Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and six months ended December 31, 2015

MELIOR RESOURCES INC.

Dated February 18, 2016

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, 2015
(All amounts, except per share amounts and where specified, are in thousands of Canadian Dollars)

This Management’s Discussion and Analysis (“**MD&A**”) of financial condition and results of operations 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, 2015, the Corporation’s financial condition and future prospects. Except as otherwise noted, this MD&A is dated February 18, 2016 and should be read in conjunction with the Corporation’s unaudited financial statements and the notes thereto for the three and six months ended December 31, 2015 and the Corporation’s audited financial statements and the notes thereto and related MD&A for the fiscal year ended June 30, 2015. 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.

Forward Looking Information

Certain statements in this MD&A that are not current or historical factual information may constitute “forward-looking” statements within the meaning of applicable securities laws, 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 titled “Overview of the Corporation’s Business”, “Outlook”, “Liquidity and Capital Resources”, “Commitments and Contingencies” and “Off-Balance Sheet Arrangements” of this MD&A, including those with respect to the implementation of the Corporation’s business strategy, the anticipated restart of operations at the Goondicum mine, the future of the ilmenite market, the development of the Goondicum Ilmenite Project (defined below), the ability of the Corporation to repay the loan from Pala (defined below) on the maturity date, 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 of 100% of the issued and outstanding shares of Belridge Enterprises Pty Ltd (“**Belridge**”). On September 3, 2014 the Corporation's subsidiary Belridge 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, the Corporation announced that it had commenced the upgrade and restart of the Goondicum Ilmenite Project which it expected to complete during the quarter ending June 30, 2015. The Goondicum mine had been in operation several times previously, producing and selling over 60kt of ilmenite.

On April 7, 2015, the Corporation announced the commencement of mineral commissioning of the upgraded and expanded site processing facilities at the Goondicum mine. Highlights of the mineral commissioning announcement included:

- mineral commissioning commenced on April 7, 2015, with ramp up to target capacity of approximately 200,000 tonnes per annum continuing into the second half of 2015; and

- site components of the restart project completed on budget and ahead of schedule.

As part of the April 7, 2015 press release, the Corporation announced that the total project (as further described below) at the Goondicum mine was completed on budget and ahead of the planned eight-month construction period. The total cost for the on-site upgrade and expansion of the process plant was A$7,600 (budgeted expenditure A$7,740). The project consisted of an upgrade of the existing processing facilities to enhance product quality, increase plant recovery and availability as well as expanding the processing capacity by approximately 50% to 2.8 million tonnes per annum. The Goondicum Ilmenite Project plant commissioning was expected to continue for up to six months before target production capacity of approximately 17,000 tonnes per month of ilmenite was achieved.

As at June 30, 2015, the Goondicum mine had produced 15,000 tonnes of ilmenite and 2,000 tonnes of apatite. The plant operated at approximately 50% of its design capacity of ilmenite production, in line with the 6-month ramp-up plan. The first trial cargo of 6,600 tonnes of on-specification product was shipped on June 23, 2015.

Despite the commencement of mineral commissioning at the Goondicum mine, on August 2, 2015, the Corporation decided that it was in the best interest of its shareholders to suspend production at the Goondicum Ilmenite Project due to the weak ilmenite market.

On August 2, 2015, the Corporation entered into a secured loan agreement with Pala Investments

Ltd. ("**Pala**") to borrow up to an aggregate of US$5 million. The loan may be prepaid by the Corporation prior to its one year maturity date without penalty and is secured over the assets of Melior and its subsidiaries. The loan will be used to fund incurred expenditures of the Goondicum mine during the temporary period of suspension, to support the anticipated restart of operations in stronger market conditions and for general working capital purposes.

During the period of suspended operations at the Goondicum mine, Melior will continue to progress with the permitting of the eastern access road in an effort to ensure that when the restart occurs the Goondicum Ilmenite Project will have the opportunity to reduce haulage costs to the Gladstone port by more than A$15 per tonne. Management will also be investigating several other site specific projects in an effort to value add to Goondicum product portfolio.

Changes to Board of Directors and Officers

On December 2, 2015, Mr. Charles Entrekin, Mr. Joseph Connolly, 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 Goondicum Ilmenite Project located in Queensland Australia. Operations at the Goondicum Ilmenite Project were suspended on August 2, 2015 until market conditions for ilmenite improve. The Corporation is focused on stabilizing the Goondicum Ilmenite Project and ensuring all on-going obligations are met, while minimizing holding costs.

The key markets for the ilmenite from the Goondicum Ilmenite Project are China, Japan and Korea. The outlook for these markets, particularly China, is becoming increasingly difficult to predict with short term volatility increasing. It is unlikely that the restart of the Goondicum Ilmenite Project will occur prior to the end of the Corporation's fourth quarter.

If and when restarted, the Goondicum Ilmenite Project will require a period of ramp-up to bring the operating production up to its design capacity.

The Goondicum mine uses 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 50 personnel when restarted.

Selected Financial Information

Years ending June 30,

	IFRS (in $ thousands)		
	2015	**2014**	**2013**
Revenue from continuing operations	-	-	-
(Loss) from continuing operations	(2,935)	(3,201)	(857)
Earnings (loss) from discontinued operations	-	-	1,141
Net income (loss) for year	(2,935)	(3,201)	284
Basic earnings (loss) per share ($)[1]:			
Continuing operations	(0.014)	(0.018)	(0.00)
Discontinued operations	-	-	0.01
Total assets	27,934	29,697	24,377
Total short term obligations	4,114	1,914	165
Total long term obligations	867	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)	**2015**	**2014**	**2015**	**2014**
Revenue from continuing operations	-	-	-	-
(Loss) income from continuing operations	(936)	(1,092)	(1,918)	(1,954)
Income from discontinued operations	-	-	-	-
Net (loss) income for period	(936)	(1,092)	(1,918)	(1,954)
Basic (loss) income per share ($):				
Continuing operations	(0.004)	(0.005)	(0.009)	(0.009)
Discontinued operations	-	-	-	-

Results of continuing operations for the three and six months ended December 31, 2015 compared to the three and six months ended December 31, 2014

The Corporation reported a loss from continuing operations of $936 and $1,918 for the three and six months ended December 31, 2015 respectively (2014 - loss of $1,092 and 1,954 respectively).

The decrease in net loss from continuing operations of $156 and $36 for the three and six months ended December 31, 2015 was principally due to a $416 and $494 decrease in office and administration for the three and six months ended December 31, 2015, respectively, arising from the suspension of operations at the Goondicum mine on August 2, 2015. The decrease in office and administration costs were offset by an increase in depreciation due to increase investment in property plant and equipment which occurred during the calendar year 2015, an increase in finance expenses relating to the loan payable and reduced interest income due to lower cash balances.

Office and Administrative Expenses

Office and administrative expenses were $602 and $1,276 for the three and six months ended December 31, 2015, respectively (2014 - $1,018 and $1,770). 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.

Office and administrative expenses for the three months ended December 31, 2015 decreased by $416 ($494 for the six months ended December 31, 2015) as compared to the corresponding period in the prior year. The decrease in expenses is a direct result of the suspension of operations at the Goondicum mine, as compared to the restart activities of the Goondicum Ilmenite Project which occurred in the prior year.

Interest Income and Interest Expense

Interest income earned on cash and deposits during the three and six months ended December 31, 2015 amounted to $28 and $34 respectively (2014 - $95 and $167) and was related to the interest earned on the Corporation's cash and cash equivalent balances. The decrease in interest income earned is due to reduced cash balances.

Total interest expense incurred during the three and six months ended December 31, 2015 amounted to $64 and $123, respectively (2014 - $2 and $4). The increase in the interest expense is a result of the Corporation entering into a US$5,000 loan facility agreement with Pala on August 2, 2015 and the interest and finance charges associated with the loan facility.

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 gain of $1 for the three months ended December 31, 2015 and a loss of $27 for the six months ended December 31, 2015, as compared to a loss of $2 and loss of $3 for the corresponding periods in 2014.

As at December 31, 2015, the Corporation held US$74 of cash denominated in US dollars and had $70 of US dollar denominated liabilities.

As at December 31, 2015, the Corporation had $22,208 Australian dollar denominated assets and $2,056 Australian dollar denominated liabilities on its balance sheet.

Share Based Compensation

The Corporation did not grant stock options during the three and six months ended December 31, 2015 (2014 - nil).

Net Profit/Loss

As a result of the factors noted above, the Corporation recorded a net loss of $936 or $0.004 per share for the three months ended December 31, 2015 as compared to a net loss of $1,092 or $0.005 per share for the three months ended December 31, 2014. Net losses were $1,918 or $0.009 per share for the six months ended December 31, 2015 as compared to a net loss of $1,954 or $0.009 per share for the six months ended December 31, 2014.

Summary of Quarterly Results

	2016		2015				2014	
	(in $ millions)							
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Financial								
($millions except per share)								
Revenue from continuing operations	-	-	-	-	-	-	-	-
Earnings/(loss) from continuing operations	(0.9)	(1.0)	(0.6)	(0.6)	(1.0)	(0.7)	(1.1)	(1.2)
Net earnings/(loss)	(0.9)	(1.0)	(0.6)	(0.6)	(1.0)	(0.7)	(1.1)	(1.2)
Earnings/(loss) per share from continuing operations	(0.004)	(0.005)	(0.003)	(0.004)	(0.007)	(0.004)	(0.006)	(0.007)
Net earnings/(loss) per share [1]	(0.004)	(0.005)	(0.003)	(0.004)	(0.007)	(0.004)	(0.006)	(0.007)
Cash (used in) provided by continuing operations	(0.1)	(2.8)	(1.5)	(0.6)	(1.1)	(1.4)	(1.0)	(1.2)
Capital expenditures	(0.2)	(2.0)	(2.5)	(3.0)	(3.6)	(1.1)	(1.7)	-
Cash and cash equivalents net of short-term debt	(3.1)	(3.1)	(0.5)	5.4	9.5	14.1	16.6	20.2

(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, 2015 was $783 compared to $3,676 as at June 30, 2015.

The $2,893 decrease in cash balances as at December 31, 2015 as compared to is the result of payments to suppliers, employees and other general and administrative expenses of $3,041, interest of $34 and investing activities of $2,156.

On August 2, 2015, the Corporation entered into a secured loan agreement with Pala to borrow up to US$5 million. The loan will be used to fund incurred expenditures of the Goondicum mine during the temporary period of suspended operations, to support the anticipated restart of operations in stronger market conditions and for general working capital purposes.

Melior believes that it has sufficient capital to meet its obligations as they come due and to cover continuing corporate costs and care and maintenance costs associated with the Goondicum mine estimated at approximately $1,500 per annum. 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, 2015, $3,938 of the Corporation's obligations are current and due within the year. The Corporation's non-current obligations of $866 as at December 31, 2015 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 and a loan facility in place to meet its current commitments.

Melior has a contingent liability in the event that Rothschild S.p.A. ("**Rothschild**") is successful in its appeal against Melior for €436,811.00 plus interest and expenses. Management believes that the Rothschild claim is without merit and the Corporation intends to defend the appeal. See "Litigation".

Debt

The Corporation had $2,682 (2014 – nil) of secured loan debt and $43 (2014 - $102) of finance lease debt outstanding as at December 31, 2015.

Off-Balance Sheet Arrangements

Up to 38,087,971 common shares of the Corporation may become issuable to the Goondicum Resources' shareholders as earn-out consideration if certain conditions are met as described in the Melior press release dated 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.

Litigation

In March 2005 Adobe Ventures Inc. ("**Adobe**") (the predecessor entity to Coalcorp Inc. ("**Coalcorp**") and Melior) entered into an agreement (the "**Advisory Agreement**") with Rothschild pursuant to which Rothschild agreed to provide Adobe with financial advisory services in connection with its proposed acquisition of all of the share capital of Carbones Colombianos de Cerrejon SA ("**Carbones**"). In September 2005, Adobe withdrew from the Advisory Agreement and, shortly thereafter, acquired Andean Coal Corporation B.V.I., which had previously acquired the right to purchase the entire capital of Carbones. On July 3, 2006 Rothschild filed a notice of claim in the Court of Milan claiming payment against Coalcorp in the amount of €436,811.00 plus interest and expenses. Coalcorp successfully defended the claim ultimately obtaining a favourable ruling from the Court of Milan on March 4, 2011. On April 20, 2012, Rothschild filed a notice of appearance before the Court of Appeal of Milan seeking to overturn the initial judgement. Rothschild's appeal is predicated on the assertion that the individual who provided an oral declaration terminating the Advisory Agreement on behalf of Adobe did not have the requisite authority and that, in any case, Coalcorp acquired Carbones. Melior filed its notice of appearance on December 20, 2012 and appeared before the Court of Appeal of Milan on February 28, 2013 and again on May 21, 2015. Melior has asked the court to reject Rothschild's appeal and confirm the initial ruling of the Court of Milan.

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>Restart of Operations at the Goondicum Mine and the Ilmenite Market</u>

On August 2, 2015, the Corporation suspended operations at the Goondicum mine. Re-start of the Goondicum Ilmenite Project is dependent on a number of factors that are beyond the control of the Corporation, including sustained improvements in the global ilmenite market. There can be no assurance that the ilmenite market will improve or that operations at the Goondicum mine will be restarted.

In addition, 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 restart 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 restart 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 restart of the Goondicum Ilmenite Project and will increase (possibly significantly) the costs associated therewith. Since the Goondicum Ilmenite Project will not earn income before restart, 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.

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.

Increase in Capital Costs for the Goondicum Ilmenite Project

There can be no assurance that capital costs for a future restart of the Goondicum Ilmenite Project will not exceed the budgeted amount. A significant increase in the capital costs associated with a 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 restart 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.

Exploration and Estimates of Mineral Reserves and Resources

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 had previously elected to restart the Goondicum Ilmenite Project based on management's objectives based on internal analysis and studies of project scope, capital costs and production plans (the "**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 National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("**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.

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

If operations at the Goondicum mine are restarted, 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 Legislation & Policies

Melior's operations are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rates of exchange, return of capital and labour relations. Its exploration operations may be affected in varying degrees by the extent of political and economic stability and by changes in regulations or shifts in political or economic conditions that are beyond the control of the resource issuer. Such factors may adversely affect Melior's business and/or its property holdings. Although Melior's exploration activities may be carried out in accordance with all applicable rules and regulations at any point in time, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of Melior's operations. Amendments to current laws and regulations governing the operations of Melior or more stringent enforcement of such laws and regulations could have a substantial adverse impact on its financial results.

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 Corporation 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 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 Corporation, 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:

Additional Capital Requirements and Repayment of the Loan from Pala

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.

Additional funding may be required to account for repayment of the Pala loan of US$5 million upon its maturity and start-up costs of the Goondicum Ilmenite Project or impact of other unforeseen events. As at December 31, 2015 the amount outstanding on the loan from Pala was $2,682. This amount is due to be repaid on August 27, 2016. There is a significant risk that if the Corporation is unable to extend the repayment date on the loan or find alternative financing, it will be unable to repay the loan on the maturity date. The Corporation's failure to repay the loan to Pala would have a material adverse effect on the Corporation and may cast significant doubt on the Corporation's ability to continue as a going concern.

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 December 31, 2015, $171 was held in Australian dollars and $74 of the Corporation's cash and cash equivalents were held in United States dollars. Accordingly, management believes that the Corporation is not exposed to material foreign exchange risk for cash and short term money.

The Corporation's US dollar secured loan balance at December 31, 2015 was $2,682. Accordingly, management believes that the Corporation is exposed to material foreign exchange risk until the Goondicum Project is restarted. The rate published by the Bank of Canada at the close of business on December 31, 2015 was US$0.72 per Canadian dollar and at noon on December 31, 2015 was A$0.99 per Canadian dollar.

If and when operations at the Goondicum mine are restarted, the revenue stream for the Goondicum Ilmenite 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.

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 and loan facilities in order to meet liabilities as they come due. As at December 31, 2015, the Corporation had cash and cash equivalents of $783 (December 31, 2014 - $11,387) and a loan facility of US$5,000, with an undrawn balance of US$3,062 to settle current liabilities of $3,938 (December 31, 2014 - $1,896). The financial liabilities or commitments of the Corporation that bear interest are the loan facility US$5,000 and $43 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 18, 2016, 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, 2015, 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.