



FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Melior Resources Limited were prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Management acknowledges responsibility for the preparation and presentation of the annual financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Independent Auditor's Report

To the Shareholders of
Melior Resources Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Melior Resources Inc., which comprise the statement of financial position as at June 30, 2013, and the statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Melior Resources Inc. as at June 30, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other

The financial statements of Melior Resources Inc. for the year ended June 30, 2012 were audited by MSCM LLP of Toronto, Canada, prior to its merger with MNP LLP. MSCM LLP expressed an unmodified opinion on those statements on October 16, 2012.

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
September 13, 2013

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

As at June 30,	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 22,877	\$ 22,333
Prepaid expenses and other receivables	82	113
Due from Asian Mineral Resources Limited (Note 7)	-	300
	22,959	22,746
Investment in Asian Mineral Resources Limited (Note 7)	1,418	4,255
	\$ 24,377	\$ 27,001
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 165	\$ 236
Shareholders' Equity		
Share capital (Note 8(a))	375,885	375,885
Contributed surplus	159,058	159,058
Accumulated other comprehensive loss	(3,782)	(945)
Deficit	(506,949)	(507,233)
	24,212	26,765
	\$ 24,377	\$ 27,001

Nature of Operations (Note 1)
Subsequent Event (Note 13)

Approved on behalf of the Board:

"Mr. Remo Mancini"
 Director

"Dr. Charles Entrekin"
 Director

The accompanying notes are an integral part of these financial statements

Melior Resources Inc.

Statements of Operations and Comprehensive Income (Loss) (Expressed in Thousands of Canadian Dollars)

For the years ended June 30,	2013	2012
Administrative Expenses		
Office and administration	\$ 1,154	\$ 1,344
Loss before other expenses and income taxes	(1,154)	(1,344)
Other Income (Expense)		
Interest income	290	210
Share-based compensation	-	(425)
Interest on bonds payable	-	(191)
Foreign exchange gain	7	139
Loss on sale of marketable securities	-	(2,976)
	297	(3,243)
Loss from continuing operations	(857)	(4,587)
Income from discontinued operations (Note 5)	1,141	(271)
Net income (loss) for the year	\$ 284	\$ (4,858)
Other Comprehensive Income (Loss)		
Re-classification adjustment for net losses included in (income) loss for the year	-	8
Unrealized loss on available-for-sale financial assets	(2,837)	(945)
Total comprehensive loss	\$ (2,553)	\$ (5,795)
Per common share, basic and fully diluted:		
Income(Loss) from continuing operations	\$ 0.00	\$ (0.03)
Income from discontinued operations	\$ 0.01	\$ (0.00)
Net income	\$ 0.00	\$ (0.03)
Weighted average number of shares outstanding	173,380,974	173,288,773

The accompanying notes are an integral part of these financial statements

Melior Resources Inc.
Statements of Changes in Shareholders' Equity
(Expressed in Thousands of Canadian Dollars)

	Common Shares Number	Common Shares Amount	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, June 30, 2011	173,007,049	\$ 375,836	\$ 158,633	\$ (8)	\$ (502,375)	\$ 32,086
Issued during the year	373,925	49	-	-	-	49
Share-based compensation	-	-	425	-	-	425
Net loss	-	-	-	-	(4,858)	(4,858)
Re-classification adjustment for net losses included in loss for the period	-	-	-	8	-	8
Unrealized loss on available-for-sale financial assets	-	-	-	(945)	-	(945)
Balance, June 30, 2012	173,380,974	\$ 375,885	\$ 159,058	\$ (945)	\$ (507,233)	\$ 26,765
Net income	-	-	-	-	284	284
Unrealized loss on available-for-sale financial assets	-	-	-	(2,837)	-	(2,837)
Balance, June 30, 2013	173,380,974	\$ 375,885	\$ 159,058	\$ (3,782)	\$ (506,949)	\$ 24,212

The accompanying notes are an integral part of these financial statements

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

For the years ended June 30,	2013	2012
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Net loss from continuing operations	\$ (857)	\$ (4,587)
Non-cash items included in net loss:		
Share-based compensation	-	425
Shares issued for non-cash consideration	-	49
Foreign exchange loss	-	165
Loss on sale of marketable securities	-	2,976
Changes in non-cash working capital balances	(33)	120
Cash flows from continuing operations	(890)	(852)
Cash flows from discontinued operations	1,141	(1,243)
Cash flows from operating activities	251	(2,095)
Investing Activities		
Acquisition of investment in Asian Mineral Resources Limited	-	(5,200)
Repayment from Asian Mineral Resources Limited	300	(300)
Proceeds on sale of marketable securities	-	6,236
Cash flows from continuing operations	300	736
Cash flows from discontinued operations	-	-
Cash flows from investing activities	300	736
Financing Activities		
Repayment of long-term debt	-	(8,592)
Financing cash flows from continuing operations	-	(8,592)
Financing cash flows from discontinued operations	-	-
Cash flows from financing activities	-	(8,592)
Foreign exchange (gain) loss on cash held in foreign currency	(7)	214
Change in cash and cash equivalents during the year	544	(9,737)
Cash and cash equivalents, beginning of year	22,333	32,070
Cash, end of year	\$ 22,877	\$ 22,333

The accompanying notes are an integral part of these financial statements

Melior Resources Inc.

Notes to Financial Statements

Years Ended June 30, 2013 and 2012

(Expressed in Thousands of Canadian Dollars)

1. Nature of Operations

Melior Resources Inc., (the "Corporation"), is a Canadian investment company focused on making strategic investments in, and developing, resource based opportunities offering capital appreciation potential.

The Corporation is incorporated under the laws of the province of British Columbia, Canada. The Corporation's principal place of business is 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada.

On March 16, 2012, the Corporation completed the sale of all of the common stock of its wholly-owned subsidiary, Coalcorp International, AVV, which was the holding company for all of the Corporation's off-shore subsidiaries.

On October 1, 2012, Pala Investments Limited ("Pala") made an offer to purchase, for \$0.11 per share in cash, all of the outstanding common shares of the Corporation it did not own (the "Offer"). The Offer included any common shares that may have become outstanding after the date of the Offer and prior to its expiry, upon the exercise of options, warrants or other rights to acquire common shares. The Offer was extended to December 21, 2012, at which time it expired. As at June 30, 2013, Pala owned directly or indirectly 54.52% of the Corporation's issued and outstanding common shares.

2. Statement of Compliance

These financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB") and the Interpretations of the IFRS Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Handbook of the Canadian Institute of Chartered Accountants.

The financial statements were authorized for issue by the Audit Committee on behalf of the Board of Directors of the Company on September 11, 2013.

These financial statements are presented in Canadian dollars.

3. Summary of Significant Accounting Policies

(a) Basis of presentation:

These financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified as at fair value through profit or loss or available-for-sale, which are measured at fair value.

(b) Translation of foreign currencies:

The Corporation's functional and presentation currency is the Canadian dollar.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities not denominated in the functional currency are translated at the period end rates of exchange. Foreign exchange gains and losses are recognized in the statement of operations and comprehensive income (loss).

Melior Resources Inc.

Notes to Financial Statements

Years Ended June 30, 2013 and 2012

(Expressed in Thousands of Canadian Dollars)

3. Significant Accounting Policies (Continued)

(c) Financial Instruments:

The Corporation recognizes financial assets and financial liabilities when the Corporation becomes a party to a contract.

Measurement in subsequent years depends on the classification of the financial instrument.

i) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the statements of operations and comprehensive income (loss).

The Corporation's financial assets classified as FVTPL include cash and cash equivalents.

ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such by management or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value with changes recognized in other comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are recorded in the statements of operations.

Available-for-sale financial assets is comprised of the investment in Asian Mineral Resources Limited.

iii) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument to the net carrying amount on initial recognition.

Other receivables are classified as loans and receivables.

iv) Other financial liabilities

Other financial liabilities are financial liabilities that are not classified as FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Corporation's financial liabilities classified as other financial liabilities include accounts payable and accrued liabilities.

Melior Resources Inc.

Notes to Financial Statements

Years Ended June 30, 2013 and 2012

(Expressed in Thousands of Canadian Dollars)

3. Significant Accounting Policies (Continued)

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of ninety days or less.

(e) Income taxes:

Income taxes are determined using the assets and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable.

(f) Stock-based compensation:

Stock options granted are settled with shares of the Corporation. The expense is determined based on the fair value of the award granted and recognized over the period when services are received, which is usually the vesting period. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Corporation re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the statement of operations and comprehensive income (loss).

(g) Per share information:

Basic loss per share is computed by dividing the loss for the year available to common shareholders by the weighted average number of shares outstanding during the years. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the years. Options and warrants are anti-dilutive and, therefore, have not been taken into account in the per share calculations.

Future Accounting Changes

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company.

- (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 is effective for annual periods beginning on or after January 1, 2015.

Melior Resources Inc.

Notes to Financial Statements

Years Ended June 30, 2013 and 2012

(Expressed in Thousands of Canadian Dollars)

3. Significant Accounting Policies (Continued)

Future Accounting Changes (Continued)

- (ii) IFRS 10 – Consolidated financial statements (“IFRS 10”) was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity’s returns. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.
- (iii) IFRS 11 – Joint arrangements (“IFRS 11”) was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- (iv) IFRS 12 – Disclosure of interests in other entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- (v) IFRS 13 – Fair value measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:
- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
 - financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity’s net risk exposure;
 - disclosures regarding the fair value hierarchy have been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
 - a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
 - a narrative must be provided discussing the sensitivity of fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs;
 - and information must be provided on an entity’s valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.
- IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- (vi) In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Melior Resources Inc.

Notes to Financial Statements

Years Ended June 30, 2013 and 2012

(Expressed in Thousands of Canadian Dollars)

4. Critical Accounting Estimates and Judgements

The preparation of these financial statements requires the Corporation to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates.

In addition, the Corporation has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statement of operations. For the year ended June 30, 2013 the Corporation recognized \$nil of stock-based compensation expense (2012 - \$425).

5. Discontinued Operations

On March 16, 2012, the Corporation completed the sale of all of the common stock of its wholly owned subsidiary, Coalcorp International, AVV, which was the holding company for all of the Corporation's off-shore subsidiaries. As of the closing date, the purchaser acquired, on an 'as is, where is' basis, all of the issued and outstanding shares of Coalcorp International, AVV for net proceeds of \$0.001 ('the Coalcorp AVV Transaction'). The Corporation incurred legal and other professional expenses of \$75. As a result of the Coalcorp AVV Transaction, assets of discontinued operations of \$3.9 million, liabilities of discontinued operations of \$0.4 million and other associated liabilities of \$3.0 million were removed from Melior's statement of financial position as of the closing date, resulting in a net loss on disposal of \$275 during the year ended June 30, 2012.

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

6. Investment in Oracle Mining Corp.

On November 8, 2010, the Corporation acquired 6,000,000 common shares of Oracle Mining Corp. ("Oracle"), a company listed on the TSXV, by means of a non-brokered private placement at a subscription price of \$1.25 per common share for an aggregate cost of \$7,846, including transaction costs. During fiscal 2011, the Corporation sold 123,100 shares for a net realized gain of \$14, and acquired a further 119,900 shares on the open market.

On June 30, 2011, the Corporation held 5,996,800 common shares of Oracle, with a market value of \$7,589.

During the year ended June 30, 2012, the Corporation sold its holdings in Oracle for net proceeds of \$5,309, resulting in a loss on disposition of \$2,369, which has been recorded on the statement of operations and comprehensive income (loss).

Melior Resources Inc.
Notes to Financial Statements
Years Ended June 30, 2013 and 2012
(Expressed in Thousands of Canadian Dollars)

7. Investment in Asian Mineral Resources Limited

On June 29, 2012, the Corporation completed a strategic investment in Asian Mineral Resources Limited ("AMR") by means of a private placement whereby it purchased 47,272,727 common shares of AMR (the "AMR Shares") at \$0.11 per AMR Share for total consideration of \$5,200 (the "Strategic Investment"). The common shares are recorded at fair value. The Corporation owns and controls, directly and indirectly, a total of 47,272,727 AMR Shares representing approximately 6% of the issued and outstanding AMR Shares on an undiluted basis.

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

8. 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, 2011	173,007,049	\$ 375,836
Shares issued for services (i)	373,925	49
Balance, June 30, 2012 and 2013	173,380,974	\$ 375,885

(i) During year ended June 30, 2012, 373,925 shares were issued to one of the former Directors of the Corporation in accordance with a consulting agreement. These shares have been valued and recorded at the market price on the day of their issuance and the corresponding charge was recorded in office and administration expenses.

(b) Warrants

The following summarizes the warrant activity for the years ended June 30, 2013 and 2012:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2011	81,752,467	\$ 3.93
Expired	(19,878,577)	8.40
Balance, June 30, 2012	61,873,890	\$ 2.50
Expired	(61,873,890)	2.50
Balance, June 30, 2013	-	\$ -

Melior Resources Inc.
Notes to Financial Statements
Years Ended June 30, 2013 and 2012
(Expressed in Thousands of Canadian Dollars)

8. Share Capital (Continued)

(c) Stock Options

As at June 30, 2013, 18,718,097 common shares remain available for grant under the plan. Under the plan, the exercise price of each option equals the market price of the Corporation's common shares on the date of grant or the price determined by the Board of Directors, not being less than the market price, and an option's maximum term is ten years. Options are granted upon approval by the Board of Directors.

	Number of Stock Options	Weighted Average Exercise Price
Balance, June 30, 2011	600,000	\$ 1.13
Granted and issued during the period (i)	3,875,000	0.17
Cancelled/forfeited	(1,085,000)	0.43
Balance, June 30, 2012	3,390,000	\$ 0.25
Cancelled/forfeited	(1,380,000)	0.17
Balance, June 30, 2013	2,010,000	\$ 0.31

(i) The Corporation used the Black Scholes option pricing model to estimate the fair value of the options granted in fiscal 2012 using the following assumptions:

Risk-free interest rate	1.85%
Expected stock price annual volatility	100.0%
Expected life	6 years
Estimated forfeiture rate	Nil
Expected dividend yield	0.0%
Fair value cost per option	\$0.108

As at June 30, 2013, 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
March 27, 2014	150,000	150,000	0.74	\$ 1.50
March 27, 2014	150,000	150,000	0.74	0.75
Sept. 21, 2018	1,710,000	3,090,000	5.23	0.17
	2,010,000	3,390,000	4.56	\$ 0.31

9. Related Party Transactions

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

For the years ended June 30,	2013	2012
Salaries and benefits	\$ 257	\$ 259
Directors fees	\$ 216	\$ 313
Share based payments	\$ -	\$ 49
Share-based compensation	\$ -	\$ 220

Melior Resources Inc.

Notes to Financial Statements

Years Ended June 30, 2013 and 2012

(Expressed in Thousands of Canadian Dollars)

10. Income Taxes

The following table reconciles the expected tax recovery at the Canadian Federal and Provincial statutory rate of 26.50% (2012 - 27.25%) to the amount recognized in the statement of loss and comprehensive loss:

	2013	2012
Net income (loss), before income taxes	\$ 284	\$ (4,858)
Expected income tax expense (recovery)	\$ 75	\$ (1,324)
Capital gain on expiry of warrants	6,193	-
Non-recognition of tax assets and future tax rate reductions	6	492
Foreign exchange differences, non-deductible expenses and other	1	(53)
Gain on sale of investment not subject to taxation	-	885
Expiry of loss not previously recognized	34	-
Changes in tax benefits not recognized	(6,309)	-
Deferred income tax recovery	\$ -	\$ -

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following items:

	2013	2012
Non-capital loss carry-forwards	\$ 109,310	\$ 131,084
Eligible capital expenditures	7,325	8,470
Capital loss carry-forwards	-	1,459
Mineral property exploration and development	1,434	841
Investment	3,782	945
Other	76	98
	\$ 121,927	\$ 142,897

At June 30, 2013 the Corporation had Canadian non-capital loss carried forwards of approximately \$109 million for income tax purposes. The losses may be utilized to reduce future years taxable income earned in Canada and expire between 2027 and 2032. Deductible temporary differences and exploration expenditures do not expire under current tax legislation and can be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

Melior Resources Inc.

Notes to Financial Statements

Years Ended June 30, 2013 and 2012

(Expressed in Thousands of Canadian Dollars)

11. Capital Disclosures

The Corporation's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its business. In the definition of capital, the Corporation includes, as disclosed on its statement of financial position: deficit of \$506,949; capital stock, contributed surplus \$375,885 and \$159,058 respectively.

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

12. Financial Instruments

Fair Values

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

The Corporation's financial instruments measured at fair value include cash and cash equivalents, and Investment in Asian Mineral Resources Limited. These financial assets are reported at Level 1 of the fair value hierarchy. The Corporation has no financial assets and liabilities measured at fair value at Level 2 or Level 3 as at June 30, 2013 or 2012.

Risk Management

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

Credit Risk

Credit risk on financial instruments arises from the potential for counterparties to default on their obligations to the Corporation. Current credit exposure relates to the loss that would be incurred if the Corporation's counterparties were to default on their current obligations. To minimize the Corporation's exposure to credit risk, the Corporation holds all its cash and cash equivalent balances at a major Canadian financial institution with an AA rating from Standard and Poors.

Liquidity Risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at June 30, 2013, the Corporation had cash and cash equivalents of \$22,877 (June 30, 2012 - \$22,333) to settle current liabilities of \$165 (June 30, 2012 - \$236). Most of the Corporation's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

Melior Resources Inc.

Notes to Financial Statements

Years Ended June 30, 2013 and 2012

(Expressed in Thousands of Canadian Dollars)

12. Financial Instruments (Continued)

Risk Management (Continued)

Market Risk

Market risk is the risk of loss that may arise from changes in interest rates, foreign exchange rates and commodity prices.

(a) Interest Rate Risk

Interest on the Corporation's cash and cash equivalents is based on both fixed and variable rates and exposes the Corporation to interest rate risk. The Corporation has not entered into any derivative agreements to mitigate this risk. The impact in the change in interest rates of 1% in either direction at June 30, 2013 would be \$229 per year on the interest earned on cash and cash equivalents.

(b) Foreign Currency Risk

As at June 30, 2013, a nominal portion of the Corporation's cash and cash equivalents were held in United States dollars, accordingly, the Corporation is not exposed to material foreign exchange risk. Derivative financial instruments are not used to reduce exposure to fluctuations in foreign exchange rates.

(c) Price Risk

The Corporation's investment in the common shares of AMR is subject to fair value fluctuations. As at June 30, 2013, if the stock price of the common shares of Asian had changed by 10% with all other variables held constant, comprehensive loss for the year would have varied by approximately \$142 and reported shareholders' equity would have varied by approximately \$142.

13. Subsequent Event

On July 5, 2013, the Corporation announced it had have entered into a letter of intent (the "Letter of Intent") in connection with a proposed transaction (the "Proposed Transaction") pursuant to which the Corporation would acquire all of the issued and outstanding common shares of Firestone Ventures Inc. ("Firestone") in consideration for the issuance to Firestone shareholders of one of the Corporation's common shares for each 2.895 Firestone common shares held. The Proposed Transaction is subject to a number of conditions, including confirmatory due diligence by the Corporation and the negotiation of mutually satisfactory definitive acquisition documentation. There can be no assurance that any such definitive documentation will be entered into or that the Proposed Transaction will be completed. The Corporation has agreed to provide Firestone with a bridge loan (the "Bridge Loan") of up to \$500,000.

On August 30, 2013, the Corporation announced it had terminated the Bridge Loan. No amounts had been advanced under the Bridge Loan to date. The Corporation also announced that it no longer intended to proceed with its proposed friendly acquisition of Firestone, as set out in the previously announced letter of intent.