



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

# Melior Resources Inc.

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

As at	September 30, 2012	June 30, 2012
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 22,912	\$ 22,333
Accounts receivable	93	-
Prepaid expenses and deposits	25	113
Due from Asian Mineral Resources Limited (Note 4)	-	300
	<b>23,030</b>	<b>22,746</b>
Investment in Asian Mineral Resources Limited (Note 4)	<b>2,364</b>	<b>4,255</b>
	<b>\$ 25,394</b>	<b>\$ 27,001</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 269	\$ 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	(506,982)	(507,233)
	<b>25,125</b>	<b>26,765</b>
	<b>\$ 25,394</b>	<b>\$ 27,001</b>

Nature of Operations (Note 1)

Subsequent Event (Note 7)

Approved on behalf of the Board:

"Mr. Robert Dietrich"

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)

For the three months ended September 30,	2012	2011
<b>Administrative Expenses</b>		
Office and administration	\$ 270	\$ 273
Loss before other expenses and income taxes	(270)	(273)
<b>Other Income (Expense)</b>		
Interest income	69	36
Share-based compensation	-	(418)
Interest on bonds payable	-	(169)
Foreign exchange (loss) gain	(11)	1,986
Loss on sale of marketable securities	-	(806)
	58	629
(Loss) income from continuing operations	(212)	356
Income from discontinued operations (Note 3)	463	66
<b>Net income for the period</b>	\$ 251	\$ 422
<b>Other Comprehensive Loss</b>		
Unrealized loss on available-for-sale financial assets	(1,891)	(1,878)
<b>Total comprehensive loss</b>	\$ (1,640)	\$ (1,456)
<b>Per common share, basic and fully diluted:</b>		
(Loss) income from continuing operations	\$ (0.001)	\$ 0.002
Income from discontinued operations	\$ 0.003	\$ 0.000
<b>Net income</b>	\$ 0.001	\$ 0.002
<b>Weighted average number of shares outstanding</b>	<b>173,380,974</b>	<b>173,034,033</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 income	-	-	-	-	422	422
Unrealized loss on available-for-sale financial assets	-	-	-	(1,878)	-	(1,878)
<b>Balance, September 30, 2011</b>	<b>173,380,974</b>	<b>\$ 375,885</b>	<b>\$ 159,051</b>	<b>\$ (1,886)</b>	<b>\$ (501,953)</b>	<b>\$ 31,097</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	-	-	-	-	251	251
Unrealized loss on available-for-sale financial assets	-	-	-	(1,891)	-	(1,891)
<b>Balance, September 30, 2012</b>	<b>173,380,974</b>	<b>\$ 375,885</b>	<b>\$ 159,058</b>	<b>\$ (2,836)</b>	<b>\$ (506,982)</b>	<b>\$ 25,125</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 three months ended September 30,	2012	2011
<b>Cash and cash equivalents (used in) provided by:</b>		
<b>Operating Activities</b>		
Net (loss) income from continuing operations	\$ (212)	\$ 356
Non-cash items included in net (loss) income:		
Share-based compensation	-	418
Shares issued for non-cash consideration	-	49
Foreign exchange gain	-	(1,451)
Loss on sale of marketable securities	-	806
Change in FV of marketable securities	-	(613)
Changes in non-cash working capital balances	28	231
Cash flows from continuing operations	(184)	(204)
Cash flows from discontinued operations	463	(47)
Cash flows from operating activities	279	(251)
<b>Investing Activities</b>		
Repayment from Asian Mineral Resources Limited	300	-
Proceeds on sale of marketable securities	-	2,644
Cash flows from continuing operations	300	2,644
Cash flows from discontinued operations	-	-
Cash flows from investing activities	300	2,644
<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	-	1,986
Change in cash and cash equivalents during the period	579	(4,213)
Cash and cash equivalents, beginning of period	22,333	32,070
Cash and cash equivalents, end of period	\$ 22,912	\$ 27,857

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)

For the three months ended September 30,	2012	2011
<b>Cash and cash equivalents are comprised of:</b>		
Cash and cash equivalents - continuing operations	\$ 22,912	\$ 26,624
Cash and cash equivalents - discontinued operations	-	1,233
	<b>\$ 22,912</b>	<b>\$ 27,857</b>
<b>Cash and cash equivalents consist of the following:</b>		
Cash	\$ 677	\$ 3,142
Short-term investments	22,235	24,715
	<b>\$ 22,912</b>	<b>\$ 27,857</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 Three Months Ended September 30, 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.

### 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 November 27, 2012, 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 September 30, 2012, the Corporation received \$463 (US\$460) from the purchaser of Coalcorp International AVV for its share of cash recovered. The \$463 (US\$460) was recognised as a gain from discontinued operations.

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three Months Ended September 30, 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. After closing of the Strategic Investment, the Corporation owned and controlled, directly and indirectly, a total of 47,272,727 AMR Shares representing approximately 13.2% 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 the period ended September 30, 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, September 30, 2011</b>	<b>173,380,974</b>	<b>\$ 375,885</b>
<b>Balance, June 30, 2012 and September 30, 2012</b>	<b>173,380,974</b>	<b>\$ 375,885</b>

(i) During the three 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 Three Months Ended September 30, 2012 and 2011 (Expressed in Thousands of Canadian Dollars) (Unaudited)

### 5. Share Capital (Continued)

#### (b) Warrants

The following summarizes the warrant activity for the three months ended September 30, 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, September 30, 2011</b>	<b>61,873,890</b>	<b>\$ 2.50</b>

The following summarizes the warrant activity for the three months ended September 30, 2012:

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

As of September 30, 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 September 30, 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, September 30, 2011</b>	<b>4,475,000</b>	<b>\$ 0.30</b>
<b>Balance, June 30, 2012 and September 30, 2012</b>	<b>3,390,000</b>	<b>\$ 0.25</b>

# Melior Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three Months Ended September 30, 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 September 30, 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	1.49	\$ 1.50
March 27, 2014	150,000	150,000	1.49	0.75
Sept. 21, 2018	3,090,000	3,090,000	5.98	0.17
	<b>3,390,000</b>	<b>3,390,000</b>	<b>5.58</b>	<b>\$ 0.25</b>

### 6. Related Party Transactions

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

Three months ended September 30,	2012	2011
Salaries and benefits	\$ 73	\$ 73
Share based payments	\$ -	\$ 49
Share-based compensation	\$ -	\$ 220

### 7. Subsequent Event

On October 1, 2012, Pala Investments Limited ("PIL") made an offer to purchase, for a purchase price of \$0.11 per share in cash for all of the outstanding Common Shares of Melior it does not own. The Offer includes any Common shares that may become outstanding after the date of the Offer and prior to November 5, 2012 upon the exercise of options, warrants or other rights to acquire Common Shares. Subsequently, PIL has extended the expiry time of the Offer to November 16, 2012 and subsequently to December 14, 2012. PIL and its affiliates owned directly or indirectly 94,061,625 Common Shares or approximately 54.3% of the outstanding Common Shares as at November 27, 2012.