



MELIOR RESOURCES INC.

**ANNUAL INFORMATION FORM
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2011**

Dated: October 28, 2011

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APPENDIX “A” CHARTER OF THE AUDIT COMMITTEE

FORWARD-LOOKING STATEMENTS

Certain statements in this annual information form (“AIF”) may constitute “forward-looking” statements regarding, among other things, the beliefs, plans, objectives, strategies, estimates, intentions or expectations of Melior Resources Inc. (“Melior” or the “Corporation”), including as they relate to its financial results, and the ability to execute on its investing and business strategies. These forward-looking statements are based on certain assumptions by management, certain of which are set out herein. Inherent in these forward-looking statements are known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Corporation, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements can often be identified by the use of words such as “may”, “will”, “expect”, “believe”, “plan”, “intend”, “anticipate”, “estimate” and other similar terminology. These statements reflect current expectations regarding future events and performance and speak only as of the date of this AIF. 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 AIF 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 and not place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of this AIF. The Corporation anticipates that subsequent events and circumstances may cause the Corporation’s views to change 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 AIF include, but are not limited to, statements with respect to:

- the implementation of the Corporation’s new business strategy which it is intended will capitalize on the board of directors’ 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.

Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this AIF include, but are not limited to:

- competition for, among other things, capital, properties and/or investments and skilled personnel; and
- the other factors considered under “Risk Factors”.

GENERAL MATTERS

References in this AIF to “\$” are to United States dollars and references to “Cdn\$” are to Canadian dollars.

The industry and other statistical data presented in this AIF, except where otherwise noted, have been compiled from sources and participants which, although not independently verified by the Corporation, are considered by the Corporation to be reliable sources of information.

Unless otherwise specified, the information contained in this AIF is presented as at June 30, 2011 but has been updated to October 27, 2011.

EXCHANGE RATE INFORMATION

Melior's financial statements are presented in United States dollars; however, Melior earns revenues and incurs expenses in United States dollars and Canadian dollars. The average rates of exchange as at June 30, 2011 and October 27, 2011, based on the noon spot rate as published by the Bank of Canada were as follows:

June 30, 2011		October 27, 2011	
\$1.00 = Cdn\$0.96	Cdn\$1.00 = \$1.04	\$1.00 = Cdn\$0.99	Cdn\$1.00 = \$1.01

CORPORATE STRUCTURE

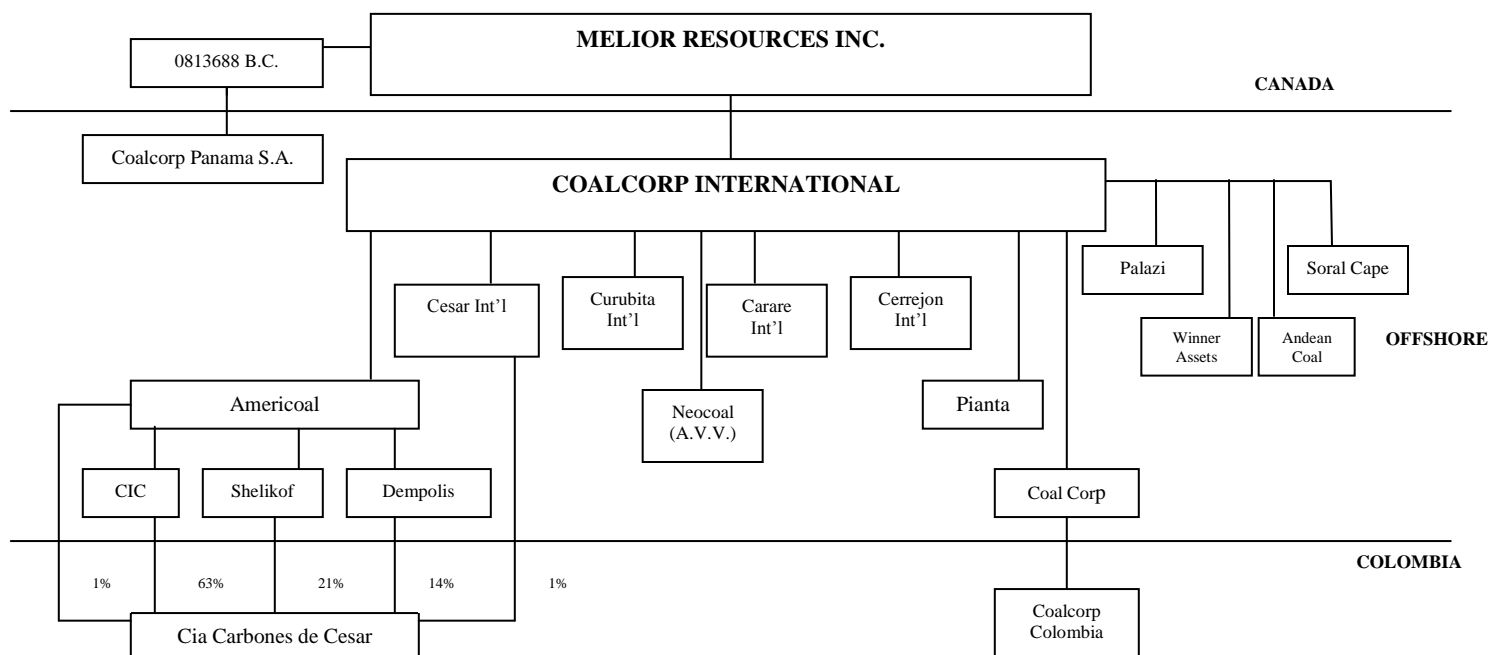
Name, Address and Incorporation

The Corporation was incorporated under the laws of the Province of British Columbia on June 1, 1995 as Madoc Mining Company Ltd. The Corporation changed its name to Adobe Ventures Inc., on January 28, 1999, to Coalcorp Mining Inc., on October 27, 2005, and subsequently to Melior Resources Inc., on September 29, 2011.

The Corporation moved its head office from Toronto, Ontario to Bogotá, D.C., Colombia effective as of March 2, 2009. Following the Transaction (as defined below), the Corporation relocated its head office from Bogota, Colombia to 120 Adelaide Street West, Suite 2500, Toronto, ON M5H 1T1. The Corporation's registered office is located at 355 Burrard Street, Suite 1900 Vancouver, British Columbia, V6C 2G8.

Intercorporate Relationships

The following charts illustrate the relationship between the Corporation and its subsidiaries, the jurisdiction of incorporation of each subsidiary and the percentage of voting securities beneficially owned, or controlled or directed, directly or indirectly, by the Corporation. The intercorporate relationships are complicated by the fact that, at the time of incorporation of the various corporate entities, Colombian corporate law required a corporation to have a minimum of five shareholders. Except where otherwise indicated, each subsidiary is wholly-owned by its parent.



ABBREVIATION	COMPANY NAME	JURISDICTION
Americoal	Americoal Corporation Ltd.	British Virgin Islands
Andean Coal	Andean Coal Corporation	British Virgin Islands
Carare Int'l	Carare International A.V.V.	Aruba
Cerrejon Int'l	Cerrejón International A.V.V.	Aruba
Cesar Int'l	Cesar International A.V.V.	Aruba
CIC	Carbones Internacionales Cesar S.A.	Panama
Coal Corp	Coal Corp Ltd.	British Virgin Islands
Coalcorp International	Coalcorp International A.V.V.	Aruba
Coalcorp Panama S.A.	Coalcorp Panama S.A.	Panama
Curubita Int'l	Curubita International A.V.V.	Aruba
Dempolis	Corporación Dempolis S.A.	Panama
Neocoal	Neocoal A.V.V.	Aruba
Palazi	Palazi Ltd.	British Virgin Islands
Pianta	Pianta Ltd.	British Virgin Islands
Shelikof	Shelikoff Group Inc.	Panama
Soral Cape	Soral Cape Ltd.	British Virgin Islands
Winner Assets	Winner Assets Corp.	Panama

The Corporation intends to simplify its corporate organizational structure by winding up or dissolving certain of its subsidiaries that no longer hold assets and/or are no longer relevant to the Corporation's business.

GENERAL DEVELOPMENT OF THE BUSINESS

The following describes the general development of the business of the Corporation over the last three completed financial years.

Strategic Alternatives Review

On April 24, 2009, the Corporation announced that it was planning to restructure its operations with the objective of stabilizing its mining operations, preserving liquidity, reducing costs and establishing a foundation for a sustainable business (the “**Operational Restructuring Plan**”). The Operational Restructuring Plan was discontinued by the Corporation in November, 2009 when the board of directors (the “**Board**”) decided to focus on the Strategic Alternatives Review (as defined below).

Following an extensive review by the Board and management of the Corporation’s financial position and the status of the Operational Restructuring Plan, in June 2009, the Board began to consider possible strategic alternatives (the “**Strategic Alternatives Review**”). Among other things, the Board considered the Corporation’s projected liquidity position, the possibility of obtaining debt/equity financing, its current and estimated projected coal sales and revenues, coal market fundamentals, ongoing operating and overhead costs and significant capital expenditure requirements, the status of its initiatives to obtain long-term port access in Colombia, as well as the costs of pursuing various actions, arbitrations and proceedings involving the Corporation in both Canada and Colombia. After evaluating the position of the Corporation, as well as considering the risks and costs of pursuing the Corporation’s Operational Restructuring Plan, the Board determined that it would be prudent to also consider strategic alternatives to maximize the value of the Corporation’s assets. Among the strategic alternatives that the Board determined should be considered, were a possible sale of the Corporation or a possible sale of its key asset, the La Francia I Mine.

The Transaction

As a result of the Strategic Alternatives Review, on January 7, 2010, the Corporation announced that certain of its wholly-owned subsidiaries had entered into the Transaction Agreements to sell the La Francia I 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.

The disposition of the La Francia I Assets and the Adromi Shares is referred to as the “**Transaction**”. Included as part of the La Francia I Assets was a coal supply agreement entered into between Compañía Carbones del Cesar S.A. (“**CDC**”) and Constellation Energy Commodities Group Inc. (“**Constellation**”) providing for the sale by CDC of 2.4 million metric tonnes of coal to Constellation at an established fixed price (the “**Coal Contract**”), which CDC, the indirect wholly-owned Colombian subsidiary of the Corporation that owned the La Francia I Assets, assigned to the Purchaser.

Pursuant to the Transaction Agreements, the cash consideration for the La Francia I Assets was \$99.2 million and the cash consideration for the Adromi Shares was \$51 million.

The Transaction was approved by over 87% of the votes cast by the Corporation’s shareholders at a special meeting held on February 11, 2010 to consider the Transaction. The Transaction was completed on March 19, 2010.

Further details of the Transaction are described in the Management Information Circular mailed to shareholders on January 21, 2010 and in the press release issued by the Corporation on February 3, 2010,

both of which have been filed on SEDAR at www.sedar.com. Copies of the Transaction Agreements were also filed and are available on SEDAR.

Senior Notes

Pursuant to the terms of the Note Indenture governing the Senior Notes, the Corporation was required to use the net available cash from the sale of the La Francia I Assets to repurchase 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 repurchase all remaining outstanding Senior Notes for 100% of the principal amount (plus any accrued interest) (the “**Remaining Notes Offer**”). Both the Restricted Asset Transfer Offer and Remaining Notes Offer (collectively, the “**Note Offers**”) were conditional upon the completion of the Transaction and were completed upon the closing of the Transaction. The terms and conditions of the Note Offers were mailed out to holders of the Senior Notes on January 28, 2010.

Upon completion of the Transaction, \$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 Transfer Offer and \$15.8 million was applied to repurchase Senior Notes that tendered to the Remaining Notes Offer. The outstanding interest on the Senior Notes was paid prior to closing of the Transaction. Following such repurchases of Senior Notes under the Note Offers, an aggregate principal amount of \$8.27 million of Senior Notes remained outstanding. Upon completion of the Note Offers, all security granted against the assets sold to the Purchaser pursuant to the Transaction were released and discharged. As a result, there were limited assets or property of the Corporation and its subsidiaries securing the obligations under the Note Indenture.

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

Reorganization

Upon completion of the Transaction, the Corporation moved its head office to Toronto, Canada and began the process of simplifying its corporate structure. In December 2010, Compañia Carbones del Cesar S.A. (“CDC”), a Colombian subsidiary of the Corporation, entered into voluntary liquidation. The liquidation process is anticipated to take upwards of one year to finalize. The repatriation of any residual net assets will not occur until completion of the liquidation process. In addition, GC Coal a former subsidiary of the Corporation, domiciled in Ireland, was dissolved within the last fiscal year. The Corporation intends to continue simplifying its corporate structure by winding up, selling or dissolving certain of its subsidiaries that are no longer relevant to the business.

Investment in Formation Metals Inc.

Pursuant to a subscription agreement dated May 6, 2010, the Corporation agreed to purchase a Cdn\$8,000,000 unsecured convertible debenture (the “**Debenture**”) from Formation Metals Inc. (“**Formation**”). 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**”). The Debenture was convertible into Formation Shares at Cdn\$1.50 per Formation Share during the initial term.

On March 14, 2011, the Corporation announced that it had completed an agreement with Formation for the prepayment by Formation of the Debenture. Pursuant to such agreement, the Corporation surrendered

the Debenture to Formation against payment of \$9,333,333 in cash and 400,000 Formation Shares. As at the date hereof, the Corporation no longer holds any Formation Shares.

Investment in Oracle Mining Corp.

The Corporation entered into a subscription agreement dated October 25, 2010 (the “**Subscription Agreement**”) with Gold Hawk Resources Inc., which subsequently changed its name to Oracle Mining Corp. (“**Oracle**”). Pursuant to the Subscription Agreement, the Corporation agreed to purchase 6,000,000 common shares in the capital of Oracle (“**Oracle Shares**”) at a price of \$1.25 per Oracle Share for an aggregate purchase price of \$7.5 million. One of the Corporation’s directors, Mr. Gregory Radke, joined the board of directors of Oracle following closing of the transaction. As at the date hereof, the Corporation no longer holds any Oracle Shares and Mr. Radke has resigned from Oracle’s board of directors.

Settlement of Outstanding Litigation

The Corporation, Xira and certain former members the Corporation’s management and other parties to various claims amongst them entered into a settlement agreement dated January 31, 2010 (the “**Settlement Agreement**”). Under the terms of the Settlement Agreement, Xira agreed to pay \$34 million payable as follows: (i) \$7 million on February 8, 2010; (ii) \$17 million on March 15, 2010; (iii) \$8 million on September 15, 2010; and (iv) \$2 million on January 31, 2011. The Corporation received all such payments.

The Settlement Agreement also provided that: (i) on March 15, 2010, the 40% shareholding in CCC (the owner of the Caypa Mine) held in escrow would be released to Xira and the remaining 60% shareholding in CCC held by certain of the Corporation’s subsidiaries would be assigned to Xira; (ii) Andean agreed to waive its sales commission on production from the Caypa Mine and cancel any outstanding payments; (iii) Blue Pacific Assets Corp. (“**Blue Pacific**”) agreed to terminate its royalty on production from the La Francia I Mine and cancel any outstanding royalty payments; (iv) all litigation and regulatory proceedings among the parties would be terminated; (v) all parties would release the others as part of the settlement; and (vi) the releases in favour of Xira and the former management group would be held in escrow until receipt of the final payment from Xira due on January 31, 2011.

On March 21, 2011 the Corporation announced that it had entered into a settlement and mutual release (the “**GS Settlement Agreement**”) with certain affiliates of the Goldman Sachs Group, Inc. (“**Goldman Sachs**”), including Colombian Natural Resources I SAS (“**CNRI**”). Pursuant to the GS Settlement Agreement, the parties irrevocably released and discharged each other from any and all claims, including those raised by CNRI in the Notices of Claim announced on November 3, 2010 and December 3, 2010, arising out of or relating to the Transaction.

In accordance with the terms of an escrow agreement (the “**Escrow Agreement**”) dated March 19, 2010 among Computershare Trust Company of Canada (“**Computershare**”), the Corporation, and CNRI and Colombian Natural Resources II SAS (collectively, the “**CNR Parties**”), Computershare was holding \$8,000,000 in escrow in connection with the Transaction. Pursuant to the GS Settlement Agreement, \$6,230,576 was released to the CNR Parties and \$1,769,423 was released to the Corporation.

Changes in the Board of Directors and Management

The Corporation has experienced significant changes to the composition of its Board and management over the last few years. Between November 2008 and March 2009, there was a transition in the senior management of the Corporation and the constitution of the Board due to various resignations, departures and terminations. As a result, by March 2009, the Corporation was effectively under entirely new

management. Effective March 19, 2010, upon completion of the Transaction, the Board accepted the resignations of Juan Carlos Gomez, Interim Chief Executive Officer (“CEO”), and Joseph Belan, Executive Vice Chairman, and Steven Cresswell was appointed by the Board as the new Interim CEO of the Corporation.

On March 24, 2011, the Corporation announced the appointment of Robert Dietrich to the Board. In addition, Richard Lister, then Chairman of the Corporation, assumed the added responsibilities of CEO and Steven Cresswell stepped down as Interim CEO and assumed the responsibility of Chief Financial Officer (“CFO”).

On August 17, 2011, the Corporation announced the appointment of Charles Entrekin to the positions of CEO and Chairman of the Board. Charles Entrekin replaced Richard Lister following his resignation for personal reasons; however, the Corporation retained Richard Lister as a consultant. The Corporation expects to launch a search for a full time President & CEO, at which time Charles Entrekin will assume the duties of Chairman.

On September 9, 2011, the Corporation announced the appointment of Daniel Dumas to the Board.

Graduation from NEX and Recategorization as an Investment Issuer

Effective April 1, 2011 the Corporation commenced trading on Tier 1 of the TSX Venture Exchange (the “TSXV”) as an “Investment Issuer”. The Corporation received the consent of shareholders holding greater than 50% of the issued and outstanding shares in the capital of the Corporation to the change of business from a mineral resource company to an investment issuer. Shareholder approval was obtained by written consent.

In conjunction with its recategorization, the Corporation adopted an Investment Policy which provides guidelines and criteria for all of Melior’s investment activities. The Investment Policy is attached as Schedule “A” to the Corporation’s news release issued and filed under Melior’s profile on SEDAR on March 31, 2011.

DESCRIPTION OF THE BUSINESS

As at June 30, 2011, the Corporation held the following assets:

- unrestricted net cash proceeds of approximately \$31.6 million;
- 1,195,638 Formation Shares; and
- 5,996,800 Oracle Shares.

Subsequent to the year end, the Corporation sold all of its Oracle Shares and Formation Shares and made the final payment on its Senior Notes and currently holds unrestricted net cash proceeds of approximately \$28.8 million.

New Business Strategy

The Board has developed a new business strategy for the Corporation which it is intended will capitalize on the Board’s and management’s expertise and enable the Corporation to invest and aid growth in projects in the mining, metallurgical and mineral industries.

Melior plans to make strategic investments in 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.

Employees

The Corporation has two employees, Charles Entrekin, the CEO and Steven Cresswell, the CFO.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Corporation consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares without par value.

As at the date hereof, 173,007,049 Common Shares and no preferred shares are issued and outstanding. From time to time, the Corporation has issued warrants and as at October 27, 2011 warrants exercisable to acquire an aggregate of 61,873,890 Common Shares at an exercise price of Cdn\$2.50 are outstanding. In addition, options granted pursuant to the Corporation's stock option plan and exercisable to acquire an aggregate of 4,475,000 Common Shares (at exercise prices ranging from Cdn\$0.17 to Cdn\$1.50) are outstanding.

Common Shares

Subject to the rights of the holders of preferred shares of the Corporation, the holders of Common Shares are entitled to dividends, if, as and when declared by the Board, to one vote per Common Share at meetings of the shareholders of the Corporation and upon liquidation, dissolution or winding-up, to share equally in such assets of the Corporation as are distributable to the holders of Common Shares.

Preferred Shares

The preferred shares of the Corporation may be issued in one or more series and, with respect to the payment of dividends and the distribution of assets in the event that the Corporation is liquidated, dissolved or wound-up, rank prior to the Common Shares. The Board has the authority to issue preferred shares in series and to determine the price, number, designation, rights, privileges, restrictions and conditions, including dividend rights, redemption rights, conversion rights and voting rights, of each series without any further vote or action by shareholders. The holders of preferred shares do not have pre-emptive rights to subscribe for any issue of securities of the Corporation.

DIVIDENDS

The Corporation has never declared or paid a dividend. Other than pursuant to applicable TSXV rules, there are no restrictions on the Corporation that would prevent it from paying a dividend; however, the Corporation intends to retain future earnings for reinvestment in the Corporation's business and, therefore, has no current intention to pay dividends on its Common Shares in the foreseeable future.

MARKET FOR SECURITIES

Trading Price and Volume

Common Shares

The Common Shares were listed on NEX under the trading symbol “CCJ.H” until March 31, 2011. As of April 1, 2011 the Common Shares were listed on the TSXV, initially under the trading symbol “CCJ” and as of September 29, 2011 under the trading symbol “MLR”. The closing price of the Common Shares on October 26, 2011, was Cdn\$0.11.

The following tables set out the high and low trading prices and the trading volume of the Common Shares for the periods indicated, as reported by the TSXV/NEX/TSX.

TSXV	Price Range Cdn\$		
Period	High	Low	Trading Volume
2011			
October 1 – 26	0.15	0.11	125,101
September	0.16	0.11	425,564
August	0.14	0.10	2,356,818
July	0.13	0.10	11,401,070
June	0.16	0.13	704,028
May	0.18	0.15	1,512,830
April	0.22	0.15	3,685,462

NEX	Price Range Cdn\$		
Period	High	Low	Trading Volume
2011			
March	0.18	0.12	5,555,465
February	0.17	0.11	3,405,717
January	0.12	0.09	1,539,748
2010			
December	0.12	0.09	3,262,110
November	0.13	0.10	2,491,409
October	-	-	-
September	0.10	0.09	2,096,787
August 17- 31	0.10	0.08	2,283,759

TSX	Price Range Cdn\$		
Period	High	Low	Trading Volume
2010			
August 1-16	0.10	0.08	2,783,008
July	0.105	0.055	5,240,685

Warrants

The Warrants were listed on NEX under the trading symbol “CCJ.WT.X”. As of April 1, 2011 the Warrants were listed on the TSXV, initially under the trading symbol “CCJ.WT.B” and as of September 29, 2011 under the trading symbol “MLR.WT.B”. The closing price of the Warrants on October 26, 2011 was Cdn\$.005.

The following table sets out the high and low trading prices and the trading volume of the Warrants for the periods indicated, as reported by the TSXV/NEX/TSX.

TSXV	Price Range Cdn\$		
Period	High	Low	Trading Volume
2011			
October 1 - 26	0.005	0.005	91,000
September	0.010	0.005	579,682
August	0.005	0.005	1,798,504
July	0.010	0.005	7,343,000
June	0.010	0.005	398,000
May	0.010	0.005	485,250
April	0.020	0.010	2,622,015

NEX	Price Range Cdn\$		
Period	High	Low	Trading Volume
2011			
March	0.015	0.005	7,605,000
February	0.005	0.005	1,739,000
January	0.010	0.005	1,895,015
2010			
December	0.010	0.005	453,000
November	0.010	0.005	352,000
October	-	-	-
September	0.015	0.005	315,000
August 17- 31	0.010	0.005	87,000

TSX	Price Range Cdn\$		
Period	High	Low	Trading Volume
2010			
August 1-16	0.015	0.005	273,000
July	0.02	0.005	4,262,000

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers of the Corporation

The name, location of residence, position or office held with the Corporation and principal occupation during the past five years of each director and executive officer of the Corporation is set out in table below:

Name and Location of Residence ⁽¹⁾	Position/Office	Principal Occupation(s) During Past 5 Years	Director/Executive Officer Since
Dr. Charles Entrekin ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Pennsylvania, U.S.A.	Chairman of the Board and CEO	Independent Consultant since April, 2008. President & COO of Titanium Metals Corporation, Dallas, Texas from 2007 to 2008 and President & CEO of Timminco Ltd., Toronto, Ontario from 2005 to 2006	March 27, 2009
Mr. Gregory Radke ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Luzern, Switzerland	Director	General Counsel of Pala Investments AG	February 27, 2010
Mr. Robert Dietrich ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada	Director	Financial Consultant, previously the Executive Vice President, Finance and CFO of Timminco Limited from 2006 to August 2011	March 24, 2011
Mr. Daniel Dumas ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾ Ontario, Canada	Director	CEO of Dumas Contracting Ltd.	September 8, 2011
Mr. Steven Cresswell Ontario, Canada	CFO	CFO of the Corporation from March 24, 2011. Interim CEO of the Corporation (on a consultancy basis) from March 2010 to March 2011. CFO of Tiberon Minerals PTE from 2007 to 2009	March 19, 2010

The information as to residence and principal occupation(s) is based on information furnished to the Corporation by the respective directors and executive officers.

Notes:

- (1) The Audit Committee is comprised of Mr. Dietrich, Dr. Entrekin and Mr. Dumas. Mr Dietrich serves as the chair of the Audit Committee.
- (2) The Investment Committee is comprised of Dr. Entrekin, Mr. Dietrich, Mr. Dumas and Mr. Radke. Dr. Entrekin serves as the chair of the Investment Committee.
- (3) The Nomination Committee is comprised of Mr. Dumas, Mr Radke and Dr. Entrekin. Dr. Entrekin serves as the chair of the Nomination Committee.
- (4) The Corporate Governance Committee is comprised of Dr. Entrekin, Mr Dietrich and Mr. Radke. Mr. Radke serves as the chair of the Corporate Governance Committee.
- (5) The Compensation Committee is comprised of Mr. Dumas, Mr. Dietrich and Mr. Radke.

The term of office of each director expires at the next annual meeting of the shareholders of Melior.

To the knowledge of the Corporation, no director or executive officer of the Corporation owns, or controls, directly or indirectly, any voting securities of the Corporation.

Biographies of Directors and Executive Officers

Charles Entrekin, Director – Dr. Entrekin has over 30 years of experience in the mining and metals sector and possesses significant public company experience at the executive officer level. He has recently served as President & Chief Operating Officer of Titanium Metals Corporation, a \$1.3 billion NYSE listed producer of primary titanium and its alloys, as well as President & CEO of Timminco Limited (TIM-TSX), a \$250 million TSX listed magnesium, silicon and aluminum company. Through his career Dr. Entrekin has led and implemented many successful restructurings and turnarounds of mining and metals companies in North America and further afield. Dr. Entrekin holds a B.Sc from Lehigh University, an MBA from the University of Delaware and an M.Sc. and Ph.D. from Drexel University. Dr. Entrekin is also a director of Sierra Rutile Ltd.

Gregory Radke, Director – Mr. Radke has worked for more than 18 years in international finance and M&A, including extensive experience with both private and public companies in diverse capital markets such as New York, Toronto, London, Singapore, Hong Kong and Tokyo. Mr. Radke has participated in the formation and management of investment funds for institutional investors from around the world, as well as the restructuring and governance of companies owned by investment funds. He now works as General Counsel for Pala Investments AG, the Switzerland-based exclusive advisor to Pala Investments Holdings Limited (“Pala”)(Melior’s largest shareholder), a multi-strategy investment fund with a focus on mining and natural resources. Mr. Radke received his J.D. from Columbia University and his B.A., magna cum laude, from Harvard University.

Robert Dietrich, Director – Mr. Dietrich is a financial consultant. Previously he was the Executive Vice President, Finance and CFO of Timminco Limited (TIM-TSX) a producer of silicon metal for the chemical and aluminum industries and solar grade silicon for the solar industry. Mr Dietrich is a graduate of Queen's University (B. Comm) and is a Chartered Accountant. He has held various senior financial management positions in Canadian-based public companies over the past 20 years including as the CFO of MKS (MKX-TSX), the CFO of Cedara Software (formerly listed on the TSX and NASDAQ). He has also held other senior management positions including Vice President Corporate Development, Treasurer and Corporate Controller for Mitel Corporation (at that time listed on the TSX and NYSE). Mr Dietrich began his career with Ernst & Young in Toronto where he served in both the Audit and Corporate Finance (Valuations, M&A advisory) practices. Mr Dietrich has also served on various national committees of Financial Executives International Canada.

Daniel Dumas, Director – Mr. Dumas is currently CEO of Dumas Contracting Ltd., a full-service underground mining contractor providing services throughout Canada, Central and South America and West Africa. He established Dumas Contracting Ltd. in 1994 and has since lead the company to become a specialized international mining contractor. Mr. Dumas has a strong diversified background in mining operations, finance and business development and is involved with many publically listed mining companies. He holds a Bachelor of Science and a Master of Science in Mining Engineering from New Mexico Tech and presently possesses Professional Engineering Licenses in Ontario and several other Provinces.

Steven Cresswell, CFO – Mr. Cresswell has over 20 years of financial experience working for both private and public companies; primarily in the resource sector. Previously he held the position of CFO for Tiberon Minerals PTE, a Singaporean company developing a polymetallic mine in Northern Vietnam. In addition to his Asian experience, Mr. Cresswell has a broad base of international experience having worked in North, South and Central America. He received his BAccS from the University of Calgary and also holds a CGA.

Cease Trade Orders

With the exception of the MCTO (described below), the Temporary Order and the Orders (see “Legal Proceedings and Regulatory Actions - Regulatory Actions”), no director or executive officer of the Corporation is, or was within 10 years before the date of this AIF, a director, CEO or CFO of any company that: (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, CEO or CFO; or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO. “Order” means a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

On October 19, 2009, the OSC issued a management cease trade order (“MCTO”) related to the securities of the Corporation against Mr. Belan, the CEO of the Corporation at such time, with respect to the delayed filing of the Corporation’s annual financial statements, the related MD&A and the annual information form, each for the year ended June 30, 2009. The terms of the MCTO provided that trading in and all acquisitions of securities of the Corporation, whether direct or indirect, by Mr. Belan should cease until two full business days following the receipt by the OSC of all filings the Corporation was required to make under Ontario securities law. The MCTO is no longer in effect.

Bankruptcies

No director or executive officer of the Corporation or, to the knowledge of the Corporation, shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation: (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties and Sanctions

No director or executive officer of the Corporation or, to the knowledge of the Corporation, shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There is potential for material conflicts of interest to arise between directors or officers of the Corporation and the Corporation. All of the directors and officers are engaged in, and will continue to be engaged in, corporations or businesses which may be in competition with the business of the Corporation. Accordingly, situations may occur in which directors and/or officers will be in direct competition with the

Corporation. Conflicts, if any, will be subject to the procedures and remedies as set out in the *Business Corporations Act* (British Columbia) (the “**BCBCA**”).

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.

Early Stage of Development

Melior’s invested funds are currently invested in a limited number of investments 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.

Investment Risk

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

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 Common 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 Common 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 led 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 will be operating in the extremely competitive financial services industry and will be competing 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 in the mining and metallurgical industry 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. 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 BCBCA. In accordance with applicable laws, the directors of Melior are required to act honestly, in good faith and in the best interests of Melior. Furthermore, part of Melior's investment strategy is to place at least one Melior nominee on the board of directors of the investee company. Confidentiality and judiciary conflict issues may arise and any director may be recused from participating or voting at a Board meeting.

Foreign Currency Risk

The Corporation's functional currency is the US Dollar and major purchases are transacted in this currency. 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.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Other than as described below, there are no material legal proceedings to which the Corporation is, or was during the financial year ended June 30, 2011, a party or to which any of the Corporation's property is, or was during the financial year ended June 30, 2011, subject.

Settled Contingencies under Settlement Agreement

As part of the Settlement Agreement, each of the parties to the following litigation agreed to consent to the dismissal of the claims, actions, threatened actions, arbitrations and proceedings set out below.

Notice of Derivative Legal Action

On March 3, 2009, the Corporation received notice from a group of former officers and directors of the Corporation, including three previously terminated executive officers and its former CEO, of their intention to commence a court application for leave to file a derivative legal proceeding in the Corporation's name under the BCBCA (the "**Notice of Derivative Legal Action**"). The Notice of Derivative Legal Action asked the Corporation to commence a legal proceeding to seek unspecified damages against certain of the directors, officers and shareholders of the Corporation in respect of alleged negligence, default, oppressive conduct and omissions, breach of duty and/or breach of trust.

Arbitration Commenced by Andean Coal Corporation B.V.I.

Andean, a subsidiary of the Corporation, commenced an arbitration proceeding at the ICC International Court of Arbitration against Xira on April 30, 2009. The dispute related to alleged breaches by Xira under a sale and purchase agreement dated June 27, 2008, which set out the terms upon which Xira purchased 40% of the issued share capital of CCC from Andean. Xira counterclaimed seeking, among other things, damages in the amount of \$1 million.

Statements of Claims from Terminated Employees

On March 31, 2009, the Corporation received statements of claim issued in Ontario by five terminated employees claiming, among other things, wrongful dismissal and seeking damages. The aggregate of damages claimed was approximately \$2.64 million, not including special damages. Requests for particulars and inspection of documents were sought on June 8, 2009. The Corporation filed its Notice of Intent to Defend on July 14, 2009. The statements of claim were amended on October 13, 2009.

Claim under Libel and Slander Act

On April 8, 2009, the Corporation's counsel received a letter notifying the Corporation of a proposed claim under the *Libel and Slander Act* (Ontario). The allegation was that the Corporation made defamatory statements in certain of its prior press releases that referred to the conduct of prior management of the Corporation. The claim was made by terminated employees of the Corporation, as well as former members of management of the Corporation. The claim sought, among other things, general and aggravated damages in the amount of \$10 million, punitive damages in the amount of \$1 million and costs. On June 4, 2009, the Corporation was served under the *Libel and Slander Act* (Ontario). The Corporation filed its Statement of Defence on October 7, 2009.

Application against the Corporation and certain Directors and its Significant Shareholder

An application was filed in Ontario against the Corporation, certain of its directors and its significant shareholder, Pala, under the *Securities Act* (Ontario) and the BCBCA. The application was filed by certain former directors and officers of the Corporation.

The allegations included that certain directors of the Corporation acted in a manner that was oppressive and unfairly prejudicial to the claimants. The claimants sought, among other things, an order to remove such directors and unspecified damages. The application was served on the Corporation on July 7, 2009.

Blue Pacific Royalty

The Corporation entered into an agreement with Blue Pacific on September 27, 2005, and entered into a subsequent agreement with Blue Pacific on April 16, 2007 (collectively, the "**Blue Pacific Royalty Agreements**"), which provided for among other things, the payment of a royalty by the Corporation of

\$1.00 per tonne to Blue Pacific on all coal production at La Francia Mine. The obligations of the Corporation under the Blue Pacific Royalty Agreements were guaranteed by CDC.

As a result of the Corporation's internal investigations with respect to certain transactions entered into by prior management, and pending the outcome of those investigations, the Corporation ceased to make payments to Blue Pacific under the Blue Pacific Royalty Agreements as of April, 2009.

Pursuant to a letter dated as of July 15, 2009, Blue Pacific, through its counsel, demanded the minimum estimated payment of \$607,000 from the Corporation due under the Blue Pacific Royalty Agreements. The letter stated that if such amount was not paid by July 24, 2009, Blue Pacific would pursue its legal remedies by way of a civil action at the Ontario Superior Court of Justice. Pursuant to a subsequent letter dated as of August 5, 2009, Blue Pacific claimed the amount of \$634,591 purportedly due under the Blue Pacific Royalty Agreements. For the periods ended September 30, 2009 and December 31, 2009, additional amounts of \$115,394 and \$238,380, respectively, were claimed under such agreements.

On January 15, 2010 the Corporation received a letter from counsel for Blue Pacific, advising Corporation that unless it received: (i) all books and records pursuant to its audit rights under the Blue Pacific Royalty Agreements; (ii) payment of approximately \$2 million royalties allegedly owed under the Blue Pacific Royalty Agreements; and (iii) confirmation that either the Transaction was not proceeding or that the prior written consent of Blue Pacific would be obtained, as allegedly required under the Blue Pacific Royalty Agreements, then Blue Pacific would commence proceedings against the Corporation. On January 27, 2010, the Corporation was served by counsel for Blue Pacific with a statement of claim and notice of motion seeking an injunction to stop the Transaction.

Statement of Claim against certain former Directors and Officers and Others

On September 29, 2009, the Corporation announced that it commenced a legal action and filed a statement of claim in Toronto, Ontario in the Ontario Superior Court of Justice against certain former directors and officers of the Corporation and others (the "**Claim Against Former Management**"). The Claim Against Former Management alleged, among other things, that the defendants participated or allowed or caused the Corporation to participate in improper transactions that were harmful to the Corporation and its shareholders.

In the action the Corporation sought damages and restitution in connection with three transactions completed in late June 2008 involving the sale of the Caypa Mine and the Cartagena Port and the purchase by the Corporation of GC Coal. The Corporation also sought damages and restitution in respect of the purchase in 2006 by the Corporation of the Cartagena Port, the La Francia Mine and certain exploration rights.

The Claim Against Former Management also sought damages and restitution in respect of expenses paid by the Corporation from 2005 to 2008 alleged to be improper. The Claim Against Former Management sought, among other things, damages in the amount of approximately \$161 million, an order requiring certain of the defendants to reimburse the Corporation for all compensation paid to them during the relevant periods and an order for an accounting of profits made by the defendants from the allegedly improper transactions.

As stated above, as part of the Settlement Agreement, each of the parties to the above litigation have agreed to consent to the dismissal of such claims, actions, threatened actions, arbitrations and proceedings as set out below.

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. Each indemnity agreement includes 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 under Settlement Agreement” above include claims against former and current directors and officers (including the claims from terminated employees, the claim under the Libel and Slander Act, and the application against the company and certain directors and its significant shareholder).

Settled Contingencies under GS Settlement Agreement

On March 21, the Corporation announced that it had entered into a settlement and mutual release (the “**GS Settlement Agreement**”) with certain affiliates of the Goldman Sachs Group, Inc. (“**Goldman Sachs**”), including Colombian Natural Resources I SAS (“**CNRI**”). Pursuant to the GS Settlement Agreement, the parties irrevocably released and discharged each other from any and all claims, including those raised by CNRI in the Notices of Claim announced on November 3, 2010 and December 3, 2010, arising out of or relating to the Transaction.

Regulatory Actions

Except as described below, there were no (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority, (ii) other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, or (iii) settlement agreements entered into by the Corporation before a court relating to securities legislation or with a securities regulatory authority, during the fiscal year ended June 30, 2011.

Exchanges

On July 15, 2010, at a meeting of the Continued Listing Committee of the TSX, the Committee determined to delist the Corporation’s securities effective at the close of market on August 16, 2010. The delisting was imposed for failure by the Corporation to meet the continued listing requirements of the TSX. The Corporation’s common shares and warrants were listed on NEX effective at market open on August 17, 2010.

The Corporation’s common shares and warrants were suspended from NEX in connection with the Temporary Order (described below). Trading in the Corporation’s securities was reinstated effective from market opening on November 17, 2010.

Securities Commissions

During the fiscal year ended June 30, 2011, the Corporation has been noted as being in default by certain securities commissions for failure to file its financial statements within the requisite time periods. In this regard the Corporation has been subject to late filing fees.

In addition, on September 29, 2010, the OSC issued a general cease trade order (the “**Temporary Order**”) for a period of 15 days against the Corporation for failure to file its audited annual financial statements, the related MD&A, its annual information form, each for the year ended June 30, 2010, and the certification of the foregoing filings. The Temporary Order provided that, if the default continued, a

hearing would be held to consider whether an order should be made that all trading in the securities of the Corporation cease permanently or for such period as is specified in such order by reason of the continued default.

On September 29, 2010, the British Columbia Securities Commission issued a cease trade order (the “**BC Order**”) against the Corporation until such time as it filed the required documentation and the BC Order is revoked.

On October 12, 2010, the OSC issued a cease trade order (the “**ON Order**”) against the Corporation which provided that all trading in the securities of the Corporation, whether direct or indirect, must cease until the Cease Trade Order is revoked.

On October 15, 2010, the Manitoba Securities Commission issued a cease trade order (the “**MB Order**”, and together with the ON Order and the BC Order, the “**Orders**”) against the Corporation until such time as it filed the required documentation, paid the outstanding filing fees, if any, and the MB Order is revoked.

The Corporation filed its annual financial statements, the related MD&A, its annual information form and the certification of the foregoing filings on October 29, 2010 and made an application to have the Orders revoked. On November 15, 2010 the Orders were revoked.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this AIF, to the knowledge of the Corporation (i) no director or executive officer of the Corporation, (ii) no person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Corporation’s outstanding voting securities, and (iii) no associate or affiliate of the persons or companies referred to in (i) and (ii) above had any material interest, direct or indirect, in any transaction involving the Corporation within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

Interest of Pala in the Note Offers

Based on public filings made by Pala, the Corporation’s largest shareholder, pursuant to applicable securities laws, Pala owns and controls an aggregate of 76,195,833 Common Shares representing approximately 44.0% of the issued and outstanding Common Shares. Accordingly, Pala, a company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of a class of the Corporation’s outstanding voting securities had a material interest in the Note Offers. Pala deposited its Senior Notes, in the aggregate principal amount of \$15,010,000, to the Note Offers in accordance with the terms of the Note Offers.

MATERIAL CONTRACTS

The only material contract entered into by the Corporation within the last financial year or before the last financial year but that is still in effect is the common share purchase warrant indenture between the Corporation and Equity, dated June 5, 2008, providing for the issue of up to 76,700,000 common share purchase warrants, as amended.

TRANSFER AGENT AND REGISTRAR

Equity Financial Trust Company in Toronto, Ontario is the transfer agent and registrar for the Common Shares, the warrant agent for the Warrants and the trustee for the Senior Notes.

INTERESTS OF EXPERTS

MSCM LLP, Chartered Accountants, Licensed Public Accountants, is the external auditor of the Corporation and has advised that it is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The charter of the Corporation's Audit Committee is attached to this AIF as Appendix A.

Composition of the Audit Committee

The Audit Committee is composed of Mr. Robert Dietrich, Dr. Charles Entrekin and Mr. Daniel Dumas, each of whom is financially literate. Mr. Dietrich and Mr. Dumas are considered to be independent of the Corporation under National Instrument 52-110 – *Audit Committees*.

Relevant Education and Experience

The relevant education and experience of each Audit Committee member is disclosed above under "Directors and Officers – Biographies of Directors".

Pre-approval Policies and Procedures

The Audit Committee requires the Corporation to obtain Audit Committee approval for any non-audit services exceeding immaterial amounts. The Audit Committee has pre-approved certain non-audit services under prescribed limits; for all other services and services above these limits, specific consideration by, and approval of, the Audit Committee is required.

External Auditor Service Fees (By Category)

The following are the aggregate fees incurred by the Corporation for services provided by its external auditors during the financial years ended June 30, 2011 and June 30, 2010:

	2011	2010
Audit Fees		
The Corporation's annual audit		
- Estimated	\$ 30,000	\$ 218,291
Reviews of interim quarterly consolidated financial statements	\$ 0	\$ 29,533
Total Audit and Review Fees	\$ 30,000	\$ 247,824
Tax Fees		
Tax compliance	\$ 0	\$ 109,447
Total Tax Fees	\$ 0	\$ 109,447
TOTAL FEES	\$ 0	\$ 357,271

There were no "Audit-Related Fees" or "Other Fees" during the financial years ended June 30, 2011 and June 30, 2010.

ADDITIONAL INFORMATION

Additional information about the Corporation including, but not limited to, directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under the Corporation's stock option plan is contained in the management information circular of the Corporation dated November 15, 2010 filed in connection with the annual meeting of shareholders of the Corporation held on December 15, 2010. Additional financial information is provided in the audited annual financial statements for the year ended June 30, 2011 and the related MD&A, which have been filed on SEDAR. This information and other pertinent information regarding the Corporation can be found under the Corporation's SEDAR profile at www.sedar.com.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF. Terms and abbreviations used in the financial statements of the Corporation and in the appendices to this AIF are defined separately in such documents and the terms and abbreviations defined below are not used therein, except where otherwise indicated.

Defined Terms

“**Adromi**” means Adromi Capital Corp. a corporation formed under the laws of Panama;

“**Adromi Shares**” means the common shares in the capital of Adromi Capital Corp.;

“**AIF**” means this Annual Information Form dated October 28, 2011 in respect of the financial year ended June 30, 2011;

“**Andean**” means Andean Coal Corporation B.V.I., a corporation formed under the laws of the British Virgin Islands;

“**Blue Pacific**” means Blue Pacific Assets Corp.;

“**Board**” means the board of directors of the Corporation;

“**BCBCA**” means the *Business Corporations Act* (British Columbia);

“**Cartagena Port**” means the 57 hectares of land on the coast of the Caribbean Sea near the industrial zone of Cartagena as described under “General Development of the Business – 2008 Transactions – Sale of the Cartagena Port”;

“**Caypa Mine**” means the Caypa open pit thermal coal mine located in the Guajira region of Colombia;

“**CCC**” means Carbones Colombianos del Cerrejón S.A., which entity owns and operates the Caypa Mine;

“**CDC**” means Compañía Carbones del Cesar S.A., a company formed under the laws of Colombia, which, prior to the Transaction, owned the La Francia I Mine;

“**CEO**” means chief executive officer;

“**MCTO**” means the management cease trade order described under “Legal Proceedings and Regulatory Actions - Regulatory Actions”;

“**Melior**” or the “**Corporation**” means Melior Resources Inc., formerly Coalcorp Mining Inc., a corporation incorporated under the laws of the Province of British Columbia;

“**Coal Contract**” means the coal sale contract entered into between CDC and Constellation providing for the sale by CDC of 2.4 million metric tonnes of coal to Constellation at an established fixed price;

“**Common Shares**” means the common shares in the capital of the Corporation;

“**Concession 5160**” means Concession for Medium Mining Agreement No. 05160 (Contrato de Concesión para Mediana Minería Numero 05160), executed among the Colombian Ministry of Mines and

Energy and Siminera Limitada, subsequently assigned to CDC on December 11, 1997 and later modified to a Large Mining Contract by Amendment No. 1 (Otrosi No. 1) dated December 29, 2005 entered into with the Instituto Colombiano de Geología y Minería-Ingeominas;

“**Concession FED-103**” means Concession for Medium Mining Agreement No. FED-103 (Contrato de Concesión para Mediana Minería Numero FED-103) executed among Ingeominas and Juan Manuel Ruiseco V. & Cia. S. En C., dated April 26, 2005, modified by Addendum No. 1 dated April 28, 2005, subsequently assigned to Adromi Colombia on July 12, 2006, which assignment was duly authorized by Ingeominas in Resolution No. 1061 of October 10, 2006;

“**Concession GAK-152**” means Concession for Medium Mining Agreement No. GAK-152 (Contrato de Concesión para Mediana Minería Numero GAK-152), executed among Ingeominas and CDC dated February 22, 2006. The mining operation related to this concession contract was integrated with the mining operations of the Concession 5160 in October 13, 2005 (Ingeominas’ Resolution No. 1091 of October 13, 2006);

“**Constellation**” means Constellation Energy Commodities Group Inc.;

“**Debenture**” means the Cdn\$8,000,000 unsecured convertible debenture of Formation;

“**Equity**” means Equity Financial Trust Company;

“**Formation**” means Formation Metals Inc.;

“**Formation Shares**” means common shares in the capital of Formation;

“**GC Coal**” means GC Coal Limited;

“**La Francia I Assets**” means the La Francia I Mine related infrastructure assets;

“**La Francia I Mine**” means the La Francia coal mine in the areas subject matter of Concessions 5160 and Concession GAK-152 located in the Cesar province of Colombia;

“**La Francia II Mine**” means the La Francia II coal mine in the areas subject matter of Concession FED-103 located in the Cesar province of Colombia;

“**Note Indenture**” means the trust indenture made as of August 17, 2006 between the Corporation, as issuer, and Equity, as trustee, as supplemented by a first supplemental trust indenture made as of August 17, 2006 and a second supplemental trust indenture made as of March 10, 2010;

“**Note Offers**” means, collectively, the Restricted Asset Transfer Offer and the Remaining Notes Offer;

“**Oracle**” means Oracle Mining Corp., formerly Gold Hawk Resources Inc.;

“**Oracle Shares**” means common shares in the capital of Oracle;

“**Orders**” means the cease trade orders described under “Legal Proceedings and Regulatory Actions - Regulatory Actions”;

“**OSC**” means the Ontario Securities Commission;

“**Pala**” means Pala Investments Holdings Limited;

“**Pianta**” means Pianta Ltd., a corporation formed under the laws of the British Virgin Islands;

“**person**” includes an individual, body corporate, partnership, syndicate or other form of unincorporated entity;

“**Purchaser**” means GS Power Holdings LLC, a limited liability company organized and existing under the laws of Delaware, and a subsidiary of the Goldman Sachs Group, Inc.;

“**Remaining Notes Offer**” means the Corporation’s offer to repurchase all the remaining outstanding Senior Notes as described under “General Development of the Business – Senior Notes”;

“**Restricted Asset Transfer Offer**” means the Corporation’s offer to repurchase the outstanding Senior Notes using the net available cash from the sale of the La Francia I Assets as described under “General Development of the Business – Senior Notes”

“**Settlement Agreement**” means the settlement agreement dated January 31, 2010 among the Corporation, Xira Investment Inc. and certain former members the Corporation’s management and other parties to various claims amongst them to settle all matters in dispute.

“**Senior Notes**” means the Corporation’s 12% senior secured guaranteed notes due August 31, 2011 (Series A) issued under the Note Indenture;

“**Subscription Agreement**” means the subscription agreement dated October 25, 2010 as more fully described under “Investment in Oracle Mining Corp.”;

“**Temporary Order**” means the temporary cease trade order described under “Legal Proceedings and Regulatory Actions - Regulatory Actions”;

“**TSX**” means the Toronto Stock Exchange;

“**TSXV**” means the TSX Venture Exchange;

“**Transaction**” means the sale by the Corporation’s subsidiaries CDC, of the La Francia I Mine and related infrastructure assets, and Pianta, of all of the issued and outstanding shares of Adromi, the holder of the La Francia II Mine, to a subsidiary of the Goldman Sachs Group, Inc., which transaction was completed on March 19, 2010;

“**Transaction Agreements**” means collectively the agreements entered into in connection with the Transaction, being (i) the Share Purchase and Sale Agreement entered into among the Corporation, Pianta and the Purchaser, (ii) the Asset Purchase Agreement entered into among the Corporation, CDC and the Purchaser, (iii) the Supplemental Terms and Conditions Agreement entered into among the Corporation, CDC, Pianta, Andean and the Purchaser, all dated as of January 6, 2010, and (iv) certain other agreements entered into in connection with the Transaction;

“**Warrants**” means the Common Share purchase warrants issued in June 2008, exercisable at a price of Cdn\$2.50 per Common Share; and

“**Xira**” means Xira Investment Inc.

**APPENDIX “A”
CHARTER OF THE AUDIT COMMITTEE**

**MELIOR RESOURCES INC.
(the “Corporation”)**

I. Purpose

The Audit Committee is a committee of the Board of Directors which assists the Board in overseeing the Corporation’s financial controls and reporting and in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation. The Audit Committee’s primary duties and responsibilities are to:

- Oversee: (i) the integrity of the Corporation’s financial statements; (ii) the Corporation’s compliance with legal and regulatory requirements with respect to financial controls and reporting; and (iii) the auditors’ qualifications and independence.
- Serve as an independent and objective party to monitor the Corporation’s financial reporting processes and internal control systems.
- Review and appraise the audit activities of the Corporation’s independent auditors and its internal auditing functions.
- Provide open lines of communication among the independent auditors, financial and senior management and the Board of Directors for financial reporting and control matters.

II. Composition

The Committee will be comprised of at least three directors, all of whom qualify as independent directors, as determined by the Board.

Members of the Audit Committee shall be appointed by the Board of Directors on an annual basis and shall serve at the pleasure of the Board, or until the earlier of (a) the close of the next annual meeting of shareholders of the Corporation at which the member's term of office expires, (b) the death of the member or (c) the resignation, disqualification or removal of the member from the Audit Committee or from the Board. The Board may fill a vacancy in the membership of the Audit Committee.

All members should have skills and/or experience which are relevant to the mandate of the Committee, as determined by the Board. All members of the Committee shall be financially literate at the time of their election to the Committee. “Financial literacy” shall be determined by the Board of Directors in the exercise of its business judgment, and shall include a working familiarity with basic finance and accounting practices and an ability to read and understand financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements. Committee members, if they or the Board of Directors deem it appropriate, may enhance their understanding of finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant or firm.

At the time of the annual appointment of the members of the Audit Committee, the Board shall appoint a Chairman of the Audit Committee. The Chairman shall be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee's compliance with this charter, and

provide reports of the Audit Committee to the Board. The Chair may vote on any matter requiring a vote and shall provide a second vote in the case of a tie vote.

III. Responsibilities

The responsibilities of the Audit Committee shall generally include, but not be restricted to, undertaking the following:

Selection and Evaluation of Auditors

- (a) Recommending to the Board of Directors the external auditors (subject to shareholder approval) to be engaged to prepare or issue an auditor's report or performing other audit, review or attest services for the Corporation and the compensation of such external auditors.
- (b) Overseeing the independence of the Corporation's auditors and taking such actions as it may deem necessary to satisfy it that the Corporation's auditors are independent within the meaning of applicable securities laws by, among other things: (i) requiring the independent auditors to deliver to the Committee on a periodic basis a formal written statement delineating all relationships between the independent auditors and the Corporation; and (ii) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and taking appropriate action to satisfy itself of the auditors' independence.
- (c) Instructing the Corporation's independent auditors that: (i) they are ultimately accountable to the Committee (as representatives of the shareholders of the Corporation); (ii) they must report directly to the Committee; and (iii) the Committee is responsible for the appointment (subject to shareholder approval), compensation, retention, evaluation and oversight of the Corporation's independent auditors.
- (d) Ensuring the respect of legal requirements regarding the rotation of applicable partners of the external auditors, on a regular basis, as required.
- (e) Reviewing and pre-approving all audit and permitted non-audit services or mandates to be provided by the independent auditors to the Corporation or any of its subsidiaries, including tax services, and the proposed basis and amount of the external auditors' fees for such services, and determining which non-audit services the auditors are prohibited from providing (and adopting specific policies and procedures related thereto).
- (f) Reviewing the performance of the Corporation's independent auditors and replacing or terminating the independent auditors (subject to required shareholder approvals) when circumstances warrant.

Oversight of Annual Audit

- (a) Reviewing and accepting, if appropriate, the annual audit plan of the Corporation's independent auditors, including the scope, extent and schedule of audit activities, and monitoring such plan's progress and results during the year.

- (b) Confirming through private discussions with the Corporation's independent auditors and the Corporation's management that no management restrictions are being placed on the scope of the independent auditors' work.
- (c) Reviewing with the external auditors any audit problems or difficulties and management's response thereto and resolving any disagreement between management and the external auditors regarding accounting and financial reporting.
- (d) Reviewing with management and the external auditors the results of the year-end audit of the Corporation, including: (i) the annual financial statements and the audit report, the related management representation letter, the related "Memorandum Regarding Accounting Procedures and Internal Control" or similar memorandum prepared by the Corporation's independent auditors, any other pertinent reports and management's responses concerning such memorandum; and (ii) the qualitative judgments of the independent auditors about the appropriateness and not just the acceptability of accounting principles and financial disclosure practices used or proposed to be adopted by the Corporation including any alternative treatments of financial information that have been discussed with management, the ramification of their use and the independent auditor's preferred treatment as well as any other material communications with management and, particularly, about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates.

Oversight of Financial Reporting Process and Internal Controls

- (a) Reviewing with management and the external auditors the annual financial statements and accompanying notes, the external auditors' report thereon, the related management's discussion and analysis and the related press release, and obtaining explanations from management on all significant variances with comparative periods, before recommending approval by the Board and the release thereof.
- (b) Reviewing with management the quarterly financial statements, any auditors' review thereof, the related management's discussion and analysis and the related press release before approval.
- (c) Reviewing and periodically assessing the adequacy of the Corporation's procedures for the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, including reviewing the financial information contained in the annual information form, management proxy circular, management's discussion and analysis, prospectuses and other documents containing similar financial information before their public disclosure or filing with regulatory authorities, including the audit committee's report for inclusion in the Corporation's management information circular in accordance with applicable rules and regulations.
- (d) Periodically reviewing the Corporation's disclosure policy to ensure that it conforms with applicable legal and regulatory requirements.
- (e) Reviewing the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures through inquiry and discussions with the Corporation's independent auditors and management of the Corporation.

- (f) Monitoring the quality and integrity of the Corporation's disclosure controls and procedures and management information systems through discussions with management and the external auditors.
- (g) Overseeing management's reporting on internal controls and disclosure controls and procedures.
- (h) Reviewing on a regular basis and monitoring the Corporation's policies and guidelines which govern the Corporation's risk assessment and risk management, including the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including hedging policies through the use of financial derivatives.
- (i) Establishing and maintaining free and open means of communication between and among the Board of Directors, the Committee, the Corporation's independent auditors and management.

Other Matters

- (a) Assisting the Board with oversight of the Corporation's compliance with applicable legal and regulatory requirements, including meeting with general counsel and outside counsel when appropriate to review legal and regulatory matters, including any matters that may have a material impact on the financial statements of the Corporation.
- (b) Reviewing and approving any transactions between the Corporation and members of management and/or the Board as well as policies and procedures with respect to officers' expense accounts and perquisites, including the use of corporate assets. The Committee shall consider the results of any review of these policies and procedures by the Corporation's independent auditors.
- (c) Conducting or authorizing investigations into any matters within the Committee's scope of responsibilities, including retaining outside counsel or other consultants or experts as the Committee determines necessary to carry out its duties and to set and pay the compensation for these advisors.
- (d) Establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (e) Establishing procedures for the review and approval of financial and related information of the Corporation.
- (f) Reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
- (g) Performing such additional activities, and considering such other matters, within the scope of its responsibilities, as the Committee or the Board of Directors deems necessary or appropriate.

IV. Meetings and Advisors

The Committee will meet as often as it deems necessary or appropriate to perform its duties and carry out its responsibilities described above in a timely manner, but not less than quarterly. The quorum at any meeting of the Committee shall be a majority of its members. All such meetings shall be held pursuant to the By-Laws of the Corporation with regard to notice and waiver thereof.

The Audit Committee shall meet on a regular basis without management or the external auditors. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. As part of its mandate to foster open communications, the Committee shall meet at least annually, and more frequently as required, with management and the Corporation's independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups or persons believe should be discussed privately. The independent auditors will have direct access to the Committee at their own initiative. The Chairman should work with the Chief Financial Officer and management to establish the agenda for Committee meetings.

Written minutes of each meeting of the Committee shall be filed in the Corporation's records. The Chairman of the Committee will report periodically to the Board of Directors.

The Committee shall, in appropriate circumstances and subject to advising the Chairman of the Board, have the authority to engage and obtain advice and assistance from advisors, including independent or outside legal counsel and accountants, as it determines is necessary or appropriate to carry out its duties. The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of any compensation (i) to any independent auditors engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Corporation, and (ii) to any independent advisors employed by the Committee.

V. Disclosure of Charter

The charter shall be published in the Corporation's annual information form or information circular as required by applicable securities laws.

While the Committee has the duties and responsibilities set forth in this charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Similarly, it is not the responsibility of the Committee to ensure that the Corporation complies with all laws and regulations.

Nothing contained in this charter is intended to expand applicable standards of conduct under statutory or regulatory requirements for the directors of the Corporation or the members of the Audit Committee.