Melkior Resources Inc.

Annual Report

2008

Melkior Resources Inc.
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Management has prepared the following discussion and analysis (MD&A) which constitutes management's review of financial and operating factors affecting Melkior Resources Inc. ("Melkior" or the "Company") for the year ended August 31, 2008.

This MD&A should be read in conjunction with the Company's financial statements and related notes as at August 31, 2008. All figures are in Canadian dollars unless otherwise noted.

Further information regarding the Company and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be obtained from www.sedar.com.

Nature of activities

Melkior is a development stage company engaged in the acquisition and exploration of mining properties located in Québec and Ontario.

Overall performance

Melkior has a $4,448,898 working capital as of August 31, 2008 ($4,174,992 as of August 31, 2007) which will allow the Company to execute its exploration program for at least the next two years.

In Fiscal 2008, Melkior raised $2,200,000 ($4,380,000 in 2007) by private placements and $152,525 ($627,475 in 2007) via the exercise of warrants and options.

Exploration for Fiscal 2008 totalled $2,328,604 versus $1,890,571 in Fiscal 2007. The main exploration expenditures in Fiscal 2008 were on Timmins West, Launay and Rim Nickel. Mining properties at a total cost of $998,832 were acquired in Fiscal 2008 versus $405,199 in 2007.

Selected annual information

	Fiscal year ended August 31		
	2008	**2007**	**2006**
	$	**$**	**$**
Income	1,267,908	180,732	14,197
Net loss	(267,034)	(155,036)	(281,714)
Net Loss per share, basic and diluted	-	-	(0.01)

	As at August 31		
	2008	**2007**	**2006**
	$	**$**	**$**
Total assets	14,671,491	11,464,686	6,557,720

Results of operations

Total expenses went from $612,768 in Fiscal 2007 to $1,857,942 in Fiscal 2008 due to:

- A $672,000 stock-based compensation expense was recorded in Fiscal 2008 following the grant of 2,800,000 options while in Fiscal 2007 the stock-based compensation expenses was $271,000 following the grant of 1 400,000 options.
- A $697,000 fair value variation was recorded in Fiscal 2008 on the 4,100,000 shares received from Otish Energy Inc. following the sale of the properties in the Mont Otish (nil in Fiscal 2007).
- Professional and consulting fees increased in Fiscal 2008 due to more activities operated by the Company and legal fees relating to the Otish sale and Rim Nickel purchase.

	2008	2007
	$	$
Legal	74,731	20,169
Accounting	72,333	66,529
Audit	32,875	23,975
Management	47,700	27,851
Professional and consulting fees	**227,639**	**138,524**

- General and administrative increased from $89,475 in Fiscal 2007 to $123,700 in Fiscal 2008 due to:
  - A $19,870 XII.6 tax on flow-through exploration paid in Fiscal 2008 (nil in Fiscal 2007).
  - Melkior has enhanced its general insurance coverage now that it is often the operator of major exploration program.

Interest income was $181,471 in Fiscal 2008 versus $95,302 in Fiscal 2007 due to more cash and cash equivalents, term deposits and exploration funds on deposit.

The management fees income decreased from $77,157 in Fiscal 2007 to $24,231 in Fiscal 2008 since these fees were mainly earned as the operator of the Otish properties and these properties were sold in Fiscal 2008. In Fiscal 2008, Melkior started to earn management fees on the Rim Nickel West property.

Melkior recorded a $323,000 recovery of future income taxes in Fiscal 2008 ($277,000 in Fiscal 2007) representing the tax impact of the flow-through shares issued.

Investing activities

The main mining assets of the Company are Timmins West, Rim Nickel – McFaulds, Launay, Eldorado Nickel and Ungava. The total exploration budget for Fiscal 2009 is $2,300,000.

Deferred exploration expenses 2008	Ungava	Launay	Otish	Timmins West	Eldora-do	Rim Nickel McFaulds	Others	Total
	$	$	$	$		$	$	$
Balance beginning	1,134,915	3,933,257	522,268	360,083	1,189	-	10,554	5,962,266
Additions								
Drilling	-	259,378	-	835,048	-	-	-	1,094,426
Geology – prospecting	-	13,375	(3,432)	73,536	2,910	5,070	895	92 354
Geophysics geochemistry	-	5,311	306,280	28,661	14,749	589,767	71,016	1,015,784
Analysis	-	-	8,504	26,521	-	-	-	35,025
Line cutting	-	-	-	14,754	30,463	-	-	45,217
Logistics	-	30	1,370	5,457	-	-	-	6,857
Travelling	-	446	987	33,537	726	-	3,245	38,941
	-	278,540	313,709	1,017,514	48,848	594,837	75,156	2,328,604
Options		25,554	-	35,140	35,139	-	-	95,833
Amortization		-	2 748	-	-	-	-	2,748
Recharge	-	-	(97,769)	-	-	(200,726)	-	(298,495)
	-	304,094	218,688	1,017,514	83,987	394,111	75,156	2,128,690
Deductions								
Tax credits	-	(1,512)	(21,953)	-	-	-	-	(23,465)
Disposal	-	-	(571,385)	-	-	-	-	(571,385)
Balance, end	1,134,915	4,235,839	147,618	1,412,737	85,176	394,111	85,710	7,496,106

Deferred exploration expenses 2007	Ungava	Launay	Otish	Timmins West	Eldora-do	Others	Total
	$	$	$	$		$	$
Balance, beginning	1,133,819	3,905,396	-	59,045	-	-	5,098,260
Additions							
Drilling	-	600	439,084	5,799	-	-	445,483
Geology – prospecting	1,650	14,877	619,688	100,455	889	18,105	755,664
Geophysics – geochemistry	-	17,194	187,879	117,597	300	589	323,559
Analysis	-	25	14,310	1,698	-	966	16,999
Line cutting	-	9,036	45,293	34,219	-	-	88,548
Logistics	-	-	196,319	8,378	-	780	205,477
Travelling	-	250	20,926	32,892	-	773	54,841
	1,650	41,982	1,523,499	301,038	1,189	21,213	1,890,571
Depreciation	-	-	1,374	-	-	-	1,374
Recharge	-	-	(740,388)	-	-	(10,554)	(750,942)
	1,650	41,982	784,485	301,038	1,189	10,659	1,141,003
Deductions							
Tax credits	(554)	(14,121)	(262,217)	-	-	-	(276,892)
Disposal	-	-	-	-	-	(105)	(105)
Balance, end	1,134,915	3,933,257	522,268	360,083	1,189	10,554	5,962,266

Jens E. Hansen, P. Eng. and President and Director of Melkior, qualified person under NI 43-101, has reviewed the following technical disclosure.

Investing activities (Cont'd)

Rim Nickel-McFauld's
(East Rim 100% - nickel copper, West Rim 50% - platinum group)

Melkior undertook an agreement April 9, 2008 with subsequent amendments to acquire 100% of the East Rim Nickel property and 50% of the West Rim Nickel property with Bold Ventures Inc. (Bold) holding the other 50%. The consideration was a $306,000 payment and 2,500,000 common shares of the company. Two directors advanced funds to the company for the staking costs, these were reimbursed without mark-up or interest. An NSR royalty of 1% to 2% applies to portions of the property.

Bold paid for the staking of the West Rim property and has completed $125,000 of exploration to acquire its 50% interest.

In June 2008, Melkior and MacDonald Mines Exploration Ltd. Jointly staked seven claim units (50-50). This joint block is known as the Riverside property. The East Rim property consists of 1,335 claim units totalling 21,680 hectares. The West Rim property consists of 909 claim units totalling 14,656 hectares.

In April 2008, Melkior completed a 1,738 line kilometre airborne time-domain electromagnetic and magnetometer survey over East Rim Nickel. The maps have been examined by Melkior and several electromagnetic conductors with a high probability of being caused by massive sulphides were mapped. These are of particular interest since they occur within an area of a strong gravity anomaly that could be caused by an ultra-mafic intrusive body. In July 2008, a similar survey of West Rim Nickel was completed consisting of approximately 1440 line kilometres.

Melkior's two properties were staked because of their perceived potential to hose magnetic nickel-copper-platinum group deposits. The Noront Resources Ltd. discoveries and discoveries by others confirmed this potential. Such deposits typically occur on or adjacent to major regional gravity anomalies. Melkior acquired the claims to cover two strong regional gravity anomalies. Subsequently a VTEM airborne survey has been completed to specifically define conductors on the East Rim property in order to select drill targets.

A qualified geologist completed a 43-101 report on the two properties in September 2008. The field visit portion identified a previously unmapped 300 x 600 m gabbroic outcrop on the East Rim property. This is considered geologically positive. The geologist concluded that an aggressive exploration campaign on the properties is justified

The budget for the Fiscal 2009 is planned to be in the order of $1,300,000 which includes the VTEM survey.

It should be noted that if exploration by others in the McFauld's area decreases, the company may revise its budget accordingly.

Timmins West
(100% owned – gold)

The Timmins West property was purchased from private vendors in March 2005, with the vendors retaining a 2% NSR. The initial 63 claim unit property has been expanded to 120 claim units through staking and acquisitions.

Exploration on the Timmins West Project has only been ongoing since 2005 when the properties merits consisted of a couple isolate gold occurrences. After two years later of exploration and 5,389 meters of drilling in 71 drill holes Melkior can now describe the Timmins West property as comprising two high priority target areas with a combined strike length of 950 meters. These priority target have yielded: up to 843.7 g/t gold in grab samples; 2008 drill hole intersections have retuned 60.27 g/t gold over 1.8 meters and a second interval in the same hole 8.12 g/t gold over 2.45 meters (TW-08-10-13).

Investing activities (Cont'd)

The purpose of the 2008 drill program was to extend the strike length of existing gold mineralized systems and to provide drill intercepts of the vein systems at regular shallow intervals along the strike extensions. These drill results will be used to focus future drilling in areas of maximum economic interest, and provide better understanding of the gold bearing structures. The majority of the drilling was conducted in the 1010 Vein area. Thirty three holes were drilled along 425 meters of established strike length of the 1010 vein. Nine holes were drilled into the ZamZam Zone and five into the Shenkman Area linking the ZamZam and Shenkman vein systems together.

Management believes that the exploration to date has identified that the mineralization on the Timmins West Project is hosted with in a discrete north – south trending structural conduit. Based on near 100% hit ratio of drill holes into this structural and hydrothermal conduit it is anticipated that the mineralized structure extends significantly beyond the limits defined to date. It is further anticipated that along this structural break, areas with increased mineralized widths will be encountered. It is pursuing these dilation zones that is the focus of our ongoing exploration efforts.

The ZamZam Zone was discovered in the summer of 2007 during trenching aimed at identifying the source of an Induced Polarization anomaly. The zone is a structurally controlled hydrothermal conduit in a competent intrusive host with associated quartz pyrite veining. Assays in 2007 from the trench returned spectacular values:

28 of the 54 samples exceeded 10.0 g/t gold
20 of the 54 samples exceeded 28.0 g/t gold
5 of the 54 samples exceeded 100.0 g/t gold
The maximum assay was 843.72 g/t gold

These results included high grade assays from relatively narrow pyrite filled fractures, up to 843.7 g/t gold in a grab sample and up to 12.7 g/t gold over 3.0 meters in a chip sample. Trenching conducted in 2008 north of the pre-existing ZamZam Zone extended the surface expression of the mineralized system for an additional 30 meters, resulting in a total trench length of 125 meters and grab samples of up to 34.9 g/t gold. Subsequent to the trenching nine holes were drilled into the ZamZam Zone and five into the Shenkman Area linking the vein systems together. The combination of drilling and surface trenching has extended the ZamZam Zone strike length to 525 meters where it remains open.

The 1010 Vein is located 800 metres southwest of the ZamZam Zone discovery area between two historic shafts located 60 metres apart. A summary of some of these trench assays indicates a consistent high grade mineralization with visible gold:

37 of the 92 samples exceeded 10.0 g/t gold
28 of the 92 samples exceeded 28.0 g/t gold
11of the 92 samples exceeded 100.0 g/t gold
The maximum assay was 245.03 g/t gold

Selected widths of the mineralized system include:

34.45 g/t gold over 0.6 metres
28.08 g/t gold over 0.9 metres
6.34 g/t gold over 0.9 metres
3.53 g/t gGold over 1.9 metres

Drilling on the 1010 Zone in 2007 returned 19.80 g/t gold over 3.18 meters (WKD-07-18).

Investing activities (Cont'd)

At the southern end of trenching on the 1010 vein the vein encounters a quartz porphyry where the host rock is intensely silicified and mineralized over widths in excess of one meter. Assay results returned 13.2 g/t gold at the end of bedrock exposure where trenching was terminated due to overburden and ground water conditions. Several drill holes were conducted in this area and have not yet been reported.

The northern end of the 1010 vein is offset by a 10 meter wide dextral shear zone. Trenching in 2007 uncovered the 1010 extension 50 meters to the north east of the shear zone/vein intersection. A Grab samples returned assay results of up to 467.00 g/t gold. Drilling on the northern extension of the 1010 Zone (WKD-07-17B) has returned 17.14 g/t gold over 1.2 meters. This is the same area where TW-08-10-13 returned 60.27 g/t gold over 1.8 meters and a second interval returned 8.12 g/t gold over 2.45 meters. Several other drill holes were conducted in this area and have not yet been reported.

The budget for 2009 is, at this stage, related to receipt of all drill results and a compilation of the data. The budget for the completion is $120,000 with further work to be determined by the compilation.

Troilus
(50% earn-in copper-zinc-gold)

On October 20, 2008, the Company signed an agreement whereby it has the option to earn a 50% interest in some Troilus properties in Quebec from Beaufield Resources Inc. ("Beaufield") by spending $500,000 on exploration over a three year period. Of the above amount, $250,000 must be spent before June 30, 2009. Beaufield will be the operator. The President of the Company is also the President of Beaufield. The Boards of Directors of both companies have approved this transaction.

The property consists mostly of claims staked recently by Beaufield and totals 303 claims or 12,308 hectares.

The budget for exploration expenditures in Fiscal 2009 at Troilus is $300,000.

Delta-Kenty Ungava Quebec
(49% owned copper-nickel-platinum group)

The Company holds a 49% interest in the Delta-Kenty property located in the Ungava region in Quebec. The property consists of 41 claims totalling 656 hectares and is located WSW of the Raglan mine of Xstrata Nickel (formally Falconbridge Ltd). Xstrata Nickel owns 51%. They have not proposed a work program for 3 years.

Subject to an agreement dated July 21, 1987, exploration up to 1999 done by Melkior, its predecessors and partners totalled $1,669,805 The mineral resource calculated by Xstrata Nickel measured: 817,600 metric tones, 3.05% nickel, 1.26% copper, 0.222 g/t gold, 1.007 g/t platinum and 1.647 g/t palladium (per NI43-101/4.2(2b) a qualified person has not done sufficient work to classify the historical estimate as current mineral resources; Melkior is not treating the historical estimate as current mineral resources and the historical estimate should not be relied upon)..

In 2004 the partners carried out ground geophysics operated by Falconbridge (now Xstrata Nickel) over the D4, D5, D6, D8, D9 and D10 occurrences. The 2004 program included the drilling of two holes totalling 473 metres. The holes were located approximately 500 metres apart on conductors on the D-4 occurrence. Drill hole D-04-107 targeted an electromagnetic anomaly. It intersected 1.0% nickel and 0.31% copper over 3.5m (28m to 31.5m). Drill hole D-04-108 targeted another electromagnetic anomaly, it intersected 99.77m (45.12m to 144.89m) averaging 0.65% Ni and 0.26% Cu including 12.66m (49.34m to 62m) grading 0.8% Ni and 0.4% Cu. This represents a new target meriting follow-up. Melkior's share of the cost of the 2004 program operated by Falconbridge was $289,000.

Melkior has recently engaged an independent consultant to evaluate all existing data on the property including an airborne VTEM survey by Goldbrook Ventures Inc flown in 2007. Goldbrook overflew the Delta property in the course of surveying their own lands and kindly made the data available to Xstrata and Melkior.

Investing activities (Cont'd)

The budget for exploration in Fiscal 2009 is $315,000 and is dependant on the compilation results and the market conditions.

Launay
(100% owned – gold)

The Company holds 120 claims located in the Launay township of Quebec of which 31 claims are subject to a 1% royalty that can be repurchased for a $1,000,000 cash payment.

The Launay property covers approximately 4,772 hectares and is located 40 km west of Amos, Quebec. The property can be reached by highway 111, running between Amos and La Sarre, Quebec. This highway crosses the property in its southern portion and a number of trails and forestry roads crisscross it.

The property is underlain by the Launay pluton as well as the eastern part of the Tascherau batholith. Seven (7) gold occurrences have been historically identified on the property. Two of these contain significant gold mineralization contained within N-S structures within a tonalite intrusion which is located at the contact between the Launay pluton and the Taschereau batholith. The host tonalite forms a band 200 to 400 metres wide and approximately 2km long. It is magnetic, altered, sheared, brecciated and locally mineralized with auriferous pyrite.

A near surface resource of 541,000 tonnes grading 0.12 g/t gold was calculated in 1988 (per NI43-101/4.2(2b) a qualified person has not done sufficient work to classify the historical estimate as current mineral resources; Melkior is not treating the historical estimate as current mineral resources and the historical estimate should not be relied upon).

On April 16, 2007, Melkior agreed to acquire the Launay-Trojan group of claims in the Privat Township, 60 kilometres northeast of Rouyn-Noranda, Québec. Melkior paid the stakers $20,000 cash and issued 200,000 shares valued at $110,000 based on the stock quotation of the day of the agreement. The stakers are entitled to a 2% NSR royalty of which half (1%) may be purchased by Melkior for $1,000,000.

In April 2008, Melkior has completed a 1782 metre drill program consisting of eleven holes at Launay. The drill program targeted the two zones discovered and initially drilled in the 1980's namely; The Principal Zone and Zone 75. Four of the eleven holes were drilled the Principal Zone and seven holes were drilled on Zone 75. Another hole, totalling 279 metres was drilled on the nearby Trojan gold prospect. A total of 806 samples have been submitted for gold assay.

All holes intersected anomalous gold of which the three best holes, which were drilled in the Principal Zone were:

ML-08-09 – 18 metres 0.45 g/t gold
ML-08-10 – 18 metres 0.85 g/t gold
ML-08-11 – 25.5 metres 0.537 g/t gold

The good values in the current drilling were lower than those encountered in historical drilling. Before preceding with further work all previous work will be compiled and evaluated.

The budget for compilation is $40,000.

Investing activities (Cont'd)

Timmins Eldorado Nickel
(100% owned – nickel)

In June 2007, Melkior staked 243 claims primarily in Eldorado Township in the Timmins mining camp. These claims were staked immediately following an announcement by Golden Chalice Resources of a significant nickel discovery in adjacent Langmuir Township.

Fifty eight kilometres of line cutting and magnetometer surveying have been completed.

To maintain the property in good standing, approximately $50,000 of work will be required.

Timmins – Loveland
(100% owned copper-nickel)

On November 2, 2007, the Company signed a letter of intent to acquire 100% interest in the Loveland property in consideration of $4,400 cash and 200,000 common shares of the Company. The shares were issued on January 15, 2008 and were valued at $90,000. The property is located in the Loveland Township in Ontario.

An airborne VTEM survey has been organized and flying is anticipated shortly.

The budget for exploration expenditures in Fiscal 2009 at Timmins Loveland is $20,000.

Long Lac – Geraldton
(100% owned – gold-copper)

On December 13, 2007, Melkior acquired by staking a 100% interest in 247 claim units (3952 hectares) in the eastern portion of the Beardmore-Geraldton-Long-Lac gold exploration area. Significant exploration success by Kodiak Exploration Ltd and others has attracted renewed interest in this camp which hosts numerous former gold producers.

The claims cover mapped volcanic and sedimentary units located approximately 15km east of Long Lac. An airborne electromagnetic survey conducted by the Ontario Geological Survey of the Geraldton-Long Lac area in 1988 was used as basis for the staking. Geological rock formation contacts, structures and electromagnetic anomalies were covered by the Melkior staking.

Melkior will evaluate previous exploration work and results by others on the newly acquired claims and on adjacent properties in planning a 2008 gold exploration program. An Aeroquest Limited airborne survey has been completed and ground follow-up is underway.

A 2009 budget has not been defined pending results from the airborne survey and the subsequent followup.

Otish MacLeod
(100% owned, copper-molybdenum targets)

The company staked 330 claims adjoining the Western Troy Capital Corp copper-molybdenum property in the Otish Area of Quebec. The latter is completing a feasibility study.

A 2464 kilometre airborne magnetometer-spectrometer survey was completed in August 2008. The survey detected several horizons of interest including at least four potential kimberlites. The Company obtained the cooperation of Western Troy for the use of their camp by the Company's geological consultant who undertook a preliminary examination of several targets. The results and report are pending.

Investing activities (Cont'd)

The present work program will keep the claims in good standing for four years while we monitor activity in the Otish by Western Troy and others. Planning of an exploration program is dependent on other activity in the Otish hence a program is not planned for 2009 and no budget is allocated.

Otish Uranium Exploration
(100% ownership of diamond exploration rights only – uranium interests sold)

Melkior announced the sale of its 50% interest in the Otish Basin uranium to Kakanda Resources Corp (now called Otish Energy Inc.) on March 4, 2008. Santoy will retain its 50% interest and become operator of the project. The terms of the letter of intent are as follows:

- Otish Energy paid Melkior $500,000 cash;
- Otish Energy issued 4,100,000 of its common shares to Melkior. These shares were valued at the market value on the date the letter of intent was signed which is $1,312,000;
- Melkior retains a 100% right to any kimberlite (for diamonds);
- Melkior retains a 1% Net Smelter Return (NSR) royalty on 968 claims owned by Melkior Santoy;
- Melkior retains a 0.25% NSR on the 13 Marc André claims.

A $1,062,206 gain was realized during this transaction.

Melkior is not planning a budget for diamond exploration in 2009.

Henderson Ontario
(50% owned- uranium)

The Henderson property is located in the Bancroft district of Ontario. Twenty claims were acquired in partnership with Santoy Resources Ltd by staking in 2007.

The claims cover a historical uranium occurrence originally prospected by Henderson Uranium Mines Ltd. Melkior and Santoy conducted limited prospecting and sampling on the claims in 2007. Grab samples assaying (up to 2400 ppm U3 08) were obtained.

A work program consisting of overburden removal, geophysics and sampling is planned for 2009 with an initial budget of not more than $15,000.

Other properties in Quebec
The Company owns 35 claims in Vauquelin Township and 30 claims in Tiblemont Township located approximately 50km east of Val-d'Or, Quebec. The properties and their deferred exploration expenses were written off in Fiscal 2005 since the exploration work for gold was not successful. Nevertheless, there is activity by others in the area hence the properties will be maintained in good standing. Together the Vauquelin and Tiblemont properties have approximately $770,000 in excess work credits.

Project generation
Melkior is examining other grass roots opportunities which could be assigned budgets if these projects are undertaken. Melkior will reserve a $140,000 contingency budget for Fiscal 2009.

Financing activities

On June 9, 2008, the Company closed a private placement with Sprott Asset Management Inc. of 5,000,000 units at a price of $0.20 per unit for gross proceeds of $1,000,000. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant shall entitle the holder thereof to purchase one additional common share at a price of $0.35 per common share for a period of 24 months following the closing date.

Financing activities (Cont'd)

On November 1, 2007, the Company completed a brokered private placement of 3,030,300 flow-through common shares at a price of $0.33 per flow-through share for gross proceeds of $1,000,000. In consideration for its services, the agent received a cash commission of $80,000 representing 8% of the gross proceeds and 303,030 broker warrants equal to 10% of the number of flow-through shares sold under the private placement. Each broker warrant shall entitle the agent to purchase one additional common share of the Company at a price of $0.33 for a period of 24 months from the closing date. The Company has also raised $200,000 pursuant to a private placement of 606,060 flow-through shares.

On May 8, 2007, Melkior completed a brokered private placement for 3,157,894 units at a price of $0.475 per unit for total gross proceeds of $1,500,000. Each unit will consist of one common share and one-half of a common share purchase warrant. Each warrant will entitle its holder thereof to purchase one additional common share at a price of $0.60 per common share for a period of 18 months. The agent received a cash commission of $120,000. In addition, the agent received options equal to 10% of the number of units sold under the offering. Each option entitles the agent to purchase one unit of Melkior at a price of $0.475 for a period of 18 months.

On March 13, 2007, Melkior closed the first tranche of a private placement consisting of 3,320,000 units at a price of $0.44 per unit for total gross proceeds of $1,460,800. Each unit consists of one common share and one-half of a common share purchase warrants. Each full purchase warrant entitles its holder thereof to purchase one additional common share at a price of $0.60 for a period of 18 months. The purchase warrants will be subjected to an accelerated expiry if, on or after the date that is four months and one day from the closing, the volume weighted average price of the common shares on the TSX Venture Exchange is at least $0.80 for any period of 20 consecutive trading days. Melkior may then, within five business days of such 20 trading day period, provide notice by press release to the holders of purchases warrants (the "Accelerated Expiry Notice") that the purchases warrants shall terminate on the earlier of the date that is 25 days following the date of the Accelerated Expiry Notice or the purchase warrants expiry date. Melkior paid a finder's fee of $75,600. On March 27, 2007, Melkior closed the second tranche of its private placement consisting of 1,180,000 units at a price of $0.44 per unit for gross proceeds of $519,200. The total private placement, consisting of two tranches, raised a total of $1,980,000 by the issuance of 4,500,000 units.

On December 18, 2006, the Company completed a brokered private placement for 5,806,452 units at a price of $0.155 per unit for total gross proceeds of $900,000. Each unit consists of one flow-through common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.25 for a period of 18 months. The Company paid the agent a corporate finance fee of $5,000 and a cash commission of $63,000. The agent also received an option to acquire 580,645 common shares, exercisable at a price of $0.155 per common share for a period of 18 months.

In fiscal 2008, 435,645 warrants were exercised for a net proceed of $67,525 (3,295,000 warrants for a net proceed of $486,225 in Fiscal 2007). Finally in Fiscal 2008, 750,000 options were exercised for a consideration of $85,000 (1,030,000 options for a consideration of $141,500 in Fiscal 2007).

Working capital

The Company has a working capital of $4,448,898 of at August 31, 2008 as compared to $4,174,992 as of August 31, 2007. Management is of the opinion that, subject to continuing to be able to raise equity financing in the future, it will be able to maintain the status of its current exploration obligations and to keep its properties in good standing. Advanced exploration of some of the mineral properties would require substantially more financial resources. In the past, the Company has been able to rely on its ability to raise financing in public or privately negotiated equity offerings. There is no assurance that such financing will be available when required, or under terms that are favourable to the Company. The Company may also elect to advance the exploration and development of mineral properties through joint-venture participation.

Summary of quarterly results

For the eight most recent quarters

	August 31 2008	May 31 2008	February 28 2008	November 30 2007
	$	$	$	$
Income	41 152	44,262	1,133,641	48,853
Net profit (loss) for the period	(74 627)	(484,412)	312,385	(20,380)
Net loss per share	-	(0.01)	-	-
Total assets	14 671 491	13,579,031	13,085,953	12,462,015

	August 31 2007	May 31 2007	February 28 2007	November 30 2006
	$	$	$	$
Income	110,830	49,821	13,155	6,926
Net profit (loss) for the period	34,301	(44,820)	(63,524)	(80,993)
Net loss per share	-	-	-	-
Total assets	11,464,686	11,314,149	7,800,841	6,535,286

Fourth quarter

The Company reported a net loss of $74,627 for the quarter ended August 31, 2008 (“Q4 2008”) compared to a net profit of $34,301 for the quarter ended August 31, 2007 (‘Q4 2007’). Interest income totalled $47,067 in Q4 2008 and was slightly higher than the $42,770 in Q4 2007. Also, the Company earned management fees of $77,157 in Q4 2007 while the partnership with Santoy was very active on the Otish properties. In Q4 2008, Melkior earned only $3,447 management fees on the new Bold Ventures Inc. partnership on the Rim Nickel West property.

Total expenses were higher in Q4 2008 at $115,779 compared to $76,529 in Q4 2007 mainly following increased activities in investors and shareholders relations ($38,706 in Q4 2008 versus $11,975 in Q4 2007) and increased professional and consulting fees to advance the closing of the Rim Nickel acquisition ($66,860 in Q4 2008 versus $43,862 in Q4 2007).

The Company expensed $943,212 in exploration in Q4 2008 mostly on Timmins West but also on Rim Nickel and Launay properties ($1,326,921 in Q4 2007 mostly on the Otish property for which $740,388 was recharged to Santoy).

On June 9, 2008, the Company closed a private placement with Sprott Asset Management Inc. of 5,000,000 units at a price of $0.20 per unit for gross proceeds of $1,000,000, as discussed previously.

Related party transactions

In the normal course of operations:

a) For fiscal 2008, companies controlled by Jens E. Hansen (President and Director) charged:
   i) Professional fees relating to geology amounting to $69,239 ($112,338 for fiscal 2007) capitalised in deferred exploration expenses;
   ii) Management fees amounting to $37,350 ($25,451 for fiscal 2007) expensed in professional and consulting fees;
   iii) Rent totalling $36,360 ($31,117 for Fiscal 2007) expensed in general and administrative.
b) For fiscal 2008, a company controlled by Ingrid Martin (Chief Financial Officer) charged accounting fees of $51,563 ($62,600 for fiscal 2007) of which $47,938 ($58,919 in Fiscal 2007) was expenses and $3,625 ($3,681 in Fiscal 2007) was recorded as share issue expenses;
c) From February 14, 2008 (date of the Secretary's nomination) to August 31, 2008, a firm in which Michel Blouin is a partner charged legal fees amounting to $48,373 of which $3,900 was recorded as share issue expenses.
d) As at August 31, 2008, the balance due to the related parties amounted to $16,592 (August 31, 2007 – $1,736) and was recorded in accounts payable and accrued liabilities. This amount is subject to the same conditions as those of non related Parties.

Not in the normal course of business:

e) In November 2007, officers of the Company participated in private placements of flow-through shares for a total consideration of $44,900 ($47,600 for fiscal 2007).
f) As part of the acquisition of the Rim Nickel property, Norman Farrell (director) and Jens E. Hansen will receive $110,000 cash (paid September 22, 2008) which represent the reimbursement of their costs incurred in this transaction for the staking. As of August 31, 2008, this amount is recorded in accounts payable and accrued liabilities and is subject to the same conditions as those of non related parties.

These related party transactions were recorded at the exchange value, which is the consideration determined and agreed to by the related parties.

Subsequent events

On October 20, 2008, the Company signed an agreement whereby it has the option to earn a 50% interest in some Troilus properties in Quebec from Beaufield Resources Inc. ("Beaufield") by spending $500,000 on exploration over a three year period. Of the above amount, $250,000 must be spent before June 30, 2009. Beaufield will be the operator. The President of the Company is also the President of Beaufield. The Boards of Directors of both companies have approved this transaction.

On November 7, 2008, the Company nominated Nathalie Hansen on the Board of directors and granted her 300,000 stock options.

Outstanding share data

	As of November 19, 2008
	Number
Common shares	85,315,603
Options	6,270,000
Warrants	12,035,202
	103,620,805

Off-balance sheet arrangements

During Fiscal 2008, the Company did not set up any off-balance sheet arrangements.

Critical accounting estimates

Management is required to make estimates and assumptions in the preparation of financial statements in conformity with generally accepted accounting principles. A description of the Company's significant accounting policies can be found in Note 3 of the Company's financial statements. Key accounting estimates made by management relates to mining assets,and stock-based compensation.

Accounting changes

Taking effect on September 1, 2007, the Canadian Institute of Chartered Accountants (“CICA”) issued new sections for financial instruments:

- Section 3855, “Financial Instruments – Recognition and Measurement”, provides guidance on when a financial instrument must be recognized on the balance sheet and how it must be measured. It also provides guidance on the presentation of gains and losses on financial instruments;
- Section 1530, “Comprehensive Income”, requires an entity to recognize certain gains and losses in a separate statement, until such gains and losses are recognized in the statement of income;
- Section 3251, “Equity”, establishes standards for the presentation of equity and changes in equity during the reporting fiscal year;
- Section 3861, “Financial Instruments – Disclosure and presentation” deal with the disclosure of financial instruments and non-financial derivatives in the financial statements.

The adoption of these sections had the following impact on the classification of the financial instruments:

- Cash and cash equivalents, listed shares and exploration funds are classified as held for trading and recorded at their fair value and their change in fair value are included in the statement of operations;
- Recorded at their amortized cost using the effective interest method including any depreciation, other receivable and due from partners are classified as loans and receivables;
- Accounts payable and expense payable are classified as other liabilities and are measured at the amortized cost using the effective interest method.

That these new sections had no significant impact on the Financial Statements as of September 1, 2007.

Taking effect on September 1, 2007, the CICA issued Section 1506 “Accounting changes” which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Company. This new section has no impact on the financial results of the Company.

Future change in accounting standards

Taking effect September 1, 2008, the Company will adopted the following new accounting policies published by the CICA:

- Section 3862, “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation” describe the required disclosure and presentation for the assessment of the significance of financial instruments for an entity’s financial position and performance and of the nature and extent of risks arising from financial instruments to which entity is exposed and how the entity manages those risks. The new requirements only address disclosures and will have no impact on the Company's financial results;
- Section 1535, “Capital disclosures”, establishes standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure of the entity’s objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and, if it has not complied, the consequences of such non-compliance. The new requirements only address disclosures and will have no impact on the Company's financial results;
- Section 1400, “General Standards of Financial Statement Presentation”, requires that management make an assessment of the Company’s ability to continue as a going concern over a period which is at least, but not limited to, twelve months from the balance sheet date. The new requirements only address disclosures and will have no impact on the Company’s financial results.

Accounting changes (Cont'd)

Adoption of International Financial Reporting Standard in Canada
In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards ("IFRS"). The Company will get the training on the IFRS and will elaborate a plan to be ready for the Fiscal 2012 conversion.

Financial instruments

Description
On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Subsequently, financial assets and liabilities are measured and recognized as follows:

- Held for trading financial assets are measured at their fair value and changes in fair value are recognized in earnings. Changes in fair value that are recognized in earnings include interest income and realized and unrealized gains or losses, and are presented under interest income and fair value variation on financial instruments held for trading. Cash and cash equivalents, short-term investments, listed shares as well as exploration funds are classified as held for trading;
- Loans and receivable are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. Other receivables and du from partners are classified as loans and receivable;
- Other financial liabilities are measured at amortized cost using the effective interest method. Interest calculated using the effective interest method is presented in general and administrative expenses. Accounts payable and accrued liabilities are classified as other financial liabilities.

Impact on the statement of earnings
Melkior recorded a fair value variation for financial instruments held for trading of $683,249 unfavourable in Fiscal 2008 (nil in Fiscal 2007).

Fair Value variation on:	**2008**
	$
Listed shares	(697,000)
Treasury bills	(269)
Guarantied investment certificates	14 020
	(683,249)

Financial risk management
The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

- Interest rate risk. The short term investments and part of the cash and cash equivalents bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.
- Credit Risk. The Company is subject to concentrations of credit risk through cash and cash equivalents, short term investments and exploration funds. The Company maintains substantially all of its cash and cash equivalents, short term investments and exploration funds in financial instruments guaranteed by either a major Canadian financial institution or by the Canadian Government.

Financial instruments (Cont'd)

- Liquidity risk. Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at his disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even tough the Company was successful in the past, there is no guarantee that it will succeed in the future.
- Market risk. The listed shares held by the Company are exclusively shares from venture issuers working in the mineral exploration area.
- Fair Value. The fair value of the listed shares held for trading is based on the closing price on the stock market.

Risk factors

The following discussion reviews a number of important risks which management believes could impact the Company's business. There are other risks, not identified below, which currently, or may in the future exist in the Company's operating environment.

Exploration and Mining Risks
The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercial ore on the mineral properties of which the Company intends to acquire an interest and the proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company from time to time augments its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, or any known body of commercial ore.

Titles to Property
While the Company has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

Permits and Licenses
The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Metal Prices
Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

Competition
The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees. The current markets put additional pressure on the availability of contract suppliers, equipment and personnel.

Risk factors (Cont'd)

Environmental Regulations
The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Conflicts of Interest
Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Stage of Development
The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or the provision of return on investment, and in future there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

Industry Conditions
Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The Company undertakes exploration in areas that are or could be the subject of native land claims. Such claims could delay work or increase exploration costs. The effect of these factors cannot be accurately determined.

Uninsured Hazards
Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards, which cannot be insured against or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company assets or the insolvency of the Company.

Future Financing
Completion of future programs may require additional financing, which may dilute the interests of existing shareholders. In 2008, an unforeseen financial disruption has occurred. While Management does not foresee an immediate problem, this could have a longer term negative effect.

Key Employees
Management of the Company rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations.

Canada Revenue Agency and provincial agencies
No assurance can be made that Canada Revenue Agency or provincial agencies will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expense or the eligibility of such expenses as Canadian exploration expense under the Income Tax Act (Canada) or any provincial equivalent.

Forward looking information

This management's discussion and analysis contains forward looking statements reflecting Melkior's objectives, estimates and expectations. These statements are identified by the use of verbs such as ''believe'', ''anticipate'', ''estimate'', and ''expect''. As well as the use of the future or conditional tense. By their very nature, these types of statements involve risk and uncertainty. Consequently, results could differ materially from the Company's projections or expectations.

November 19, 2008

(s) Jens E. Hansen
Jens E. Hansen
President

(s) Ingrid Martin
Ingrid Martin
CFO

Raymond Chabot Grant Thornton LLP
Chartered Accountants

Raymond Chabot Grant Thornton

To the shareholders of
Melkior Resources Inc.

We have audited the balance sheets of Melkior Resources Inc. as at August 31, 2008 and 2007 and the statements of earnings, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP

Chartered Accountants

Val-d'Or
October 24, 2008 except as to Note 15b which is of November 7, 2008

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Melkior Resources Inc.
(an exploration company)

Balance Sheets

	August 31	
	2008	2007
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 4)	1,110,658	3,790,650
Short-term investments (Note 5)	3,018,060	-
Taxes and other receivable	47,126	208,956
Due from partners, without interest, on demand	90,568	246,355
Taxes credits receivable	71,995	285,455
Prepaid expenses	19,978	19,786
Listed shares held for trading	615,000	-
	4,973,385	4,551,202
Prepaid exploration expenses	62,690	-
Exploration funds (Note 4)	373,930	-
Equipments (Note 6)	9,630	15,126
Mining assets (Note 7)		
Mining properties	1,755,750	936,092
Deferred exploration expenses	7,496,106	5,962,266
	14,671,491	11,464,686
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	524,487	376,210
Shareholders' Equity		
Share capital (Note 8)	34,684,977	31,623,313
Contributes surplus (Note 8d)	1,249,429	454,977
Deficit	(21,787,402)	(20,989,814)
	14,147,004	11,088,476
	14,671,491	11,464,686

The accompanying notes are an integral part of the financial statements.

(s) Jens E. Hansen	(s) Norman Farrell
Jens E. Hansen	Norman Farrell
President and Director	Director

Melkior Resources Inc.

(an exploration company)

Statement of Earnings, Comprehensive Loss and Deficit

	Year ended August 31	
	2008	2007
	$	$
Expenses		
General and administrative	123,700	89,475
Travelling and promotion	20,771	12,483
Investors and shareholders relations	126,610	93,892
Professional and consulting fees	227,639	138,524
General exploration	1,225	1,560
Stock-based compensation	672,000	271,000
Amortization	2,748	-
Fair value variation on financial instruments held for trading	683,249	-
Foreign exchange loss	-	5,834
	1,857,942	612,768
Income		
Interest income	181,471	95,302
Management fees	24,231	77,157
Gain on disposal of mining assets	1,062,206	3,273
Gain on settlement of debt	-	5,000
	1,267,908	180,732
Loss before income taxes	(590,034)	(432,036)
Future income taxes (Note 9)	323,000	277,000
Net loss and comprehensive loss	(267,034)	(155,036)
Basic and diluted net loss per share	-	-
Weighted average number of outstanding common shares	77,420,830	63,923,950
Deficit, beginning of year	(20,989,814)	(20,005,007)
Net loss	(267,034)	(155,036)
Future income taxes related to flow-through shares	(323,000)	(277,000)
Share issue expenses	(207,554)	(552,771)
Deficit, end of year	(21,787,402)	(20,989,814)

The accompanying notes are an integral part of the financial statements.

Melkior Resources Inc.

(an exploration company)

Statement of Cash Flows

	Year ended August 31	
	2008	2007
	$	$
Operating activities		
Net loss	(267,034)	(155,036)
Non-cash items:		
Stock-based compensation	672,000	271,000
Amortization	2,748	-
Fair value variation on financial instruments held for trading	682,980	-
Foreign exchange loss	-	5,834
Interest accrued on interest income	(114,040)	-
Gain on disposal of mining assets	(1,062,206)	(3,273)
Gain on settlement of debt	-	(5,000)
Future income taxes	(323,000)	(277,000)
	(408,552)	(163,475)
Changes in non-cash working capital items		
Taxes and other receivable	150,303	(177,523)
Due from partners	(14,842)	-
Prepaid expenses	(192)	(12,055)
Accounts payable and accrued liabilities	45,732	422
	181,001	(189,156)
Cash flows from operating activities	(227,551)	(352,631)
Investing activities		
Purchase of short-term investments	(3,340,000)	-
Disposal of short-term investments	450,000	-
Exploration funds	(373,930)	-
Prepaid exploration expenses	(62,690)	-
Additions to equipments	-	(16,500)
Additions to mining properties	(50,368)	(176,370)
Disposal of mining properties	500,000	-
Deferred exploration expenses	(2,037,490)	(1,066,488)
Taxes credits cashed	241,308	38,397
Cash flows from investing activities	(4,673,170)	(1,220,961)
Financing activities		
Due to a director	-	(91,122)
Issuance of shares	2,352,525	5,007,475
Share issue expenses	(131,796)	(397,932)
Cash flows from financing activities	2,220,729	4,518,421
Net changes in cash and cash equivalents	(2,679,992)	2,944,829
Cash and cash equivalents, beginning of year	3,790,650	845,821
Cash and cash equivalents, end of year (Note 4)	1,110,658	3,790,650

See note 13 for additional information on the statement of cash flows

The accompanying notes are an integral part of the financial statements.

1. Governing statutes and nature of operations

Melkior Resources Inc. (the ‘Company’), incorporated under the Canada Business Corporation Act, is a mineral exploration enterprise.

The Company is in the process of exploring and evaluating its mining properties and projects and has not yet determined whether its properties contain ore reserves that are economically recoverable.

Although the Company has taken steps to verify title to mining properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property’s titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Accounting changes

Taking effect on September 1, 2007, the Canadian Institute of Chartered Accountants (“CICA”) issued new sections for financial instruments:

- Section 3855, “Financial Instruments – Recognition and Measurement”, provides guidance on when a financial instrument must be recognized on the balance sheet and how it must be measured. It also provides guidance on the presentation of gains and losses on financial instruments;
- Section 1530, “Comprehensive Income”, requires an entity to recognize certain gains and losses in a separate statement, until such gains and losses are recognized in the statement of income;
- Section 3251, “Equity”, establishes standards for the presentation of equity and changes in equity during the reporting fiscal year;
- Section 3861, “Financial Instruments – Disclosure and presentation” deal with the disclosure of financial instruments and non-financial derivatives in the financial statements.

The adoption of these sections had the following impact on the classification of the financial instruments:

- Cash and cash equivalents are classified as held for trading and recorded at their fair value and their change in fair value are included in the statement of operations;
- Recorded at their amortized cost using the effective interest method including any depreciation, other receivable and due from partners are classified as loans and receivables;
- Accounts payable and expense payable are classified as other liabilities and are measured at the amortized cost using the effective interest method.

That these new sections had no significant impact on the Financial Statements as of September 1, 2007.

2. Accounting changes (Cont'd)

Taking effect on September 1, 2007, the CICA issued Section 1506 “Accounting changes” which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Company. This new section has no impact on the financial results of the Company.

Future change in accounting standards
Taking effect September 1, 2008, the Company will adopted the following new accounting policies published by the CICA:

- Section 3862, “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation” describe the required disclosure and presentation for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which entity is exposed and how the entity manages those risks. The new requirements only address disclosures and presentation will have no impact on the Company's financial results;
- Section 1535, “Capital disclosures”, establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and, if it has not complied, the consequences of such non-compliance. The new requirements only address disclosures and will have no impact on the Company's financial results;
- Section 1400, “General Standards of Financial Statement Presentation”, requires that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but not limited to, twelve months from the balance sheet date. The new requirements only address disclosures and will have no impact on the Company's financial results.

Adoption of International Financial Reporting Standard in Canada
In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards (“IFRSs”). The Company will get the training on the IFRS and will elaborate a plan to be ready for the Fiscal year 2012 conversion.

3. Accounting policies

Accounting Estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. Significant estimates include the carrying value of mining properties, deferred exploration expenses and stock-based compensation. Actual results may differ from those estimates.

Basis of presentation
The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

Cash and cash equivalents
The Company's policy is to present cash and temporary investments having a term of three months or less from the acquisition date with cash and cash equivalents.

3. Accounting policies (Cont'd)

Exploration funds
These funds are restricted in use for exploration expenses pursuant to flow-through financing agreements.

Equipments
Equipments are amortized over its estimated useful lives using the straight line depreciation method over a period of 3 years.

Mining assets
Acquisition cost and exploration expenses relating to a non-producing property are deferred until the mining property is brought into production or abandoned. If commercial production is achieved, the capitalized costs are amortized over the estimated useful life of the project. Upon abandonment or if the costs to date are determined to be unrecoverable, the accumulated costs are charges to earnings. Government assistance, mining duties credits and other credits related to exploration work are applied against the deferred exploration expenses.

The recoverability of amounts shown for mining properties and deferred exploration expenses is dependent upon the ability of the Company to obtain necessary financing to complete the acquisition, exploration and development thereof, and upon future profitable production or proceed from the disposal of properties in excess of the accounting value.

Foreign currency translation
Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at exchange rates in effect at transaction dates. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of income and expenses relating to non-monetary assets and liabilities which are converted at the historical rate. Gains and losses are included in the earnings for the year.

Basic or diluted net loss per share
Basic net loss per share is calculated over the weighted average number of shares outstanding during the year. The diluted net loss per share, which is calculated using the treasury method, is equal to the basic net loss per share due to the anti-dilution effect of stock options and share purchase warrants outstanding and described in Note 8.

Share Capital
Share Capital issued for non-monetary consideration is generally recorded at the fair market value on the date the shares were issued, or the date the agreement to issue the shares was entered into, as determined by the Board of Directors of the Company.

The resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting, considering EIC-146, income taxes related to the temporary differences are recorded on the date that the Company renounces the deductions to investors together with a corresponding charge in the statement of deficit as share issue expenses.

Share issue expenses
Expenses relating to the issue of shares are accounted for in the statement of deficit during the year they are incurred.

3. Accounting policies (Cont'd)

Stock–Based Compensation Plans
The Company has a stock option plan as described in Note 8. The Company uses the fair value method based on the Black-Scholes pricing model to record the compensation cost related to the issue of stock options to its employees, directors, officers and consultant. When the options are granted, the compensation charge is recorded in the statement of earnings or in deferred exploration expense and the counterpart is credited to contributed surplus. On exercise of stock options, any consideration paid and the contributed surplus related to these options are credited to capital stock.

Fair value of the warrants
Proceeds from unit placements are allocated between shares and warrants issued using the residual method to determine the fair value of warrants issued. Proceeds are first allocated to shares according to their market value at the time of issuance and any residual in the proceeds is allocated to warrants.

Income taxes
The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to difference between the carrying amounts and tax bases of assets and liabilities. They are measured be applying substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future tax assets will not be realized.

Financial assets and liabilities
On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Subsequently, financial assets and liabilities are measured and recognized as follows:

- Held for trading financial assets are measured at their fair value and changes in fair value are recognized in earnings. Changes in fair value that are recognized in earnings include interest income and realized and unrealized gains or losses, and are presented under interest income and fair value variation on financial instruments held for trading. Cash and cash equivalents, short-term investments, listed shares as well as exploration funds are classified as held for trading;
- Loans and receivable are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. Other receivables and du from partners are classified as loans and receivable;
- Other financial liabilities are measured at amortized cost using the effective interest method. Interest calculated using the effective interest method is presented in general and administrative expenses. Accounts payable and accrued liabilities are classified as other financial liabilities.

4. Cash and cash equivalents and exploration funds

As of August 31, 2008, cash and cash equivalents and exploration funds include treasury bills of $1,375,645 for which the nominal value is $1,378,000 with effective interest rates between 2.11% and 2.23%, maturing between September 18 and October 16, 2008. As of August 31, 2007, the cash and cash equivalents include guaranteed investments certificates and banker acceptances from a Canadian financial institution bearing interest between 4.06% and 4.56%. The bankers acceptances had a nominal value of $653,000. The exploration funds must be spent before December 31, 2008.

4. Cash and cash equivalents and exploration funds (Cont'd)

	2008	2007
	$	$
Cash	108,943	180,555
Treasury bills	1,375,645	-
Bankers acceptances	-	646,227
Term deposit	-	2,963,868
Less: Exploration funds	(373,930)	-
Cash and cash equivalents	1,110,658	3,790,650

5. Short term investments

As of August 31, 2008, short term investments include guaranteed investments certificates from a Canadian financial institution of which $1,045,652 is cashable without penalties at maturity on November 3, 2008 bearing interest of 4.9%. Amounts totalling $1,972,408 are cashable at any time without penalties, maturing on November 3, 2008, bearing interest rates between 4.55% and 4.8%.

6. Equipments

As of August 31, 2008	Cost	Accumulated depreciation	Net book value
	$	$	$
Equipments	16,500	6,870	9,630

As of August 31, 2007	Cost	Accumulated depreciation	Net book value
	$	$	$
Equipments	16,500	1,374	15,126

7. Mining assets

Mining properties	August 31 2007	Acquisitions	Disposals	August 31 2008
	$	$	$	$
Quebec				
Launay	374,531	450	-	374,981
Ungava	201,800	-	-	201,800
Otish	201,176	17,153	(179,174)	39,155
Ontario				
Timmins West	131,837	-	-	131,837
Eldorado	23,630	1,223	-	24,853
Henderson	3,118	-	-	3,118
Timmins - Loveland	-	94,400	-	94,400
Long Lac	-	19,824	-	19,824
Rim Nickel – McFaulds	-	865,782	-	865,782
	936,092	998,832	(179,174)	1,755,750

Mining properties	August 31 2006	Acquisitions	Disposals	August 31 2007
	$	$	$	$
Quebec				
Launay	242,211	132,320	-	374,531
Ungava	200,000	1,800	-	201,800
Otish	-	201,176	-	201,176
Others	-	11,422	(11,422)	-
Ontario				
Timmins West	100,104	31,733	-	131,837
Eldorado	-	23,630	-	23,630
Henderson	-	3,118	-	3,118
	542,315	405,199	(11,422)	936,092

7. Mining assets (Cont'd)

Deferred exploration expenses	August 31 2007	Expenditures	Tax credits	Disposals	August 31 2008
	$	$	$	$	$
Quebec					
Launay	3,933,257	304,094	(1,512)	-	4,235,839
Ungava	1,134,915	-	-	-	1,134,915
Otish	522,268	218,688	(21,953)	(571,385)	147,618
Ontario					
Timmins West	360,083	1,052,654	-	-	1,412,737
Eldorado	1,189	83,987	-	-	85,176
Henderson	10,554	700	-	-	11,254
Timmins - Loveland	-	1,175	-	-	1,175
Long Lac	-	73,281	-	-	73,281
Rim Nickel - McFaulds	-	394,111	-	-	394,111
	5,962,266	2,128,690	(23,465)	(571,385)	7,496,106

Deferred exploration expenses	August 31 2006	Expenditures	Tax credits	Disposals	August 31 2007
	$	$	$	$	$
Quebec					
Launay	3,905,396	41,982	(14,121)	-	3,933,257
Ungava	1,133,819	1,650	(554)	-	1,134,915
Otish	-	784,485	(262,217)	-	522,268
Others	-	105	-	(105)	-
Ontario					
Timmins West	59,045	301 038	-	-	360,083
Eldorado	-	1,189	-	-	1,189
Henderson	-	10,554	-	-	10,554
	5,098,260	1,141,003	(276,892)	(105)	5,962,266

7. Mining assets (Cont'd)

Quebec

a) *Launay and Launay-Trojan*
The Company holds claims located in the Launay township of Quebec of which certain claims are subject to a 1% royalty that can be repurchased for a $1,000,000 cash payment.

On April 16, 2007, the Company agreed to acquire the Launay-Trojan group of claims in the Privat Township, 60 kilometres northeast of Rouyn-Noranda, Québec. The Company paid the stakers $20,000 cash and issued 200,000 shares valued at $110,000 based on the stock quotation of the day of the agreement. The stakers are entitled to a 2% Net Smelter Return royalty ("NSR") royalty of which half (1%) may be purchased by the Company for $1,000,000.

b) *Ungava*
The Company holds a 49% interest in the Delta-Kenty property located in the Ungava region in Quebec.

c) *Mont Otish*
i) Otish East, West and Beaver Lake
On January 9, 2007, the Company and Santoy Resources Ltd ("Santoy") have agreed to explore for Uranium and other metals in the Otish Mountains of Quebec. The Company has retained the right to explore for diamonds for its own account on these lands.

ii) Otish Marc-André
On January 15, 2007, the Company and Santoy acquired a 100% interest in 13 claims at Lac Laparre in the Otish Mountains of Quebec. Consideration to be paid to International Royalties Corp., a private company, by the partners for the property is $10,000 cash, 200,000 shares of the Company and 40,000 shares of Santoy. The Company recorded the cash payment of $5,000 and the 200,000 shares issuance valued at $54,000. A 2% NSR, of which 1.5% may be purchased for $1,000,000, has been reserved for the original vendor of the property, a director of the Company. As a current director of the Company, this original vendor is a non arm's-length party to the purchase agreement.

iii) Otish Majescor
On February 8, 2007, the Company and Santoy (50% each) have entered into an option agreement with Majescor Resources Inc. ("Majescor") to earn 66 2/3% interest in 317 claims in the Lac Laparre area in the Otish Mountains of Quebec. The terms of the option agreement call for an exploration work commitment of $2,500,000 over five years (with a guaranteed minimum of $300,000 in year one), a cash payment of $50,000, the issuance of 200,000 shares of the Company over a two year period and 60,000 shares of Santoy, in tranches over a two year period, and the reservation of a 1.5% NSR, one half of which is purchasable for $1,000,000. The option excludes diamonds rights. In 2007, the Company has fulfilled its share of the agreement which is a cash payment of $25,000 and the 100,000 share issuance valued at $35,000.

On February 8, 2008, Melkior issued 100,000 shares to Majescor valued at $20,000, to comply with its obligation following the agreement signed February 8, 2007.

7. Mining assets (Cont'd)

Quebec (Cont'd)

c) Mont Otish (Cont'd)

iv) Otish MacCleod
In April 2007, the Company acquired claims located 30 kilometres northwest from the Otish basin.

v) Sale to Otish Energy inc.
On December 18, 2007, the Company signed a letter of intent for the sale of its Otish Basin uranium interests to Kakanda Resources Corp (now called Otish Energy Inc.). Santoy will retain its interest and become operator of the project. The terms of the letter of intent are as follows:

- Otish Energy paid Melkior $500,000 cash;
- Otish Energy issued 4,100,000 of its common shares to Melkior. These shares were valued at the market value on the date the letter of intent was signed which is $1,312,000;
- Melkior retains a 100% right to any kimberlite (for diamonds);
- Melkior retains a 1% Net Smelter Return ("NSR") royalty on 968 claims;
- Melkior retains a 0.25% NSR on the 13 Marc-André claims.

A $1,062,206 gain was realized during this transaction.
Melkior retains a 100% ownership on the claims of Otish MacCleod being explored for copper and molybdenum.

d) Other properties in Québec
The Company holds claims for the Vauquelin and Tiblemont properties for which the expiry dates go up to January 2009. The Vauquelin and Tiblemont properties and their deferred exploration expenses were written off as of August 31, 2005.

In March 2007, the Company staked claims in the Schefferville region and sold them in August 2007 for $14,800. A $3,273 gain was realized on this transaction.

Ontario

e) Timmins West and Eldorado
The Company holds a 100% interest in the Timmins West property, subject to a 1.5% NSR royalty in favour of the vendors.

In February 2007, the Company acquired for $8,400 in cash a 100% interest in claims in the Carscallen Township, close to its West Timmins gold property at Timmins, Ontario. The property is subject to a 2% NSR of which the Company has the right to buy out half (1%) of the NSR for $1,000,000.

On August 2, 2007, the Company acquired one claim internal to Timmins West for $20,000 in cash and a 2% NSR of which the Company has the right to buy out half (1%) for $1,000,000.

The Eldorado property was staked by the Company in 2006.

f) Henderson
On February 5, 2007, the Company acquired the Henderson property by staking claims in the Bancroft district. The claims are part of the agreement with Santoy.

7. Mining assets (Cont'd)

Ontario (Cont'd)

g) *Timmins - Loveland*
On November 2, 2007, the Company signed a letter of intent to acquire 100% interest in the Loveland property in consideration of $4,400 cash and 200,000 common shares of the Company, valued at $90,000. The property is located in the Loveland Township in Ontario.

h) *Long Lac*
The company acquired the Long Lac property through staking in Beardmore-Geraldton Ontario

i) *Rim Nickel - McFaulds*
i) Rive Nickel East and West
Following an agreement signed on April 9, 2008 and amended on June 2, 2008, the Company acquired 100% of the East Rim Nickel property and a 100% interest in an agreement concluded by the vendors and Bold Ventures Inc. with regards to the West Rim Nickel property in consideration for $306,000 in cash and the issuance of 2,500,000, valued $550,000. A director and the President of the Company, who is also a director, will receive $110,000 in cash which represents the reimbursement of their staking costs incurred in this property (paid September 22, 3008). The East Rim Nickel property is subject to a 2% NSR royalty, of which half (1%) can be repurchased by the Company for $2,000,000. The West Rim Nickel property is subject to a 1% NSR royalty, of which half (0.5%) can be repurchased by the Company for $1,000,000.
The claims are located in the McFaulds Lake area in Ontario. The Company will be the initial operator.

Bold Ventures Inc. ("Bold") has acquired 50% of the West Rim Nickel property, following the completing of $125,000 in exploration work.

ii) Riverside
Adjoining the East Rim Nickel, Melkior staked in June 2008, jointly with MacDonald Mines Exploration Ltd ("MacDonald"), the Riverside property. Melkior owns a 50% interest and MacDonald the other 50%.

8. Share capital

Authorized:
The Company's authorized share capital consists of:
a) an unlimited number of common shares of no par value, voting and participating
b) an unlimited number of preferred shares with an 8% non-cumulative dividend, redeemable at the request of the Company at paid up capital.

8. Share capital (Cont'd)

Issued:
Changes in the Company's common share capital were as follows:

	2008		2007	
	Number	**Amount**	**Number**	**Amount**
		$		$
Balance at beginning of year	72,693,598	31,623,313	54,404,252	26,311,438
Private placements	5,000,000	1,000,000	7,657,894	3,480,000
Flow-through private placements	3,636,360	1,200,000	5,806,452	900,000
Exercise of warrants	435,645	67,525	3,295,000	486,225
Value of warrants exercised	-	26,139	-	36,700
Exercise of options	750,000	85,000	1,030,000	141,250
Value of option exercised	-	23,000	-	68,700
Acquisition of mining properties (Note 7)	300,000	110,000	500,000	199,000
	82,815,603	34,134,977	72,693,598	31,623,313
To be issued:				
Mining properties (issued September 22, 2008)	2,500,000	550,000	-	-
Balance at end of year	85,315,603	34,684,977	72,693,598	31,623,313

a) *Private placements*

On November 1, 2007, the Company completed a first brokered private placement of 3,030,300 flow-through common shares at a price of $0.33 per flow-through share for gross proceeds of $1,000,000. In consideration for its services, the agent received a cash commission of $80,000 representing 8% of the gross proceeds and 303,030 broker warrants equal to 10% of the number of flow-through shares sold under the private placement. Each broker warrant shall entitle the agent to purchase one additional common share of the Company at a price of $0.33 for a period of 24 months from the closing date. The total agent warrant fair value amount to $75,758 and this fair value was estimated using the Black-Scholes princing model with no expected dividend yield, an expected volatility of 92%, a risk-free interest rate of 4.25% and an expected life of options of 2 years. The Company has also completed a second private placement for $200,000 of 606,060 flow-through shares.

On June 9, 2008, the Company closed a private placement with Sprott Asset Management Inc. of 5,000,000 units at a price of $0.20 per unit for gross proceeds of $1,000,000. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant shall entitle the holder thereof to purchase one additional common share at a price of $0.35 per common share for a period of 24 months following the closing date. No value was attributed to the warrants.

On December 18, 2006, the Company completed a brokered private placement for 5,806,452 units at a price of $0.155 per unit for a total gross proceeds of $900,000. Each unit consists of one flow-through common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.25 for a period of 18 months. The Company paid the agent a corporate finance fee of $5,000 and a cash commission of $63,000. The agent also received an option to acquire 580,645 common shares, exercisable at a price of $0.155 per common share for a period of 18 months. The total agent warrant fair value amount to $34,839 and this fair value was estimated using the Black-Scholes pricing model with no expected dividend yield, an expected volatility of 121%, a risk-free interest rate of 4.25% and an expected life of agent warrants of 18 months. No value was attributed to the warrants.

8. Share capital (Cont'd)

a) Private placements (Cont'd)

On March 13, 2007, the Company closed the first tranche of a private placement consisting of 3,320,000 units at a price of $0.44 per unit for total gross proceeds of $1,460,800. Each unit consists of one common share and one-half of a common share purchase warrants. Each full purchase warrant entitles its holder thereof to purchase one additional common share at a price of $0.60 for a period of 18 months. The purchase warrants will be subjected to an accelerated expiry if the volume weighted average price of the common shares on the TSX Venture Exchange is at least $0.80 for any period of 20 consecutive trading days. The Company may then, within five business days of such 20 trading day period, provide notice by press release to the holders of purchases warrants (the "Accelerated Expiry Notice") that the purchases warrants shall terminate on the earlier of the date that is 25 days following the date of the Accelerated Expiry Notice or the purchase warrants expiry date. The Company paid a finder's fee of $75,600. On March 27, 2007, the Company closed the second tranche of its private placement consisting of 1,180,000 units at a price of $0.44 per unit for gross proceeds of $519,200. The total private placement, consisting of two tranches, raised a total of $1,980,000 by the issuance of 4,500,000 units. No value was attributed to the warrants.

On May 8, 2007, the Company completed a brokered private placement for 3,157,894 units at a price of $0.475 per unit for total gross proceeds of $1,500,000. Each unit will consist of one common share and one-half of a common share purchase warrant. Each warrant entitles its holder thereof to purchase one additional common share at a price of $0.60 per common share for a period of 18 months. The agent received a cash commission of $120,000. In addition, the agent received options equal to 10% of the number of units sold under the offering. Each option entitles the agent to purchase one unit of the Company at a price of $0.475 for a period of 18 months. The total agent option value amount to $120,000 and this fair value was estimated using the Black-Scholes pricing model with no expected dividend yield, an expected volatility of 119%, a risk-free interest rate of 4,25% and an expected life of agent option of 18 months. No value was attributed to the warrants.

b) Stock option plan

As of January 15, 2007, the Company's Board of directors has approved the 2007 Stock Option Plan replacing the existing plan. The aggregate number of optioned shares to be delivered upon the exercise of all options granted under the plan shall not exceed 10% of the number of issued and outstanding common shares at the time of the option grant. If any option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased optioned shares subject thereto shall again be available for the purposes of the plan.

The purchase price of the Common Shares, upon exercise of each option granted under the Plan, shall be a price fixed for such option by the Board of Directors upon grant of each such option, but such price shall not be less than the market price at closing of transactions the day prior to the grant. Each option, unless sooner terminated in accordance with the terms, conditions and limitations thereof, or unless sooner exercised, shall expire on the date determined by the Board of Directors when the option is granted or, failing such determination and in any event, not later than upon the fifth anniversary of the grant of the option. Options are vested at the time of the grant, unless the Board of directors determines other conditions.

8. Share capital (Cont'd)

b) Stock option plan (Cont'd)

The total number of options granted to any one individual in any 12 month period, will not exceed 5% of the issued common shares. The total number of options granted to any one person providing ongoing services to the Company, in any 12 month period, will not exceed 2% of the issued common shares at the time of grant. The total number of options granted to persons employed in investor relations activities, in any 12 month period, will not exceed 2% of the common shares issued to persons employed in investor relations activities at the time of grant.

Options issued to consultant performing investor relations activities must vest in stages over 12 months with no more than 25% of the options vesting in any three month period; provided, however, that if the number of common shares taken up under the option during any such three month period is less than 25% of the common shares originally covered by the option, the optionee shall have the right, at any time during the remainder of the option period, to purchase such number of common shares subject to the option that were purchasable, but not purchased by the optionee, during such three month period.

A summary of changes of the Company's common share purchase options is presented below:

	2008		2007	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		$
Balance at beginning of year	3,820,000	0.18	3,950,000	0.12
Granted	2,800,000	0.44	1,400,000	0.30
Exercised	(750,000)	0.11	(1,030,000)	0.14
Expired	-	-	(500,000)	0.10
Balance at end	5,870,000	0.31	3,820,000	0.18
Exercisable at the end of year	5,745,000	0.31	3,820,000	0.18

Stock compensation cost fair value was calculated on options based on the following assumptions:

Grant date	**January 15, 2007**	**October 26, 2007**	**December 17, 2007**	**February 25, 2008**
Optionee	Directors and officers	Consultants	Directors and officers	Consultant and officer
Number of options	1 400 000	500,000	1,900,000	400,000
Exercise price	$0.30	$0.35	$0.50	$0.25
Risk free interest	4.25%	4.25%	4.26%	3.60%
Average expected volatility	105%	114%	112%	99%
Expected dividend	-	-	-	-
Expected life (years)	5	5	5	5
Vesting	Immediate	Over 4 quarters	Immediate	Immediate
Estimated fair value per option	$0.12	$0.23	$0.32	$0.16
Estimated fair value	$168,000	$115,000	$608,000	$64,000

8. Share capital (Cont'd)

b) Stock option plan (Cont'd)

Concerning the October 26, 2007 grant, the stock options were granted to consultants involved in the exploration work and the cost was capitalized in the deferred exploration expenses. As of August 31, 2008, $95,833 was capitalized based on the vesting period.

For fiscal year 2008, a total of 2,800,000 options were granted. These options were granted at the closing market value of the shares the previous day of the grant. The total fair value of these options amount to $787,000 of which $672,000 are accounted for in stock-based compensation, $95,833 were capitalized in the deferred exploration expenses and $19,167 will be capitalized in the deferred exploration expenses in fiscal year 2009. The hypotheses used include an average interest rate without risk of 4.16%, an average expected life of the options of 5 years, an expected dividend yield of nil, an estimated average volatility of 111% and a weighted average fair value per option of $0.29.

For fiscal year 2007, 1,400,000 options were granted. These options are accounted for in stock-based compensation for a total of $168,000. The hypotheses used include an interest rate without risk of 4.25%, an expected life of the options of 5 years, an expected dividend yield of nil and an estimated volatility of 105%.

The following table summarizes information about common share purchase options outstanding and exercisable as at August 31, 2008:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		$	
1,200,000	1,200,000	0.10	November 11, 2010
270,000	270,000	0.125	February 9, 2011
200,000	200,000	0.20	May 8, 2011
1,400,000	1,400,000	0.30	January 15, 2012
500,000	375,000	0.35	October 26, 2012
1,900,000	1,900,000	0.50	December 17, 2012
400,000	400,000	0.25	February 25, 2013
5,870,000	5,745,000		

c) Warrants

A summary of changes of the Company's warrants is presented below:

	2008		2007	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance at beginning	7,641,500	0.44	3,150,000	0.15
Issued	5,303,030	0.35	7,786,500	0.43
Exercised	(435,645)	0.155	(3,295,000)	0.15
Balance at end	12,508,885	0.41	7,641,500	0.44

8. Share capital (Cont'd)

c) Warrants (Cont'd)

Warrants outstanding as at August 31, 2008 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
2,903,226	0.25	December 18, 2008 1)
315,789	0.475	November 8, 2008
157,894	0.60	November 8, 2008
1,659,999	0.60	March 13, 2009 2)
590,000	0.60	March 27, 2009 3)
1,578,947	0.60	May 8, 2009 4)
303,030	0.33	November 1, 2009
5,000,000	0.35	June 9, 2010
12,508,885		

1) The expiry date was extended from June 18, 2008 to December 18, 2008.
2) The expiry date was extended from September 13, 2008 to March 13, 2009.
3) The expiry date was extended from September 27, 2008 to March 27, 2009.
4) The expiry date was extended from November 8, 2008 to May 8, 2009.

d) Contributed surplus

A summary of changes of the Company's contributed surplus is presented below:

	2008	2007
	$	$
Balance at beginning	454,977	134,538
Agent warrants (Note 8a)	75,758	154,839
Exercise of agent warrants cost credited to share capital	(26,139)	(36,700)
Stock-based compensation in favour of directors and officers (Note 8b)	640,000	205,088
Stock-based compensation in favour of consultants (Note 8b)	127,833	65,912
Exercise of stock options credited to share capital	(23,000)	(68,700)
Balance at end	1,249,429	454,977

9. Income taxes

The Company's effective income tax rate differs from the combined federal and provincial income tax rate in Canada. The difference results form the following:

	2008	2007
	$	$
Loss before income taxes	(590,034)	(432,036)
Income taxes at the combined federal and provincial tax rate of 31% (32% in 2007)	(184,500)	(138,300)
Share issue expenses deductible	(41,500)	(34,500)
Stock-based compensation	210,100	86,800
Fair value variation on financial instruments held for trading	213,700	-
Non taxable gain on disposal of mining assets	(291,400)	-
Change in enacted rates	137,400	-
Other items non deductible	1,900	14,700
Unrecognized tax benefit	(368,700)	(205,700)
Income taxes	(323,000)	(277,000)

Future income tax assets and liabilities result from the differences between the carrying amount and the tax basis of the following:

	2008	2007
	$	$
Future income tax assets		
Share issue expenses deductible	106,000	120,000
Operating losses carried forward	433,000	432,000
Listed shares held for trading	126,000	-
Equipments	6,000	5,000
Mining assets	9,000	642,000
	680,000	1,199,000
Less valuation allowance	(680,000)	(1,199,000)
Future income tax liabilities	-	-

The future income tax asset resulting from operating losses carried forward is not recorded. Operating losses available to reduce income taxes in future years are detailed as follows:

2009	$ 117,000
2010	135,000
2014	387,000
2015	226,000
2026	222,000
2027	230,000
2028	292,000
	$ 1,609,000

The Company will also be able to deduct in the future share issue expenses for which the future income tax asset is not recorded. These expenses total $392,342.

10. Royalties

The Company has the possibility to receive a 13.5% interest in a royalty of 2% of the gross revenue from ore sales following the sale of its interest in the Souart property. The Company has the right to receive a 1% net smelter return royalty as per a former agreement for the sale of its interest in 17 mining claims being part of the Joubi property, Dubuisson Township.

11. Related party transactions

In the normal course of operations:

a) For fiscal year 2008, companies controlled by an officer charged:
   i) Professional fees relating to geology amounting to $69,239 ($112,338 for fiscal year 2007) capitalised in deferred exploration expenses;
   ii) Management fees amounting to $37,350 ($25,451 for fiscal year 2007) expensed in professional and consulting fees;
   iii) Rent totalling $36,360 ($31,117 for Fiscal year 2007) expensed in general and administrative.

b) For fiscal 2008, a company controlled by an officer charged professional fees of $51,563 ($62,600 for fiscal year 2007) of which $47,938 ($58,919 in Fiscal year 2007) was expenses and $3,625 ($3,681 in Fiscal year 2007) was recorded as share issue expenses;

c) From February 14, 2008 (date of the officer’s nomination) to August 31, 2008, a firm in which an officer is a partner charged professional fees amounting to $48,373 of which $3,900 was recorded as share issue expenses (nil in 2007).

d) As at August 31, 2008, the balance due to the related parties amounted to $16,592 (August 31, 2007 – $1,736) and was recorded in accounts payable and accrued liabilities. This amount is subject to the same conditions as those of non related parties.

Not in the normal course of business:

e) In November 2007, officers of the Company participated in private placements of flow-through shares (Note 8a) for a total consideration of $44,900 ($47,600 for fiscal year 2007).

f) As part of the acquisition of the Rim Nickel property, a director and the president of the Company will receive $110,000 cash (paid September 22, 2008) which represent the reimbursement of their costs incurred in this transaction for the staking. As of August 31, 2008, this amount is recorded in accounts payable and accrued liabilities and is subject to the same conditions as those of non related parties.

These related party transactions were recorded at the exchange value, which is the consideration determined and agreed to by the related parties.

12. Contingencies

Flow through share financing

The Company is partly financed by issuance of flow-through common shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian explorations expenses, even if the Company has taken all the necessary measures for this purpose. The refusal of some expenses by the fiscal authorities would have a negative fiscal impact on investors.

13. Additional information to the statement of cash flows

	2008	2007
	$	$
Interest cashed	80 656	80 951
Issuance of shares for acquisition of mining properties	660 000	199 000
Agent warrants granted for raising capital	75 758	154 839
Future income taxes accounted for in share issue expenses	323 000	277 000
Tax credits receivable applied against deferred exploration expenses	27 848	276 892
Exercise of options credited to share capital on exercise	23 000	-
Exercise of broker warrants credited to share capital on exercise	26 139	-
Additions of mining properties included in accounts payable and accrued liabilities	306 000	29 829
Additions of deferred exploration expenses included in accounts payable and accrued liabilities	145 870	319 496
Due from partners included in deferred exploration expenses	75 726	246 355
Proceed of disposal of a mining asset included in taxes and other receivables	-	14 800
Amortization included in deferred exploration expenses	2 748	1 374
Listed shares received on disposal of mining assets	1 312 000	-
Stock-based compensation included in deferred exploration expenses	95 833	-

14. Financial instruments

Financial risk management
The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

Interest rate risk
The short term investments and part of the cash and cash equivalents bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

Credit Risk
The Company is subject to concentrations of credit risk through cash and cash equivalents, short-term investments and exploration funds. The Company maintains substantially all of its cash and cash equivalents, short term investments and exploration funds in financial instruments guaranteed by either a major Canadian financial institution or by the Canadian Government. The maximum credit risk is equivalent to the carrying value.

14. **Financial instruments** (Cont'd)

Liquidity risk
Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at his disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even tough the Company was successful in the past, there is no guarantee that it will succeed in the future.

Market risk
The listed shares held by the Company are exclusively shares from a Venture issuer who's activities are in the mineral exploration field.

Fair Value
The fair value of the listed shares held for trading is based on the closing price on the stock market.

15. **Subsequent events**

a) On October 20, 2008, the Company signed an agreement whereby it has the option to earn a 50% interest in some Troilus properties in Quebec from Beaufield Resources Inc. ("Beaufield") by spending $500,000 on exploration over a three year period. Of the above amount, $250,000 must be spent before June 30, 2009. Beaufield will be the operator. The President of the Company is also the President of Beaufield. The Boards of Directors of both companies have approved this transaction.

b) On November 7, 2008, the Company granted 300,000 stock options and their fair value was calculated with the following assumptions:

Grant date	**November 7, 2008**
Optionee	Director
Number of options	300,000
Exercise price	0.10 $
Risk free interest	3.82%
Average expected volatility	98%
Expected dividend	-
Expected life (years)	5
Vesting	Immediate
Estimated fair value per option	0.08 $
Estimated fair value	24,000 $

Melkior Resources Inc.

General Information
For the year ended August 31, 2008

Directors

Florent Baril
Boucherville, Quebec

Norman Farrell*
Montreal, Quebec

Jens E. Hansen*
Ottawa, Ontario

Alan Lee Barker*
Whitby, Ontario)

Nathalie Hansen
Ashton, Ontario

**Members of the Audit Committee*

Officers

Jens E. Hansen
President

Michel Blouin
Secretary

Ingrid Martin
Chef Financial Officer

Auditors
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