarted, the Goondicum mine will use basic open-pit mining and processing techniques and is expected to produce approximately 200,000 tonnes per annum of ilmenite and associated apatite from its resource base of 1.9 million tonnes of indicated and 1.93 million tonnes of inferred in-situ ilmenite resource. The operation is expected to employ approximately 80 personnel directly and through direct contractor relationships.

Selected Financial Information

	Years ending June 30,		
		IFRS (in $ thousands)	
	2014	**2013**	**2012**
Revenue from continuing operations	-	-	-
(Loss) from continuing operations	(3,201)	(857)	(4,587)
Earnings (loss) from discontinued operations	-	1,141	(271)
Net income (loss) for year	(3,201)	284	(4,858)
Basic earnings (loss) per share ($)[(1)]:			
Continuing operations	(0.02)	(0.00)	(0.03)
Discontinued operations	-	0.01	-
Total assets	29,697	24,377	27,001
Total short term obligations	1,914	165	236
Total long term obligations	722	-	-

1. Basic and dilutive loss per share is calculated by dividing the net loss by the weighted average number of shares in issue during the year. As a result of consolidated net losses the potential effect of exercising stock options and, as applicable, warrants has not been included in the calculation of loss per share because to do so would be anti-dilutive.

	Three months ended December 31		Six months ended December 31	
($ thousands)	2014	2013	2014	2013
Revenue from continuing operations	-	-	-	-
(Loss) income from continuing operations	(1,092)	(491)	(1,954)	(855)
Income from discontinued operations	-	-	-	-
Net (loss) income for period	(1,092)	(491)	(1,954)	(855)
Basic (loss) income per share ($):				
Continuing operations	(0.005)	(0.003)	(0.009)	(0.005)
Discontinued operations	-	-	-	-

Results of continuing operations for the three and six months ended December 31, 2014 compared to the three and six months ended December 31, 2013

The Corporation reported a loss from continuing operations of $1,092 and $1,954 for the three and six months ended December 31, 2014 respectively (2013 - loss of $491 and $855, respectively).

The differences between the operating and financial results of the Corporation for the three and six months ended December 31, 2014 and the operating and financial results of the Corporation for three and six months ended December 31, 2013 is principally due to:

- The loss from continuing operations increased primarily due to the additional general office and administration expenses incurred to support the restart of the Goondicum Ilmenite Project and the operations of Goondicum Resources; and
- Depreciation of $165 and $344 for the three and six months ended December 31, 2014 (2013 $nil and $nil respectively) arise entirely from Goondicum Resources property plant and equipment included in the acquisition; and
- Interest income of $95 and $167 for the three and six months ended December 31, 2014 (2013 – income of 73 and 147 respectively) increased due to cash balances and deposits earning higher interest rates in Australian dollars versus Canadian dollars;

Administrative Expenses

General and administrative expenses were $1,018 and $1,770 for the three and six months ended December 31, 2014, respectively (2013 - $569 and $1,006). General and administrative expenses relate primarily to salary and wages, consulting, professional and administration expenses for the continuing operations of the Corporation and the Goondicum Ilmenite Project. General and administrative expenses have increased as compared to the corresponding period in the prior year as a result of the acquisition of Goondicum Resources and the restart activities of the Goondicum Ilmenite Project. These costs were offset by a reduction of costs incurred to investigate actual and prospective investment of $12 and $66 for the three and six months ended December 31, 2014 (2013 – $298 and $502) as the corporation focuses on the restart activities.

Interest Income and Expense

Interest income earned on cash and deposits during the three and six months ended December 31, 2014 amounted to $95 and $167, respectively (2013 - $73 and $147) and related to the interest earned on the Corporation's cash and cash equivalent balances which are held primarily in Australian dollars to support the restart of the Goondicum Project. As noted above Australian dollar denominated cash and deposits earn a higher rate of interest as compared to Canadian dollars.

Total interest expense incurred during the three and six months ended December 31, 2014 amounted to $2 and $4, respectively (2013 - $nil and $nil). The increase in the interest expense is a result of the finance lease obligations of Goondicum Resources and the Goondicum Ilmenite Project.

Foreign Exchange Gains/Losses

Foreign currency exchange rates affected the Corporation's monetary assets and liabilities denominated in currencies other than Canadian dollars. During the current fiscal year, the Corporation recorded a net foreign exchange loss of $2 for the three months ended December 31, 2014 and a loss of $3 for the six months ended December 31, 2014, as compared to a gain of $5 and loss of $1 for the corresponding periods in 2013.

As at December 31, 2014, the Corporation held only a nominal amount of cash denominated in US dollars and has a nominal amount of US dollar denominated liabilities.

As at December 31, 2014, the Corporation has $21,766 Australian dollar denominated assets and $2,803 Australian dollar denominated liabilities on its balance sheet.

Share Based Compensation

The Corporation did not grant stock options during the three months and six months ended December 31, 2014 (2013 - nil).

Net Profit/Loss

As a result of the factors noted above, the Corporation recorded a net loss of $1,092 or $0.005 per share for the three months ended December 31, 2014 as compared to a net loss of $491 or $0.003 per share for the three months ended December 31, 2013. Net losses were $1,954 or $0.009 per share for the six months ended December 31, 2014 as compared to a net loss of $855 or $0.005 per share during the six months ended December 31, 2013.

Summary of Quarterly Results

	2015		Year End 2014				2013	
	(in $ millions)							
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Financial								
($millions except per share)								
Revenue from continuing operations	-	-	-	-	-	-	-	-
Earnings/(loss) from continuing operations	(1.1)	(0.9)	(1.1)	(1.2)	(0.5)	(0.4)	(0.1)	(0.1)
Net earnings/(loss)	(1.1)	(0.9)	(1.1)	(1.2)	(0.5)	(0.4)	(0.1)	0.1
Earnings/(loss) per share from continuing operations	(0.005)	(0.004)	(0.006)	(0.007)	(0.003)	(0.002)	(0.001)	(0.001)
Net earnings/(loss) per share [(1)]	(0.005)	(0.004)	(0.006)	(0.007)	(0.003)	(0.002)	(0.001)	0.001
Cash (used in) provided by continuing operations	(1.1)	(1.4)	(1.0)	(1.2)	(0.4)	(0.2)	(0.2)	(0.3)
Capital expenditures	(3.6)	(1.1)	(1.7)	-	-	-	-	-
Cash and cash equivalents net of short-term debt	9.5	14.1	16.6	20.2	21.9	22.4	22.7	22.8

(1) Basic and dilutive loss per share is calculated by dividing the net loss by the weighted average number of shares in issue during the year. As a result of consolidated net losses the potential effect of exercising stock options and, as applicable, warrants has not been included in the calculation of loss per share because to do so would be anti-dilutive.

Liquidity and Capital Resources

The continuing operations cash and cash equivalents balance as at December 31, 2014 was $11,387 compared to $18,544 as at June 30, 2014.

The $7,157 decrease in cash balances as at December 31, 2014 as compared to June 30, 2014 is the result of payments to supplies, employees and other general and administrative expenses of $2,627, interest income of $165 and investing activities of $4,695.

The pre-commissioning capital budget for the restart of the Goondicum Ilmenite Project is AU$13,000 which is being invested over an eight month construction period (starting Sept 2014) and will be followed by a subsequent phase of commissioning and ramp-up. This capital cost budget is based on the Internal Analysis and is subject to increased uncertainty and risks and there can be no assurance that the actual costs will not materially exceed such budget. Goondicum Resources has entered into letters of intent with several key potential customers, many of whom were previous customers of the Goondicum mine. Goondicum Resources intends to negotiate binding off-take agreements with these and/or other potential customers prior to commencement of commissioning of the projects.

Melior believes that it has sufficient capital to meet its obligations as they come due and to cover continuing corporate costs estimated at approximately $800 per annum along with the upgrade and restart of the Goondicum Ilmenite Project. Additional funding may be required in the future, depending on the scale of prospective investment opportunities Melior pursues or further requirements for the Goondicum Ilmenite Project.

Commitments and Contingencies

As at December 31, 2014, $1,896 of the Corporation's obligations are current and due within the year. The Corporation's non-current obligations of $2,576 as at December 31, 2014 are comprised primarily of a decommissioning liability which is secured by a term deposit, and long term finance lease obligations. The Corporation has sufficient cash resources to meet its current commitments.

Debt

The Corporation had $122 (2013 - $nil) of finance lease debt outstanding as at December 31, 2014.

Off-Balance Sheet Arrangements

Up to 38,087,971 common shares of the Corporation may become issuable to the Belridge shareholders as earn-out consideration if certain conditions are met as described in the Melior press release of March 31, 2014. The Corporation has no further off-balance sheet arrangements.

Related Party Transactions

Pala Investments Holding Limited is a significant shareholder of Asian Mineral Resources Limited ("**AMR**") and owns either directly or indirectly 94,528,199 or approximately 44.7% of the common shares of Melior. As such, AMR is a "related party" of the Corporation for the purposes of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") and the Corporation's investment in AMR constituted a "related party transaction" within the meaning of MI 61-101. Further details with respect to the AMR share purchase transaction can be found in Melior's annual information form for the year ended June 30, 2014.

Risk Factors

Business Risk Factors:

The Corporation is exposed to a number of risks and uncertainties. Such risks could materially affect the Corporation's future results and could cause actual events to differ materially from those described in forward-looking statements relating to the Corporation. The risks described herein, or in documents incorporated by reference herein, may not be the only risks facing the Corporation. Additional risks not currently known or not currently considered to be material may also have an adverse impact on the Corporation's business.

<u>Exploration and Estimates of Mineral Reserves and Resources</u>

Mineral exploration and development involves a high degree of risk. Success in exploiting mineral resources and reserves is the result of a number of factors, including the level of geographical and technical expertise, the quality of land available for exploration and other factors. The economics of developing mineral properties are affected by many factors including the cost of operations, variations in grade, fluctuation in prices and fluctuation in exchange rates. Failure to meet project delivery timetables and budgets may impact potential performance, delay cash inflows and increase capital costs.

Mineral reserves and resources estimates for projects are based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades to be mined and processed. There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation however may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Melior has elected to restart the Goondicum Ilmenite Project based on its Internal Analysis which details the scope of the project, calculates the required project capital to achieve production targets and shows the anticipated cash cost of production and return on capital. Pursuant to Section 4.2(6) of the Companion Policy to NI 43-101, due to this work being undertaken on inferred resources, the Corporation does not disclose project reserves or any associated information pertaining to the project. The Corporation's Internal Analysis in respect of the Goondicum Ilmenite Project is preliminary in nature, includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that management's expectations will be realized.

Section 4.2(6) of the Companion Policy to NI 43-101 recognizes that there may be situations where the issuer decides to put a mineral project into production without first establishing mineral reserves. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserve. Historically, such projects have had a much higher risk of economic or technical failure. As the Internal Analysis in respect of the Goondicum Ilmenite Project has been largely based around inferred resources, Melior acknowledges that this could result in increased uncertainty and technical and economic risks of project failure.

Dependence on the Goondicum Ilmenite Project

The Corporation is primarily focused on the development of the Goondicum Ilmenite Project. Other than its equity interest in AMR, the Corporation does not own any significant assets other than the Goondicum Ilmenite Project, which would be the Corporation's only mineral property and represents the Corporation's only immediate potential for future generation of operating revenues. Unless the Corporation acquires additional property interests, any adverse developments affecting the Goondicum Ilmenite Project such as, but not limited to, delays in or failure to successfully restart production, obtaining project financing beyond the Corporation's initial investment on commercially suitable terms, hiring suitable personnel and mining contractors, or securing supply agreements on commercially suitable terms, could have a material adverse effect upon the Corporation and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of the Corporation.

Delay and Interruptions to Re-Start Program

There are significant risks that the re-start of the Goondicum Ilmenite Project could be delayed due to circumstances beyond the Corporation's control. There can be no assurance that the Goondicum Ilmenite Project will be re-started on time, on budget or according to specifications. The Corporation depends on the third parties with whom it works, including the management and labour force of its supply chain, for the supply of construction materials and equipment. There can be no assurance that the required construction supplies will be readily available and delivered on time to the construction site. Such supplies may be sourced from additional third parties, which may be affected by factors beyond the Corporation's control. Additionally, changes to government regulations, contractual and/or union disputes, labour stoppages, workplace accidents, availability of supplies, materials, tools and equipment, delay in shipment of materials and unseasonable weather patterns and conditions may hinder the re-start timeline and progress.

It is possible that issues with the design, specifications and/or physical location of the facilities of the Goondicum Ilmenite Project may arise during the re-start process due to unforeseen engineering, physical, geological and/or economic circumstances.

Government and building code regulations may change requiring substantial revision to the design plan and specifications for the Goondicum Ilmenite Project. The resolution of these issues may require the additional assistance and cost of experts, additional financing, a change to the construction plan, design, specifications, layouts and/or locations. Any such changes will delay the overall re-start of the Goondicum Ilmenite Project and will increase (possibly significantly) the costs associated therewith. Since the Goondicum Ilmenite Project will not earn income before re-start, longer construction times translate directly into higher overall project costs. Further, the delay, cost and alterations required may potentially adversely affect the timeline and the expected output.

Increase in Capital Costs for the Goondicum Ilmenite Project

There can be no assurance that capital costs for the restart of the Goondicum Ilmenite Project will not exceed the budgeted amount. A significant increase in the capital costs of the restart of the Goondicum Ilmenite Project would have a material adverse effect on the Corporation's ability to complete the Goondicum Ilmenite Project as well as on its financial condition.

The Goondicum Ilmenite Project may not meet its production targets or its cost estimates

The re-start of the Goondicum Ilmenite Project is premised on projected production, capital and operating cost estimates. The Corporation's ability to meet ilmenite production targets is dependent on the successful restart of the mine and expansion of mining operations in the future. Meeting these targets will also depend on the accuracy of predicted factors including capital and operating costs, metallurgical recoveries, resource estimates, future commodity prices, accuracy of applicable technical studies and reports, acquisition of land and surface rights and issuance of necessary permits/approvals. There is no assurance that the mining operations will be expanded or that mining operations will be profitable if expanded. Actual production and costs may vary from the estimates for a variety of reasons such as grade, tonnage, dilution and metallurgical and other characteristics of the ore mined varying from estimates, revisions to mine plans, risks and hazards associated with mining, adverse weather conditions, unexpected labor shortages or strikes, equipment failures and other interruptions in production capabilities. Production costs may also be affected by increased stripping costs, increases in level of ore impurities, labor costs, raw material costs, inflation and fluctuations in currency exchange rates. Failure to achieve production targets or cost estimates could have a material adverse impact on the Corporation's sales, profitability, cash flow and overall financial condition and performance.

Mineral Titles

Although the Corporation has obtained a title opinion for the tenements underlying the Goondicum Ilmenite Project, there is no guarantee that title to such mineral property interests will not be challenged or impugned and no assurances can be given that there are no title defects affecting its mineral properties. The Corporation's mineral property interests may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

Operating risks

Once the Goondicum Ilmenite Project is operational, the activities of the Corporation will also be subject to all of the hazards and risks normally associated with exploration, development and operation of natural resource projects. These risks and uncertainties include environmental hazards, industrial accidents, labour disputes, mechanical failures of the mining equipment or other key plant or machinery, grade problems, transportation problems and periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Should any of the risks affect the Corporation, its business, operations or assets, it may significantly reduce production for prolonged periods and cause the cost of production to increase to a point where it would no longer be economical to continue operations.

Volatility of Mineral Prices

The future profitability of the Corporation will depend on the market price of ilmenite and apatite. Mineral prices fluctuate widely and are affected by numerous factors beyond the Corporation's control, including global supply and demand, political and economic conditions, advancements in mineral processing and currency exchange fluctuations. The effect of these factors on the price of the minerals that the Corporation sells cannot accurately be predicted.

Government Regulations, Licenses and Permits

Exploration and development activities and mining operations are subject to laws and regulations governing health and worker safety, employment standards, environmental matters, mine development, prospecting, mineral production, exports, taxes, labour standards, reclamation obligations and other matters. It is possible that future changes in applicable laws and regulations, or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of permits applicable to the Corporation or its properties which could have a material adverse impact on the Corporation's business. Obtaining necessary permits and licences can be a complex, time consuming process and there can be no assurance that required permits will be obtainable on acceptable terms, in a timely manner, or at all. The costs and delays associated with obtaining permits and licenses and complying with these permits and licenses and applicable laws and regulations could stop, materially delay or restrict the Corporation from proceeding with the exploration and development activities or the operation or further development of a mine.

Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions, including orders issued by regulatory or judicial authorities causing interruption or closure of exploration, development or mining operations or material fines and penalties, including, but not limited to, corrective measures requiring capital expenditures, installation of additional equipment, remedial actions or other liabilities. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of these activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

In addition, amendments to current laws and regulations governing the Corporation's activities or more stringent implementation thereof could have a substantial adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It may not be possible to insure fully or at all against such risks and the Corporation may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such risks arise, they could reduce or eliminate the funds available to the Corporation to fund its operations or investments, increase costs to the Company, reduce future profitability and/or materially adversely affect the Corporation's financial condition.

Environmental Regulation

Melior's operations are subject to environmental regulations enacted by government agencies from time to time. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which has led, and is likely to continue to lead, to stricter standards and enforcement and greater fines and penalties for non-compliance. The cost of compliance and risk of non-compliance with government regulations may reduce the profitability of Melior's operations.

Rehabilitation

Costs associated with rehabilitating land disturbed during the mining process and addressing environmental, health and community issues are estimated and provided for based on the most current information available. Estimates may, however, be insufficient, inaccurate and/or further issues may be identified that were not previously anticipated or accounted for by management.

Attraction and Retention of Personnel

The Board may experience delays in hiring, or be unable to hire or retain, experienced and qualified new management for the Corporation within the timeframes necessary or upon terms acceptable to the Corporation. The competition for qualified personnel in the mining and metallurgical industry is intense and there can be no assurance that the Corporation will be able to attract and retain the personnel necessary for the implementation of its business strategy.

Reliance on Key Personnel

Melior is dependent upon the personal efforts, performance and commitment of its management and the Board, who are responsible for the future development of Melior's business. Melior will be relying upon the business judgment, expertise and integrity of Melior's management and the Board. To the extent that the services of any member of management or the Board became unavailable for any reason, a disruption to the operations of Melior could result and may delay the implementation of the Corporation's business strategy.

Conflicts of Interest

Melior's directors and officers may serve as directors or officers of other companies in the same business as Melior, natural resource companies or companies providing services to Melior, or they may have significant shareholdings in natural resource companies. To the extent that such companies participate in transactions in which Melior participates, the directors of Melior may have a conflict of interest in negotiating and concluding terms to the extent of such participation. Confidentiality and judiciary conflict issues may arise and any director may be recused from participating in or voting at a Board meeting. If a conflict of interest arises at a Board meeting, any director who has a conflict will abstain from voting in connection with the transaction in accordance with the *Business Corporations Act* (British Columbia).

Financial Instruments and Associated Risks:

The Corporation has classified its cash and cash equivalents as cash and cash equivalents, which are measured at cost. Payables and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying value of cash and equivalents, deposits, receivables, accounts payable and accrued liabilities reflected in the consolidated statement of financial position approximate fair value because of the short term nature of these instruments.

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

Foreign Currency Risk

Cash and cash equivalents are comprised of cash at banks and on hand, and short term money market instruments with an original maturity of three months or less. As at June 30, 2014, only a nominal portion of the Corporation's cash and cash equivalents were held in United States or Australian dollars. Accordingly, management believes that the Corporation is not exposed to material foreign exchange risk. The rate published by the Bank of Canada at the close of business on June 30, 2014 was US$0.94 per Canadian dollar and at noon on June 30, 2014 was A$0.99 per Canadian dollar.

Going forward, the Corporation is expected to incur significant capital and operating expenses in Australian dollars during the development of the Goondicum Ilmenite Project. During the development phase, the Corporation intends to hedge this risk by holding sufficient cash to cover its Australian dollar commitments in an Australian dollar account. This will effectively fix the development costs of the project in Canadian dollars but may create unrealized and realized foreign exchange profits and losses in the future. The Corporation may revise this policy in the future.

Once the Goondicum Ilmenite Project comes online the revenue stream for this project will be in US dollars. Therefore, once the project is completed, the Corporation will be exposed to fluctuations in Australian and US dollars. Accordingly, the Corporation is subject to the risks inherent in exchange rate fluctuations.

The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

Additional Capital Requirements

Melior believes that it has sufficient capital to meet its obligations as they come due and has capacity to fund continuing corporate costs estimated at approximately $0.8 million per annum and the restart of the Goondicum Ilmenite Project. Additional funding may be required to account for cost overrun or impact of other unforeseen events.

Failure to obtain sufficient financing could result in a delay or abandonment of the Corporation's business strategy. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Corporation and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Corporation's ability to pursue its business strategy, and accordingly could negatively impact the Corporation's business, financial condition and results of operations.

Capital Risk Management

The Corporation defines capital as total shareholders' equity including share capital, other reserves and deficit. The Corporation manages its capital to ensure that adequate funds are available to settle its liabilities as they arise and reviews and evaluates investment opportunities that are achievable within existing resources.

The Corporation is not subject to any externally imposed capital requirements including by a regulator or lending institution.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Corporation is subject to credit risk primarily attributable to its cash and short-term investments.

The Corporation's main credit risk arises from its cash and cash equivalents deposits with banks. All of the Corporation's cash and cash equivalents are with one major Canadian or Australian chartered bank, from which management believes the risk of loss to be remote. The Corporation limits its counterparty credit risk on its deposits by dealing only with financial institutions with AA or above credit ratings.

Liquidity Risk Management

The Corporation manages liquidity risk by maintaining adequate cash balances in order to meet liabilities as they come due. As at December 31, 2014, the Corporation had cash and cash equivalents of $11,387 (December 31, 2013 - $22,300) to settle current liabilities of $1,896 (December 31, 2013 - $423). The only financial liabilities or commitments of the Corporation that bear interest are the $122 of equipment finance leases.

Interest Rate Risk Management

The Corporation has cash balances that earn interest subject to fluctuations in the prime rate. The Corporation's current policy is to invest excess cash in bank institution savings accounts. The Corporation periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes the interest rate risk is remote as investments have maturities of three months or less and the Corporation currently does not carry interest bearing debt at floating rates.

Outstanding Share Data

As at February 19, 2015, the Corporation has 211,468,945 common shares outstanding, which are listed on the TSXV under the symbol "MLR". The Corporation also has 1,710,000 stock options (each exercisable for one common share) outstanding which, if exercised, would result in proceeds of approximately $290.

Additional Information

Additional information relating to the Corporation, including the Corporation's annual information form for the year ended June 30, 2014, is available for viewing on SEDAR at www.sedar.com and on the Corporation's web site at www.meliorresources.com. The Corporation cautions that information contained on, or accessible through, these websites is current only as at the date of such information.