



## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2012

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

### **NOTICE TO READER**

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

# Melior Resources Inc.

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

As at	December 31, 2012	June 30, 2012
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 23,082	\$ 22,333
Accounts receivable	60	-
Prepaid expenses and deposits	23	113
Due from Asian Mineral Resources Limited (Note 4)	-	300
	<b>23,165</b>	<b>22,746</b>
Investment in Asian Mineral Resources Limited (Note 4)	<b>2,364</b>	<b>4,255</b>
	<b>\$ 25,529</b>	<b>\$ 27,001</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 362	\$ 236
<b>Shareholders' Equity</b>		
Share capital (Note 5(a))	375,885	375,885
Contributed surplus	159,058	159,058
Accumulated other comprehensive loss	(2,836)	(945)
Deficit	(506,940)	(507,233)
	<b>25,167</b>	<b>26,765</b>
	<b>\$ 25,529</b>	<b>\$ 27,001</b>

### Nature of Operations (Note 1)

Approved on behalf of the Board:

"Mr. Remo Mancini"  
Director

"Dr. Charles Entrekin"  
Director

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

# Melior Resources Inc.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
<b>Administrative Expenses</b>				
Office and administration	\$ 422	\$ 533	\$ 692	\$ 806
Loss before other expenses and income taxes	(422)	(533)	(692)	(806)
<b>Other Income (Expense)</b>				
Interest income	61	45	130	81
Share-based compensation	-	-	-	(418)
Interest on bonds payable	-	(22)	-	(191)
Foreign exchange (loss) gain	6	(1,506)	(5)	480
Loss on sale of marketable securities	-	(2,170)	-	(2,976)
	67	(3,653)	125	(3,024)
(Loss) income from continuing operations	(355)	(4,186)	(567)	(3,830)
Income from discontinued operations (Note 3)	397	(382)	860	4
<b>Net income (loss) for the period</b>	<b>\$ 42</b>	<b>\$ (4,568)</b>	<b>\$ 293</b>	<b>\$ (3,826)</b>
<b>Other Comprehensive Income (Loss)</b>				
Re-classification adjustment for net gains and (losses) included in loss for the period	-	1,886	-	8
Unrealized loss on available-for-sale financial assets	-	-	(1,891)	-
<b>Total comprehensive loss</b>	<b>\$ 42</b>	<b>\$ (2,682)</b>	<b>\$ (1,598)</b>	<b>\$ (3,818)</b>
<b>Per common share, basic and fully diluted:</b>				
(Loss) income from continuing operations	\$ (0.002)	\$ (0.024)	\$ (0.003)	\$ (0.022)
Income from discontinued operations	\$ 0.002	\$ (0.002)	\$ 0.005	\$ 0.000
<b>Net income</b>	<b>\$ 0.000</b>	<b>\$ (0.026)</b>	<b>\$ 0.002</b>	<b>\$ (0.022)</b>
<b>Weighted average number of shares outstanding</b>	<b>173,380,974</b>	<b>173,380,974</b>	<b>173,380,974</b>	<b>173,194,012</b>

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

# Melior Resources Inc.

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

	Common Shares Number	Common Shares Amount	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
<b>Balance, June 30, 2011</b>	<b>173,007,049</b>	<b>\$ 375,836</b>	<b>\$ 158,633</b>	<b>\$ (8)</b>	<b>\$ (502,375)</b>	<b>\$ 32,086</b>
Issued during the period	373,925	49	-	-	-	49
Share-based compensation	-	-	418	-	-	418
Net loss	-	-	-	-	(3,826)	(3,826)
Re-classification adjustment for net gains and (losses) included in loss for the period	-	-	-	8	-	8
<b>Balance, December 31, 2011</b>	<b>173,380,974</b>	<b>\$ 375,885</b>	<b>\$ 159,051</b>	<b>\$ -</b>	<b>\$ (506,201)</b>	<b>\$ 28,735</b>
<b>Balance, June 30, 2012</b>	<b>173,380,974</b>	<b>\$ 375,885</b>	<b>\$ 159,058</b>	<b>\$ (945)</b>	<b>\$ (507,233)</b>	<b>\$ 26,765</b>
Net income	-	-	-	-	293	293
Unrealized loss on available-for-sale financial assets	-	-	-	(1,891)	-	(1,891)
<b>Balance, December 31, 2012</b>	<b>173,380,974</b>	<b>\$ 375,885</b>	<b>\$ 159,058</b>	<b>\$ (2,836)</b>	<b>\$ (506,940)</b>	<b>\$ 25,167</b>

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

# Melior Resources Inc.

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

For the Six Months Ended December 31,	2012	2011
<b>Cash and cash equivalents (used in) provided by:</b>		
<b>Operating Activities</b>		
Net (loss) income from continuing operations	\$ (567)	\$ (3,830)
Non-cash items included in net (loss) income:		
Share-based compensation	-	418
Shares issued for non-cash consideration	-	49
Foreign exchange gain	5	(981)
Loss on sale of marketable securities	-	2,976
Changes in non-cash working capital balances	156	570
Cash flows from continuing operations	(406)	(798)
Cash flows from discontinued operations	860	28
Cash flows from operating activities	454	(770)
<b>Investing Activities</b>		
Repayment from Asian Mineral Resources Limited	300	-
Proceeds on sale of marketable securities	-	6,236
Cash flows from continuing operations	300	6,236
Cash flows from discontinued operations	-	-
Cash flows from investing activities	300	6,236
<b>Financing Activities</b>		
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 loss on cash held in foreign currency	(5)	790
<b>Change in cash and cash equivalents during the period</b>	<b>749</b>	<b>(2,336)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>22,333</b>	<b>32,070</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 23,082</b>	<b>\$ 29,734</b>

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

# Melior Resources Inc.

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

<b>For the Six Months Ended December 31,</b>	<b>2012</b>	<b>2011</b>
<b>Cash and cash equivalents are comprised of:</b>		
Cash and cash equivalents - continuing operations	\$ 23,082	\$ 28,680
Cash and cash equivalents - discontinued operations	-	1,054
	<b>\$ 23,082</b>	<b>\$ 29,734</b>
<b>Cash and cash equivalents consist of the following:</b>		
Cash	\$ 786	\$ 200
Short-term investments	22,296	29,534
	<b>\$ 23,082</b>	<b>\$ 29,734</b>

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

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements Six Months Ended December 31, 2012 and 2011 (Expressed in Thousands of Canadian Dollars) (Unaudited)

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### 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.

On September 28, 2011, the Corporation changed its name to Melior Resources Inc. Effective September 29, 2011, the common shares and warrants commenced trading on the TSXV under the symbols MLR and MLR.WT.B, respectively.

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 ("PIL") made an offer to purchase, for \$0.11 per share in cash, all of the outstanding Common Shares of Melior it did not own. 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 December 31, 2012, PIL owned directly or indirectly 54.52% of the Company's issued and outstanding common shares.

### 2. Summary of Significant Accounting Policies

#### *Statement of compliance*

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

The policies applied in these condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of February 25, 2013, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended June 30, 2012. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the year ending June 30, 2013 could result in restatement of these condensed interim consolidated financial statements.

#### *New standards not yet adopted and interpretations issued but not yet effective*

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the most recent annual consolidated financial statements as at and for the year ended June 30, 2012.

### 3. Discontinued Operations

Under the terms of the agreement for the sale of Coalcorp International AVV noted in the annual consolidated 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 period ended December 31, 2012, the Corporation received \$860 (US\$863) from the purchaser of Coalcorp International AVV for its share of cash recovered. The \$860 (US\$863) was recognised as a gain from discontinued operations.

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements Six Months Ended December 31, 2012 and 2011 (Expressed in Thousands of Canadian Dollars) (Unaudited)

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### 4. Investment in Asian Mineral Resources Limited

On June 29, 2012, the Corporation completed a strategic investment in Asian Mineral Resources Limited ("AMR") by means of a private placement whereby it purchased 47,272,727 common shares of AMR (the "AMR Shares") at \$0.11 per AMR Share for total consideration of \$5,200 (the "Strategic Investment").

Concurrent with the completion of the Strategic Investment, AMR and the Corporation also entered into an investor rights agreement pursuant to which AMR has granted the Corporation the right to designate one nominee to be appointed to its Board of Directors.

In connection with the transaction, the Corporation advanced \$300 to AMR, which was repaid during the period ended December 31, 2012.

### 5. Share Capital

#### (a) Authorized

Unlimited preferred shares without par value  
Unlimited common shares without par value

#### Issued

	Number of Common Shares	Stated Value
<b>Balance, June 30, 2011</b>	<b>173,007,049</b>	<b>\$ 375,836</b>
Shares issued for services (i)	373,925	49
<b>Balance, December 31, 2011</b>	<b>173,380,974</b>	<b>\$ 375,885</b>
<b>Balance, June 30, 2012 and December 31, 2012</b>	<b>173,380,974</b>	<b>\$ 375,885</b>

(i) During the six months ended September 30, 2011, 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 has been recorded in office and administration expenses.



# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements Six Months Ended December 31, 2012 and 2011 (Expressed in Thousands of Canadian Dollars) (Unaudited)

### 5. Share Capital (Continued)

#### (b) Warrants

The following summarizes the warrant activity for the six months ended December 31, 2011:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2011	81,752,467	\$ 3.93
Expired	(19,878,577)	8.40
<b>Balance, December 31, 2011</b>	<b>61,873,890</b>	<b>\$ 2.50</b>

The following summarizes the warrant activity for the six months ended December 31, 2012:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2012 and December 31, 2012	61,873,890	\$ 2.50

As of December 31, 2012, the following warrants were outstanding:

Expiry Date	Number of Warrants	Exercise Price
June 5, 2013	61,873,890	\$ 2.50

#### (c) Stock Options

As at December 31, 2012, 17,338,097 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
<b>Balance, December 31, 2011</b>	<b>4,475,000</b>	<b>\$ 0.30</b>
<b>Balance, June 30, 2012 and December 31, 2012</b>	<b>3,390,000</b>	<b>\$ 0.25</b>

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements Six Months Ended December 31, 2012 and 2011 (Expressed in Thousands of Canadian Dollars) (Unaudited)

### 5. Share Capital (Continued)

#### (c) Stock Options (Continued)

(i) The Corporation used the Black Scholes option pricing model to estimate the fair value of the options granted 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 December 31, 2012, 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	1.24	\$ 1.50
March 27, 2014	150,000	150,000	1.24	0.75
Sept. 21, 2018	3,090,000	3,090,000	5.73	0.17
	<b>3,390,000</b>	<b>3,390,000</b>	<b>5.33</b>	<b>\$ 0.25</b>

### 6. Related Party Transactions

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Salaries and benefits	\$ 84	\$ 90	\$ 157	\$ 163
Share based payments	\$ -	\$ -	\$ -	\$ 49
Share-based compensation	\$ -	\$ -	\$ -	\$ 220