



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2016 AND 2015

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE TO READER

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

Melior Resources Inc.

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

As At	December 31, 2016	June 30, 2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,679	\$ 466
Prepaid expenses and other receivables	262	156
Inventories (Note 6)	-	80
	1,941	702
Non-Current Assets		
Investment in Asian Mineral Resources Limited (Note 4)	945	945
Deposits (Note 5)	1,444	1,438
Property, Plant and equipment (Note 3)	4,684	5,200
Mineral Properties (Note 7)	4,713	4,800
	11,786	12,383
	\$ 13,727	\$ 13,085
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11 and 14)	\$ 1,851	\$ 1,910
Current portion of obligation under finance leases (Note 8)	8	27
Loan Payable (Note 10)	4,492	3,182
	6,351	5,119
Non-Current Liabilities		
Long term portion of finance leases (Note 8)	7	-
Decommissioning liability (Note 9)	868	853
	875	853
	7,226	5,972
Shareholder's Equity		
Share Capital (Note 12(a))	382,827	381,027
Contributed Surplus	159,058	159,058
Accumulated other comprehensive loss	(521)	(253)
Deficit	(534,863)	(532,719)
	6,501	7,113
	\$ 13,727	\$ 13,085

Nature of Operations and Going Concern (Note 1) Commitments and Contingencies (Note 11)

Approval on behalf of Board:

"Charles Entrekín"
Director

"Mark McCauley"
Director

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

Melior Resources Inc.

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

	Three Months Ended December 31		Six Months Ended December 31	
	2016	2015	2016	2015
Administrative Expenses				
Office and administration	\$ 1,016	\$ 602	\$ 1,564	\$ 1,276
Depreciation (Note 3)	181	343	363	570
Accretion (Note 9)	6	-	11	
Loss before other income (expenses)	(1,203)	(945)	(1,938)	(1,846)
Other Income (Expense)				
Interest Income	2	28	14	34
Gain on sale of plant & equipment (Note 3)	9	44	9	44
Finance Expense	(134)	(64)	(230)	(123)
Foreign exchange gain/(loss)	-	1	-	(27)
	(122)	9	(206)	(72)
Net Loss for the Period	\$ (1,325)	\$ (936)	\$ (2,144)	\$ (1,918)
Other Comprehensive Gain/(Loss)				
Items that will be reclassified subsequently into income:				
Foreign currency translation adjustment	(543)	1,536	(268)	1,190
Unrealised (loss)/gain on available-for-sale financial assets	(236)	(473)	-	(945)
	(779)	1,063	(268)	245
Total Comprehensive Gain/(Loss)	\$ (2,104)	\$ 127	\$ (2,412)	\$ (1,673)
Loss per common share, basic and fully diluted	\$ (0.006)	\$ (0.004)	\$ (0.010)	\$ (0.009)
Weighted average number of shares outstanding	219,295,032	211,468,945	215,381,988	211,468,945

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

Melior Resources Inc.

Condensed Interim Consolidated Changes in Shareholder's Equity

(Expressed in Thousands of Canadian Dollars)

(Unaudited)

	Common Shares		Contributed	Accumulated	Other	Deficit	Total
	Number	Amount	Surplus	Comprehensive	Loss		
Balance, June 30, 2015	211,468,945	\$ 381,027	\$ 159,058	\$ (4,047)	\$ (513,085)	\$ 22,953	
Foreign currency translation adjustment	-	-	-	1,190	-	1,190	
Net Loss for the period	-	-	-	-	(1,918)	(1,918)	
Unrealised loss on available-for-sale financial assets	-	-	-	(945)	-	(945)	
Balance, December 31 2015	211,468,945	\$ 381,027	\$ 159,058	\$ (3,802)	\$ (515,003)	\$ 21,280	
Balance, June 30, 2016	211,468,945	381,027	159,058	(253)	(532,719)	7,113	
Shares Issued	60,000,000	1,800	-	-	-	1,800	
Foreign currency translation adjustment	-	-	-	(268)	-	(63)	
Net Loss for the period	-	-	-	-	-	-	
Unrealised loss on available-for-sale financial assets	-	-	-	-	(2,144)	(2,144)	
Balance, December 31 2016	271,468,945	\$ 382,827	\$ 159,058	\$ (521)	\$ (534,863)	\$ 6,501	

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

Melior Resources Inc.

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

For the Six Months Ended December 31,	2016	2015
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Operating Activities		
Cash paid to suppliers, employees and others	\$ (1,678)	\$ (3,041)
Interest Received	14	34
Cash flows from operating activities	(1,664)	(3,007)
Investment Activities		
Payments for property, plant and equipment	-	(354)
Payments for mineral properties	-	(3,325)
Cash receipts from pre-production	-	1,523
Cash flows from investing activities	-	(2,156)
Financing Activities		
Proceeds from issue of share capital	1,800	-
Loan Proceeds	1,041	2,445
Arrangement fee on loan	-	(132)
Finance Lease repayments	26	(43)
Proceeds from disposal of equipment	10	-
Cash Flows from financing activities	2,877	2,270
Change in cash and cash equivalents during the period	1,213	(2,893)
Cash and cash equivalents, beginning of period	466	3,676
Cash and cash equivalents, end of period	\$ 1,679	\$ 783

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

Melior Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2016 and 2015 (Expressed in Thousands of Canadian Dollars) (Unaudited)

1. Nature of Operations and Going Concern

Melior Resources Inc., (the "Corporation"), is a Canadian 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.

These consolidated interim financial statements have been prepared under the assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Corporation has incurred ongoing losses and had a cumulative deficit of \$534,863 as at December 31, 2016 (June 30, 2016 \$532,719). The continuing operations of the Corporation are dependent upon its ability to continue to raise adequate financing, to commence profitable operations in the future, and repay its liabilities arising from normal business operations as they become due. These material uncertainties may cast significant doubt upon the Corporation's ability to continue as a going concern.

As at December 31, 2016, Pala Investments Limited ("Pala") owned directly or indirectly 48.3% of the Corporation'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 IFRS 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 IFRS issued and outstanding as of March 1, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2016. Any subsequent changes to IFRS that are given effect in the Corporation's annual financial statements for the year ending June 30, 2017 could result in restatement of these condensed interim consolidated financial statements.

New Standards Not Yet Adopted and Interpretations Issued But Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for annual periods commencing after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Corporation and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Corporation and the expected adoption date.

- (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 will be effective as at January 1, 2018. The Corporation is in the process of assessing the impact of this pronouncement.

Melior Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2016 and 2015 (Expressed in Thousands of Canadian Dollars) (Unaudited)

3. Property, Plant and Equipment

Cost	Vehicles		Plant and Equipment		Total
Balance, June 30, 2015	\$	482	\$	12,224	\$ 12,706
Additions		-		417	417
Disposals		(161)		(127)	(288)
Foreign Exchange		2		29	31
Impairment (Note 7)		-		(5,602)	(5,602)
Balance, June 30, 2016	\$	323	\$	6,941	\$ 7,264
Additions		-		-	-
Disposals		-		-	-
Foreign Exchange		(9)		(204)	(213)
Balance December 31, 2016	\$	314	\$	6,737	\$ 7,051
Accumulated Depreciation					
Balance June 30, 2015	\$	97	\$	767	\$ 864
Depreciation		72		1,294	1,366
Disposals		(116)		(50)	(166)
Balance, June 30, 2016	\$	53	\$	2,011	\$ 2,064
Depreciation		16		347	363
Disposals		-		-	-
Foreign Exchange		(1)		(59)	(60)
Balance December 31, 2016	\$	68	\$	2,299	\$ 2,367
Carrying Value					
At June 30, 2016	\$	270	\$	4,930	\$ 5,200
At December 31, 2016	\$	246	\$	4,438	\$ 4,684

During the quarter ended December 31, 2016 the Corporation sold decommissioned plant and equipment with a net book value of \$0 for \$9 resulting in a gain of \$9.

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"). 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.

Melior Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2016 and 2015 (Expressed in Thousands of Canadian Dollars) (Unaudited)

5. Deposits

As At	December 31, 2016	June 30, 2016
Term Deposits - Ergon utility deposit	\$ 147	\$ 146
Term Deposits - State of Queensland (Note9)	1,257	1,252
Office lease deposit	40	40
	\$ 1,444	\$ 1,438

6. Inventories

As At	December 31, 2016	June 30, 2016
Supplies	\$ -	\$ 80

7. Mineral Properties

	Six Months Ended December, 31 2016	Year Ended June, 30 2016
Opening Balance	\$ 4,800	\$ 7,829
Additions	-	3,350
Depreciation	-	112
Pre-production revenue	-	(1,539)
Impairment	-	(5,013)
Foreign Exchange	(87)	61
Closing Balance	\$ 4,713	\$ 4,800

The Goondicum ilmenite Project comprises two mining leases located in Central Queensland, Australia and is wholly-owned by Goondicum Resources. Goondicum Resources mined the deposit for a period of nine months between fiscal 2012 and 2013 before placing the mine on care and maintenance in June of 2013. Goondicum Resources commenced the upgrade and the necessary work to restart the Goondicum mine, in August 2014. Goondicum Resources commenced mineral commissioning of the upgraded Goondicum mine processing facility in April 2015.

In August of 2015 the Corporation suspended operations at its Goondicum operations due to unfavourable movements in the ilmenite market. Consequently, the Corporation undertook an impairment test on the cash generating unit being the plant, property and equipment and mineral properties. For the impairment test, a value in use model ("VIU") was used to determine the recoverable amount as this was expected to be higher than sale value less costs of disposal.

Melior Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2016 and 2015 (Expressed in Thousands of Canadian Dollars) (Unaudited)

7. Mineral Properties (continued)

The key assumptions and estimates used in determining the VIU were calculated using discounted after-tax cash flows based on cash flow projections in the Corporation's current life of mine plans. These projected cash flows were based on the latest expectation of future ilmenite prices, future capital expenditures, production costs estimates, discount rates and exchange rates. VIU was determined by calculating the net present value ("NPV") of the future cash flows expected to be generated by the mine. The key assumptions used by the Corporation for impairment testing are: ilmenite price per tonne US\$102-US\$160; discount rate of 20%; life of mine years of 13. For the three and six months ended December 31, 2016, impairment charges totalled \$nil (2015 - \$nil). A 10% decrease in the price of forecasted ilmenite, holding all other assumptions constant would result in a decrease in fair value of \$7,500. Management continues to monitor and assess impairment of the Corporation's assets.

8. Obligations Under Financial Leases

As At	December 31, 2016		June 30, 2016	
Obligation under finance leases	\$	15	\$	27
Less: Current position		(8)		(27)
Long-term portion	\$	7	\$	-

9. Decommissioning Liability

For the Corporation, asset retirement obligations primarily relate to the dismantling of the Goondicum Ilmenite Project. The estimate of future site removal and restoration costs depends on the development of environmentally acceptable mine closure plans. A summary of the changes in the provision for reclamation liabilities is set out below.

	December 31, 2016		June 30, 2016	
Opening balance	\$	853	\$	819
Accretion		11		28
Foreign exchange		4		6
Closing balance	\$	868	\$	853

The mine closure provision liability is based upon numerous estimates and assumptions, as follows:

- Total undiscounted amount of future retirement costs was determined to be \$1,344;
- Weighted average risk-free interest rate at 3.25%; and
- The \$1,344 undiscounted provision is expected to be fully disbursed in fiscal 2029.

The Corporation has posted rehabilitation deposits totalling \$1,257 with the State of Queensland as security for the Corporation's obligation under the mine closure plan.

Melior Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2016 and 2015 (Expressed in Thousands of Canadian Dollars) (Unaudited)

10. Loan Payable

On August 17, 2015, the Corporation entered into a secured loan agreement with Pala Investments Limited bearing interest at 10% per annum. The loan bears interest at 10% per annum and may not be prepaid prior to October 31, 2017, except upon completion of a liquidity event. The expiry and repayment date of the loan is October 31, 2022; however, Pala may demand settlement within five business days at any time on or after October 24, 2017. The total amount outstanding under the loan, including accrued interest and fees, is US\$3,341.

Drawdowns on facility	4,022
Interest	381
Fees	76
Foreign exchange	13
Balance December 31, 2016	\$ 4,492

11. Commitments and Contingencies

There are currently two separate entities that have a contractual entitlement to receive a royalty based on the gross income of Goondicum Resources derived from all mineral sales from tenements. The total of these royalties is 1.2375% of gross income. A third entity holds the right to receive a gross income royalty of 1.0125% of gross income derived from tenements on all minerals except ilmenite and apatite.

Goondicum Resources pays the state government a royalty of 5% of the revenue for all ilmenite sales and approximately \$A0.80/tonne for all phosphate rock sales. Included in accounts payable and accrued liabilities is A\$482 (\$476) (June 30, 2015 - A\$494 (\$475)) pertaining to royalties.

A separate entity is also entitled to a success fee of A\$419 (\$422) if gross revenues of Goondicum Resources exceed A\$23,000 (\$23,190) in any rolling 12-month period.

12. Share Capital

(a) Authorised

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

Issued

	Number of Common Shares	Amount
Balance, June 30, 2015	211,468,945	\$ 381,027
Issued during the period	-	-
Balance, December 31, 2015	211,468,945	381,027
Issued during the period	60,000,000	1,800
Balance, December 31, 2016	271,468,945	\$ 382,827

Melior Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2016 and 2015 (Expressed in Thousands of Canadian Dollars) (Unaudited)

12. Share Capital (continued)

(b) Stock Options

As at December 31, 2016, 19,436,895 common shares remain available for grant under the stock option 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, 2015 and December 31, 2015	1,710,000	\$ 0.17
Balance, June 30, 2016 and December 31, 2016	1,710,000	\$ 0.17

As s at December 31, 2016 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
Sept. 21, 2018	1,710,000	1,710,000	1.72	\$ \$0.17

Melior Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2016 and 2015 (Expressed in Thousands of Canadian Dollars) (Unaudited)

13. General and Administrative

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Salaries and benefits	\$ 256	\$ 237	\$ 457	\$ 604
Professional fees	395	139	476	271
Director fees	-	-	-	16
General and office	69	63	153	56
Utilities and fuel	87	70	150	177
Filing and regulatory fees	2	6	6	11
Environmental compliance	25	1	29	1
Travel	20	11	26	17
Insurance	15	45	46	64
Test work	94	-	194	-
Repairs and maintenance	2	30	27	59
	\$ 965	\$ 602	\$ 1,564	\$ 1,276

14. Related Party Transactions and Balances

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Salaries and benefits	\$ 105	\$ 63	\$ 230	\$ 156
Directors fees	\$ -	\$ -	\$ -	\$ 16

The Corporation and Goondicum Resources have entered into an Advisory Services Agreement with Pala Investments Limited (a significant shareholder) ("Pala") to provide the Corporation with consultancy support in evaluating potential capital investments and Goondicum Resources with support advisory services. During the three and six months ended December 31, 2016, the Corporation incurred consultancy fees of US\$25 and US\$25 (three and six months ended December 31, 2015 - US\$25 and US\$25), under the terms of the Advisory Services Agreement, included in office and administration expenses. Included in accounts payable and accrued liabilities as at December 31, 2016 is US\$225 (June 30, 2016 - US\$175) pertaining to these fees and reimbursable expenses.

Melior Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended December 31, 2016 and 2015 (Expressed in Thousands of Canadian Dollars) (Unaudited)

15. Segmented Information

The Corporation operates in one segment and has one head office segment - the exploration and development of mineral properties, which are located in Australia. Identifiable assets are:

December 31, 2016	Canada	Australia	Total
Property, plant and equipment	\$	4,684	4,684
Mineral properties		4,713	4,713
Corporate and other assets	2,316	2,014	4,330
Total Assets	\$ 2,316	11,411	13,727
Net loss for the six months ended			
December 31, 2016	\$ (651)	(1,493)	(2,144)

December 31, 2015	Canada	Australia	Total
Property, plant and equipment	\$	12,070	12,070
Mineral properties	-	9,885	9,885
Corporate and other assets	1,926	2,203	4,129
Total Assets	\$ 1,926	24,158	26,084
Net loss for the six months ended			
December 31, 2015	\$ (501)	(1,417)	(1,918)

16. Subsequent Events

On February 13, 2017, the Corporation announced the appointment of Mr Rishi Tibriwal to the board of directors. The board of Melior now consists of four directors, including Charles Entrekin, Martyn Buttenshaw, Mark McCauley and Rishi Tibriwal. The Corporation also announced the recommencement of remuneration of the board and an options plan for executive management.

17. Comparative Information

Certain comparative amounts have been reclassified to conform to current period financial statement presentation.