Management and Discussion Analysis
Consolidated Financial Statements

MELIOR RESOURCES INC.
(FORMERLY COALCORP MINING INC.)

Three and nine months ended
March 31, 2012

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

Management’s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended March 31, 2012
(All amounts, except per share amounts and where specified, are in thousands of Canadian Dollars)

Information contained in this discussion is given as of May 29, 2012 unless otherwise indicated. All amounts are in Canadian dollars unless otherwise noted.

This Management’s Discussion and Analysis (“**MD&A**”) should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes of the Corporation for the three and nine month period ended March 31, 2012, and the audited consolidated financial statements and accompanying notes and related MD&A of the Corporation for the fiscal year ended June 30, 2011.

IFRS replaced current Canadian GAAP for publicly accountable enterprises, including the Corporation, effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the accompanying unaudited interim financial statements for the three and nine months ended March 31, 2012 have been prepared in accordance with IAS 34, Interim Financial Statements, using accounting policies consistent with IFRS. The transition to IFRS required a restatement of the Corporation’s fiscal 2011 financial information from its original Canadian GAAP basis to ensure that the fiscal 2011 comparative information presented in the financial statements and this MD&A reflect accounting policies consistent with IFRS.

Financial information for periods prior to July 1, 2010 has not been restated for the changes in accounting policies resulting from the adoption of IFRS. For the purposes of this MD&A, the term “Canadian GAAP” refers to Canadian generally accepted accounting principles for the Corporation before the adoption of IFRS.

Readers of this MD&A should refer to “Changes in Accounting Policies” below, and Note 14 of the accompanying interim consolidated financial statements, for a discussion of IFRS and its impact on the Corporation’s financial statements.

Forward Looking Information

This MD&A contains certain forward-looking statements. Forward-looking statements generally can be identified by the use of statements that include words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “may”, “will” or other similar words or phrases suggesting future outcomes or other expectations, beliefs, estimates, plans, objectives, assumptions, projections, intentions or statements about future events or performance. Similarly, statements contained in, but not limited to, the sections “Overview of the Corporation’s Business”, “Outlook”, “Results of Discontinued Operations”, “Liquidity and Capital Resources”, “Commitments and Expenditures” and “Changes in Accounting Policies” of this MD&A, including those with respect to expectations concerning 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. 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.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- the implementation of the Corporation’s business strategy under which it intends to capitalize on the expertise of the board of directors (the “**Board**”) and management’s expertise and enable the Corporation to invest and aid growth in projects in the mining, metallurgical and mineral industries; and

- the development of the Corporation’s potential investment opportunities.

Overview of the Corporation’s Business

On September 29, 2011, the Corporation changed its name to Melior Resources Inc. and the Corporation’s common shares and warrants commenced trading on the TSX Venture Exchange (“**TSXV**”) under the symbol MLR and MLR.WT.B, respectively.

Melior’s business today is the result of a restructuring that took place over the last two years. Until March 2010, the Corporation was a coal producing mining entity operating in Colombia, South America. Although the coal properties were of merit, the logistics to move coal from the mine site to a port, and subsequently to coal vessels for the customer base were never consummated. This caused the Corporation to deplete its cash holdings at a very substantial rate. To avoid illiquidity and potentially the need for creditor protection, the Corporation sold its coal properties and liquidated its debt such that today it holds cash and no direct operating assets.

Melior is currently evaluating investment options in resource based opportunities offering capital appreciation or cashflow potential. In particular, it is seeking debt or equity participation in investee companies with projects nearing maturity. Melior believes it can add value through active involvement from not only a financial standpoint, but also by the contribution of guidance and additional mining and corporate finance expertise. Initial investments of debt, equity or a combination thereof may be made in public or private companies through a variety of financial instruments including, but not limited to, private placements, participation in initial public offerings, convertible loans, loans with equity bonus provisions or purchase options and the like. In most cases, one or more nominees of the Corporation will join the board of directors of the investee company.

The Company is also currently evaluating its strategic options, including, but not limited to, continuing to explore investment opportunities, a corporate reorganization, a return of capital to shareholders or other strategic options.

Discontinued Operations

On March 19, 2010, certain of the Corporation's wholly-owned subsidiaries completed the sale of the La Francia mine and related infrastructure assets (the "**La Francia I Assets**") and all of the issued and outstanding shares (the "**Adromi Shares**") of Adromi Capital Corp. ("**Adromi**"), the holder of the La Francia II Mine, to GS Power Holdings LLC (the "**Purchaser**"), a subsidiary of the Goldman Sachs Group, Inc. (collectively, the "**Transaction**").

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 Melior'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 nominal net proceeds of one dollar ('the Coalcorp AVV Transaction'). As a result of the Coalcorp AVV Transaction, assets of discontinued operations of $3.7 million, liabilities of discontinued operations of $0.4 million and other associated liabilities of $3.0 million were removed from Melior's balance sheet as of the closing, resulting in a net loss on disposal of $275 during the three month period ended March 31, 2012.

Senior Notes

Pursuant to the terms of a trust indenture, as supplemented (the "**Note Indenture**") governing the Corporation's 12% Senior Secured Guaranteed Notes due August 31, 2011 (the "**Senior Notes**"), the Corporation was required to use the net available cash from the sale of the La Francia I Assets to purchase the outstanding Senior Notes at the required 102% premium (plus any accrued interest) in accordance with the terms of the Note Indenture (the "**Restricted Asset Transfer Offer**"). Concurrently with the Restricted Asset Transfer Offer, the Corporation also agreed to purchase all remaining outstanding Senior Notes for 100% of the principal amount (plus any accrued interest) (the "**Remaining Notes Offer**" and, together with the Restricted Asset Transfer Offer, the "**Note Offers**").

The Note Offers were completed upon the closing of the Transaction. Of the proceeds, US$93.2 million, which represented the net available cash from the sale of the La Francia I Assets, was applied to repurchase the Senior Notes that tendered to the Restricted Asset Transfer Offer and US$15.8 million was applied to repurchase the Senior Notes that tendered to the Remaining Notes Offer. The outstanding interest on the Senior Notes was paid prior to closing of the Transaction. The Senior Notes were not all tendered to the Note Offers and US$8.27 million of Senior Notes remained outstanding.

On August 31, 2011, the outstanding Senior Notes matured and the Corporation made a final payment of US$8.4 million in respect of the aggregate principle amount of US$8.27 million plus accrued interest.

Changes to Board of Directors and Officers

On August 17, 2011 the Corporation announced the appointment of Dr. Charles Entrekin as Chairman and CEO upon the resignation of Mr. Richard Lister and on September 8, 2011, the Corporation announced the appointment of Mr. Daniel Dumas to the Board of Directors. .

On December 1, 2011, the Corporation announced the appointment of Mr Rishi Tibriwal, CA, as the Chief Financial Officer.

Listing Upgrade and Reclassification

On March 31, 2011, the Corporation completed its migration to the TSXV. Effective at market open on April 1, 2011, the Corporation's common shares and warrants began trading on Tier 1 of the TSXV and the Corporation was reclassified as an "Investment Issuer".

In conjunction therewith, Melior adopted an Investment Policy which provides guidelines and criteria for all of Melior's investment activities. The Investment Policy is posted on Melior's profile on SEDAR at www.sedar.com.

Outlook

Melior is currently evaluating investment options in developing resource based opportunities offering capital appreciation potential. In particular, it will seek debt or equity participation in investee companies, with projects nearing maturity. Melior believes it can add value through active involvement from not only a financial standpoint, but also by the contribution of guidance and additional mining and corporate finance expertise. Initial investments of debt, equity or a combination thereof may be made in public or private companies through a variety of financial instruments including, but not limited to private placements, participation in initial public offerings, convertible loans, loans with equity bonus provisions or purchase options and the like. In most cases, one or more nominees of the Corporation will join the board of directors of the investee company. In addition, the Company is currently evaluating its strategic options, including, but not limited to, continuing to explore investment opportunities, corporate reorganization, a return of capital to shareholders and other strategic options.

Selected Financial Information

	Years ending June 30,		
	IFRS	**Canadian GAAP, in US$ '000s**	
($ thousands)	**2011**	**2010**	**2009**
Revenue from continuing operations	-	-	-
Loss from continuing operations	(5,799)	(7,280)	(37,163)
Earnings (loss) from discontinued operations	624	(18,087)	(188,981)
Net Loss	(5,175)	(25,367)	(226,144)
Basic earnings (loss) per share ($):			
Continuing operations	(0.03)	(0.04)	(0.21)
Discontinued operations	0.00	(0.11)	(1.10)
Total assets	43,806	52,366	273,998
Total long and short term obligations	11,720	16,935	209,303

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 warrants has not been included in the calculation of loss per share because to do so would be anti-dilutive.
2. Financial information in this MD&A for periods prior to July 1, 2010 has not been restated for changes in accounting policies on adoption of IFRS. For fiscal 2012, the Corporation changed its presentation currency to the Canadian Dollar. Fiscal 2010 and 2009 information has been prepared under Canadian GAAP and is presented in United States dollars. Refer to Changes in Accounting Policies below, and to Note 14 of the accompanying interim consolidated financial statements, for a discussion of IFRS and its impact on the Corporation's financial statements.

	Three months ended March 31		Nine months ended March 31	
($ thousands)	**2012**	**2011**	**2012**	**2011**
Revenue from continuing operations	-	-	-	-
Loss from continuing operations	(539)	(4,102)	(4,369)	(5,619)
Income (loss) from discontinued operations	(275)	12	(271)	664
Net Earnings (loss)	(814)	(4,090)	(4,640)	(4,955)
Earnings (loss) per share,				
Basic and fully diluted ($):				
- Continuing operations	(0.00)	(0.02)	(0.03)	(0.03)
- Discontinued operations	(0.00)	(0.00)	0.00	(0.00)
Net loss	(0.00)	(0.02)	(0.03)	(0.03)

Results of continuing operations for the three months ended March 31, 2012 compared to the three months ended March 31, 2011

The Corporation reported a loss from continuing operations of $539 for the three months ended March 31, 2012 as compared to a loss of $4,102 during the three months ended March 31, 2011.

The decrease in net loss from continuing operations of $3,563 is principally due to the loss of $6,144 incurred during the three month period ended March 31, 2011 on the settlement with Goldman Sachs [see further discussion below] and interest of $277 paid on the bonds during 2011, offset by the gains of $2,917 on the disposal of the convertible debentures of Formation Metals and $141 on the disposal of the Corporation's investment in Oracle Mining Corp. In addition, office and administrative expenses have decreased by $187 for the three months ended March 31, 2012 as compared to March 31, 2011 as a result of the reduced activities of the Corporation.

Results of continuing operations for the nine months ended March 31, 2012 compared to the nine months ended March 31, 2011

The Corporation reported a loss from continuing operations of $4,369 for the nine months ended March 31, 2012 as compared to a loss of $5,619 during the nine months ended March 31, 2011.

The decrease in net loss from continuing operations of $1,250 is principally due to the:

- Decrease in the loss on the settlement with Goldman Sachs from $6,144 during the nine month period ended March 31, 2011 to nil during the nine month period ended March 31, 2012 [see further discussion below];
- Decrease in interest expense on bonds from $853 during 2011 to $191 during the nine month period ended March 31, 2012 as the bonds were redeemed on August 31, 2011;
- Net loss of $2,976 on the disposal of marketable securities of Oracle Mining and Formation Metals during the nine month period ended March 31, 2012 as compared to the net gain of $272 during the nine month period ended March 31, 2011 and gain on disposal of convertible debentures of Formation Metals of $2,917;
- Decrease in interest income of $784 from $926 during the nine months ended March 31, 2011 to $142 in the current year. Interest income during 2011 comprised primarily of the interest on the convertible debenture in Formation Metals and on cash balances of the Corporation. The convertible debenture were redeemed during the period ended March 31, 2012. The Corporation only earned interest income on its cash balances during the current three and nine month periods ended March 31, 2012;

- Increase in share based compensation to $418 during the nine month period ended March 31, 2012 [2011 – Nil], and
- Decrease in office and administrative expenses of $345 from $1,409 during 2011 to $1,064 in the current year as a result of the reduced activities of the Corporation.

Settlement with Goldman Sachs

On March 3, 2011 the Corporation entered into a Settlement Agreement (the CNRI Settlement") with certain affiliates of the Goldman Sachs Group, Inc. ("Goldman Sachs"), including Colombian Natural Resources I SAS ("CNRI") and Colombian Natural Resources II SAS (together with CNRI, the "CNR Parties"). Pursuant to the CNRI Settlement, the Corporation and the CNRI Parties irrevocably released and discharged each other from any and all claims, including those raised by CNRI in the Notices of Claim filed on November 3, 2010 and December 30, 2010, arising out of a transaction entered into on March 19, 2010 for the sale of the Corporation's former operations in Colombia.

In accordance with the terms of an escrow agreement dated March 19, 2010 among Computershare, Melior and the CNR Parties, Computershare was holding US$8,000 in escrow which was previously recorded on the balance sheet as restricted cash. Upon completion of the CNRI Settlement, a payment of $6,144 (US$6,231) was released by Computershare to the CNR Parties and $1,792 (US$1,769) was released to Melior, resulting in a net loss on settlement of $6,144.

General and Administrative Expenses

General and Administrative expenses were $258 and $1,064 for the three and nine months ended March 31, 2012, respectively [2011 - $445 and $1,409]. General and administrative expenses relate primarily to consulting, professional and administration expenses for the continuing operations of the Corporation and the evaluation of new investment opportunities and have decreased as compared to the corresponding period in the prior year as a result of the decreased activities of the Corporation.

Interest Income and Expense

Interest income earned during the three and nine months ended March 31, 2012 amounted to $61 and $142, respectively [2011 - $270 and $926] and related primarily to the interest earned on the Corporation's cash and cash equivalent balances. Interest income earned during the three and nine months ended March 31, 2011 related primarily to the Corporations investment in the Formation Debenture, which was redeemed in March 2011.

Total interest expense incurred during the three and nine months ended March 31, 2012 amounted to nil and $191, respectively [2011 - $277 and $853]. The decrease in the interest expense is primarily due to the repurchase of the Senior Notes on August 31, 2011.

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 year, the Corporation recorded a net foreign exchange loss of $342 for the three months ended March 31, 2012 and a gain of $138 for the nine months then ended, as compared to a loss of $564 and $1,328 for the corresponding periods in 2011. The change in the foreign exchange gain/loss from 2011 to 2012 was a result of the movement of the exchange rates for Canadian dollars against the US dollar during 2011 and the significant US dollar denominated cash balances of the Corporation held at that time. At March 31, 2012, the Corporation holds only a nominal amount of cash denominated in US dollars and has no significant foreign currency denominated liabilities.

Share based compensation

The Company granted 3,875,000 stock options to the directors and officers of the Corporation in August 2011. All of these options were granted under the Corporation's stock option plan, vested immediately and are exercisable for a period of 7 years from the date of the grant.

The Company recorded share based compensation of $418 using the Black Scholes option pricing model to estimate the fair value of the options granted and used 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

Loss on sale of Marketable Securities

<u>Investment in Formation Metals Inc. ("Formation")</u>

Pursuant to a subscription agreement dated May 6, 2010, Melior agreed to purchase a $8.0 million unsecured convertible debenture (the "Debenture") from Formation, the net proceeds of which were required by Formation to progress its Idaho cobalt development property to a financeable stage. The Debenture had an initial term of 18 months with an interest rate of 12%, payable in common shares in the capital of Formation ("Formation Shares").

On December 22, 2010, the Corporation redeemed $1.0 million of the Debenture for 666,666 Formation Shares.

During the year ended June 30, 2011, Formation brought the Idaho cobalt development property to a stage where significant financing for the ultimate plant construction could occur. On March 14, 2011, the Corporation entered into an agreement with Formation for the prepayment of the Debenture, which had a principal amount of $7.0 million outstanding. Pursuant to this agreement, the Corporation surrendered the Debenture to Formation upon receipt of $9.3 million in cash and 400,000 Formation Shares, resulting in a net gain on disposition of the convertible debenture of $2,917.

Two interest payments were made under the Debenture for which the Corporation received an aggregate of 429,772 Formation Shares.

The Corporation sold an aggregate of 300,800 Formation Shares, during the fiscal year ended June 30, 2011, for net cash proceeds of $672 resulting in a gain of $272. After the sale, the Corporation held 1,195,638 Formation Shares, with a market value of $1,211 on June 30, 2011.

During the nine months ended March 31, 2012, the Corporation sold its remaining position in Formation for proceeds of approximately $961, resulting in a loss of $607.

Investment in Oracle Mining Corp. (formerly Gold Hawk Resources Inc.)

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

During the nine months ended March 31, 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.

Results of Continuing Operations

As a result of the factors discussed above, the Corporation recorded losses from continuing operations of $539 or $0.00 per share for the three months ended March 31, 2012 as compared to loss from continuing operations of $4,102 or $0.02 per share for the three months ended March 31, 2011. Losses from continuing operations were $4,369 or $0.03 per share for the nine months ended March 31, 2012 as compared to $5,619 or $0.03 per share during the nine months ended March 31, 2011.

Results of Discontinued Operations

As a result of a transaction entered into in 2010, expenses from discontinued operations primarily comprise professional and consulting fees related to the continuing wind down of the Colombian operations and foreign exchange gains or losses arising from the movement of the Colombian peso and US dollar balances held in these 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 one dollar ('the Coalcorp AVV Transaction'). The Corporation incurred legal and other professional expenses of $76. As a result of the Coalcorp AVV Transaction, assets of discontinued operations of $3.6 million (including cash balance of $1.2 million), liabilities of discontinued operations of $0.4 million and other associated liabilities of $3.0 million were removed from Melior’s balance sheet as of the closing date, resulting in a net loss on disposal of $275 during the three month period ended March 31, 2012.

Net Profit/Loss

Taking into account both continuing and discontinuing operations, the Corporation recorded a net loss of $814 or $0.00 per share [2011 - $4,090 or $0.02 per share] in the three month period ended March 31, 2012. The Corporation recorded a net loss of $4,640 or $0.03 per share for the nine months ended March 31, 2012 [2011 – loss of $4,955 or $0.03 per share].

Summary of Quarterly Results

	2012			2011				2010
	IFRS in millions of Canadian dollars							Note 1
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial								
($millions except per share)								
Revenue from continuing operations	-	-	-	-	-	-	-	-
Earnings from continuing operations	(0.5)	(4.2)	0.4	(0.2)	(5.6)	0.0	0.0	0.0
Net earnings/(loss)	(0.8)	(4.6)	0.4	(0.2)	(4.9)	0.00	0.08	(2.2)
Earnings/(loss) per share from continuing operations	(0.00)	(0.02)	0.01	(0.00)	(0.03)	0.00	0.00	(0.04)
Net earnings/(loss) per share (Note 2)	(0.00)	(0.03)	0.01	(0.0)	(0.03)	0.00	0.00	(0.15)
Cash (used in) provided by continuing operations	(0.6)	(0.6)	(4.20)	(0.1)	11.6	(7.2)	(0.0)	(7.5)
Capital expenditures	-	-	-	-	-	-	-	-
Cash and cash equivalents net of short-term debt	28.0	28.7	26.6	22.7	23.3	10.9	17.6	18.3

Note 1: The quarterly figures for Q4 2010 reflect results as reportable subsequent to the sale of the Corporation's former operations in Colombia and are presented under Canadian GAAP in United States dollars.

Note 2: 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 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 cash and cash equivalents balance as at March 31, 2012 was $28.0 million, compared to $30.8 million as at June 30, 2011.

The decrease in cash balances as at March 31, 2012 as compared to June 30, 2011 is the result of the payment for office and administrative expenses of $1.1 million, the final payment of $8.6 million in respect of the matured Secured Notes, offset by the proceeds on the sale of investments in the Formation Shares and the Oracle Shares of $6.2 million.

Melior believes that it has sufficient capital to meet its obligations as they come due and to cover continuing corporate costs estimated at approximately $1.1 million per annum. Future investments will be funded from the Corporation’s current cash position. Additional funding may be required in the future, depending on the scale of prospective investment opportunities Melior pursues.

Financial Instruments and Risk Management

The Corporation has classified its cash, cash equivalents and receivables as loans and receivables, which are measured at amortized 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:

Credit Risk Management

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

Liquidity Risk Management

The Corporation manages liquidity risk by maintaining adequate cash balances in order to meet liabilities as they come due. As at March 31, 2012, the Corporation had cash and cash equivalents of $28.0 million (June 30, 2011 - $30.8 million) to settle liabilities of $0.2 million (June 30, 2011 - $11.7 million). None of the Corporation's financial liabilities or commitments are interest bearing.

Foreign Currency Risk Management

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 March 31, 2012, only a nominal portion 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. The rate published by the Bank of Canada at the close of business on March 31, 2012 was US$.9975 per Canadian dollar. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

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 investment-grade deposit certificates issued by its banking institutions. 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.

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 imposed by a regulator or lending institution.

Commitments and Contingencies

All of the Corporation's obligations in the aggregate amount of $0.2 million as at March 31, 2012 are current and due within the year. The Corporation has sufficient cash resources to meet its current commitments.

Debt

Pursuant to the terms of the Note Indenture, the Corporation was required to use the net available cash from the sale of the La Francia I Assets to purchase the outstanding Senior Notes. Not all of the Senior Notes were tendered to the Note Offers and US$8.27 million remained outstanding. See "Senior Notes" above. The Senior Notes matured on August 31, 2011 for which a final payment of US$8.4 million in respect of principal and interest was made.

The Corporation does not have any debt outstanding as at March 31, 2012.

Off Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

Related Party Transactions

During the current three and nine month periods ended March 31, 2012, the Corporation did not have any transactions involving related parties.

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>Early Stage of Development</u>

Melior's intention is to make a limited number of investments in companies or properties that are in the early stages of development and, as a consequence, Melior may not enjoy the possible benefits associated with a more diversified asset portfolio. There can be no assurance that Melior's investment activities will be profitable. There can be no assurance that Melior will be able to generate sufficient activity to be profitable in the future and Melior's limited operating history providing advisory services in the mining, metallurgical and mineral sectors makes an evaluation of its prospects difficult. Future results of operations may fluctuate significantly based upon numerous factors, including economic conditions, activities of competitors, commodity prices and the ability of Melior to develop and maintain a diversified asset portfolio. Melior has limited funds with which to develop and maintain its asset portfolio.

<u>Investment Risk</u>

The success of the Corporation's investment strategy will depend, in part, on its ability to:

- identify suitable investments;
- negotiate the purchase of such investments on terms acceptable to it;
- complete the investments within expected time frames; and

- capitalize on such investments.

The Corporation may not be able to identify appropriate investments or to acquire any suitable investments that it identifies. Moreover, competition may reduce the number of investment opportunities available to the Corporation and may lead to unfavourable terms as part of any investment, including high purchase prices.

Additional Capital Requirements

The pursuit of the Corporation's business strategy may require substantial additional financing. 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.

Diversification Risk

Melior is primarily engaged in making strategic investments in mining, metallurgical or mineral opportunities and the consequent concentration in those businesses may result in a higher degree of volatility and price fluctuation than other investments that have better industry diversification. Moreover, even while Melior's intention is towards diversifying its investments in the resource sector, its value is closely tied to its investments and any adverse change in these investments would have a significant impact on Melior's value.

Economic Conditions

Unfavourable economic and equity market conditions, such as recessions, interest rate changes or international currency fluctuations, may adversely impact Melior's investment activities and in the case of any loans Melior may make, the returns generated by those loans. A negative impact on the value of Melior's portfolio or the returns thereon would likely have a negative impact on the market price of the Corporation's shares and warrants. Unfavourable economic and market conditions could also decrease Melior's net income, reduce demand for its services, and limit access to capital markets.

Marketability and Underlying Securities

The value of the Corporation's shares and warrants will vary according to the value of the securities in which Melior invests, which will depend, in part, upon the performance of the issuers of such securities. Fluctuations in the market values of such securities may occur for a number of reasons beyond the control of Melior including economic conditions, investor sentiment, global events and prices for base and precious metals. There is no assurance that an adequate market will exist for securities acquired by Melior. Certain investments made by Melior, including those securities listed on an exchange and not subject to resale restrictions, may be relatively illiquid and may decline in price if a significant number of such securities are offered for sale. In the case of equity investments in private issuers, there would be no public market and a risk that one may never develop.

Risks Associated with Investments in Resource Issuers

In general, Melior's business is to make investments (debt, equity or a combination of both) in mining, metallurgical or mineral resource issuers. The business activities of resources issuers are typically speculative and may be adversely affected by sector specific risk factors, outside the control of the resource issuer, which may ultimately have an impact on Melior's investments in these businesses. Risks associated with the resource sector include, without limitation, the following:

- the business of exploring minerals involves a high degree of risk. Many of the risks associated with exploration are beyond control of resource issuers. Many of the resource issuers that Melior invests in may not hold, discover or successfully exploit commercial quantities of minerals and/or may not have a history of earnings or payment of dividends;

- the marketability of natural resources which may be acquired or discovered by a resource issuer will be affected by numerous factors beyond the control of such resource issuer. These factors include market fluctuations in the price of metals, metal concentrates, and minerals, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of materials and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one, or a combination of, these factors could result in a resource issuer not receiving an adequate return for shareholders;

- a resource issuer may become subject to liability for pollution, cave-ins or other hazards against which a resource issuer cannot insure or against which it may elect not to insure. Such liabilities may have a material, adverse effect on such resource issuer's financial position and on the value of the securities of such resource issuer held as part of Melior's investment portfolio;

- a resource issuer'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. A resource issuer's property interests may be located in foreign jurisdictions, and its exploration operations in such jurisdictions 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 the resource issuer's business and/or its property holdings. Although a resource issuer'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 the resource issuer's operations. Amendments to current laws and regulations governing the operations of a resource issuer or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the resource issuer; and

- a resource issuer's operations may be subject to environmental regulations enacted by government agencies from time to time. A breach of such legislation may result in the imposition on the resource issuer 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 lead to stricter standards and enforcement and greater fines and penalties for non-compliance. The cost of compliance with government regulations may reduce the profitability of a resource issuer's operations.

Competition

Melior operates in the extremely competitive financial services industry and competes with a large number of companies that provide equity, debt and/or mezzanine financing. Many of Melior's competitors have greater financial, technical and other resources than Melior. These competitors may be able to respond more quickly and successfully to new or changing opportunities.

Realization of Benefits from Investments

There is a risk that some or all of the expected benefits of investments may fail to materialize, or may not occur within the time periods anticipated by management of the Corporation. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Corporation. The failure to realize some or all of the expected benefits of such investments could have a material adverse effect on the business, financial condition and results of operations of the Corporation.

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 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 Board, who are responsible for the future development of Melior's business. To carry out its investment activities, Melior will be relying upon the business judgment, expertise and integrity of Melior's management and 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 other 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 respecting the extent of such participation. Furthermore, part of Melior's investment strategy is to place at least one Melior nominee on the board of directors of its investee companies. 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). In accordance with applicable laws, the directors of Melior are required to act honestly, in good faith and in the best interests of Melior.

Foreign Currency Risk

The Corporation's functional currency is the Canadian Dollar. However, future major investments may be transacted in US dollars or other foreign currencies. The Corporation funds certain administrative expenses in the Columbian Peso using primarily US currency converted from its US dollar bank accounts held in Canada. Accordingly, the Corporation is subject to the risks inherent in exchange rate fluctuations.

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, short-term investments, and accounts receivable.

Indemnities Provided to Directors and Officers

The Corporation has agreed to indemnify each of its directors and officers in respect of certain liabilities or expenses which such directors and officers may incur as a result of acting as a director or officer of the Corporation or its related corporate entities. The indemnity agreements include an indemnification for all costs, charges, expenses, losses, damages, fees (including any legal, professional or advisory fees or disbursements), liabilities and amounts paid to settle or dispose of any civil, criminal or administrative proceeding. Certain of the claims noted under the heading "Settled Contingencies" in the Corporation's MD&A for the three months ended September 30, 2010 include claims against certain former and current directors and officers of the Corporation. The Corporation believes it carries sufficient Directors and Officers insurance to cover any potential claims for indemnity.

Settled Contingencies

See "Settlement with Goldman Sachs" for details of the CNRI Settlement.

Please refer to the Corporation's annual information form and the MD&A for the year ended June 30, 2011 for a description of other settled contingencies.

Changes in Accounting Policies:

International Financial Reporting Standards

IFRS replaced the existing Canadian GAAP for the Corporation, effective for its fiscal 2012 interim and annual financial statements. Accordingly, the Corporation is applying accounting policies consistent with IFRS beginning with its interim financial statements for this quarter ended September 30, 2011.

The adoption of IFRS resulted in changes to the Corporation's accounting policies. The accounting policies described in note 3 to the accompanying interim consolidated financial statements have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS balance sheet as at July 1, 2010.

The impact of the transition from Canadian GAAP to IFRS is explained in detail in note 14 to the accompanying interim consolidated financial statements.

The changes in accounting policy have not been applied to any information within this MD&A for periods prior to July 1, 2010.

First-time adoption of IFRS

The first-time adoption of IFRS generally requires retrospective application of the resulting changes in accounting policies.

Subject to certain optional exemptions and mandatory exceptions, the Corporation has applied the changes in accounting policies resulting from the adoption of IFRS retrospectively in the preparation of its opening IFRS statement of financial position as at January 1, 2010, the Corporation's "Transition Date".

The Corporation has elected to apply the following optional exemptions in the preparation of its opening IFRS consolidated statement of financial position as at July 1, 2010, the Corporation's Transition Date.

- To apply IFRS 2 *Share-based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 *Business Combinations* prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.
- To elect to designate certain existing financial instruments as available-for-sale as at the Transition Date.
- To elect apply IAS 21 *The Effect of Changes in Foreign Exchange Rates* prospectively from the Transition Date, and deem the cumulative translation differences for all foreign operations to be zero at the Transition Date.

Changes in accounting *policy resulting from the adoption of IFRS*

The adoption of IFRS resulted in changes to the Corporation's accounting policies, and has resulted in changes to the recognition and measurement of transactions and balances. The impact of adopting IFRS on the Corporation's financial statements is described in detail in note 14 to the accompanying interim consolidated financial statements.

The following summarizes the significant changes to the Corporation's accounting policies on adoption of IFRS.

Share-based Payments

In certain circumstances, IFRS requires a different measurement of share-based compensation than Canadian GAAP. In particular, IFRS requires that each tranche (that vests separately) must be treated as a separate grant and that an estimate of forfeitures be included in the determination of the expense associated with stock option grants.

Due to the nature of the Corporation's stock options, these changes in accounting policy did not have a significant impact on the Corporation's financial statements.

Financial Instruments

IFRS requires that financial instruments, except those classified as at fair value through profit and loss, be recognized net of transaction costs. Under Canadian GAAP, the Corporation's accounting policy was to expense transaction costs related to long-term debt as incurred.

The effect of applying these changes in accounting policies was a decrease in the carrying value of long-term debt at July 1, 2010 and a corresponding decrease in the deficit.

Functional currency

IFRS requires that the functional currency of the Corporation and its subsidiaries be determined separately, and the process of considering factors to determine functional currency is somewhat different than under Canadian GAAP.

The Corporation has determined that the functional currency under IFRS of the Corporation and all of its subsidiaries should the Canadian Dollar. Under Canadian GAAP, the functional currency of the Corporation and all of its subsidiaries was the US Dollar. The Corporation also decided to change its presentation currency to the Canadian Dollar.

The change in the functional currency of the Corporation and all of its subsidiaries was applied retrospectively, and resulted in changes to the translation of these entities into the presentation currency. Transactions in currencies other than the Canadian Dollar are translated into Canadian Dollars using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities not denominated in Canadian Dollars are translated at the period end rates of exchange. Foreign exchange gains and losses are recognized in the statement of operations. Previously, under Canadian GAAP, similar translation methods were used, however transactions and balances were translated into, and presented in, US dollars.

Reconciliations of Canadian GAAP to IFRS

Note 14 to the accompanying interim consolidated financial statements contain a number of reconciliations of previous Canadian GAAP financial information to those adjusted for IFRS, along with further explanations.

Outstanding Share Data

On August 17, 2011, the 19,878,577 warrants then listed on the TSXV under the symbol CCJ.WT.K expired unexercised.

As at May 29, 2012, the Corporation has the following securities outstanding:

	TSXV Symbol	Number Outstanding	Shares Issuable on Exercise	Exercise Price Cdn$	Expiry Date	Proceeds if Exercised Cdn$
Common shares	MLR	173,380,974	-	-	-	-
Warrants	MLR.WT.B	61,873,890	61,873,890	2.50	June 5, 2013	154,684,725

On September 23, 2011, the Corporation issued 3,875,000 options to certain directors, a consultant and executive officers of the Corporation with an exercise price of $0.17. The options vest on the date of the grant and expire seven years from the date of grant.

On September 30, 2011, the Corporation issued 373,925 shares pursuant to a share compensation agreement.

The Corporation has 4,475,000 stock options outstanding which, if exercised, would result in proceeds of approximately $1,334,000.

Additional Information

Additional information relating to the Corporation, including the Corporation's annual information form for the year ended June 30, 2011, 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.