

Melkior Resources Inc.

Interim Financial Statements

For the nine-month period ended May 31, 2008

The attached financial statements have been prepared by Management of Melkior Resources Inc. and have not been reviewed by an auditor.

Melkior Resources Inc.

1 Place Ville-Marie, Suite 4000, Montréal, Québec, Canada, H3B 4M4
Tel.: (613) 721-2919 Fax: (613) 828-7268

Melkior Resources Inc.

(an exploration company)

Balance Sheets

	May 31 2008	August 31 2007
	<u>(unaudited)</u>	<u>(audited)</u>
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	345,915	3,790,650
Short term investments (Note 4)	3 431,218	-
Taxes and other receivable	58,490	208,956
Due from a partner	44,253	246,355
Taxes credits receivable	71,995	285,455
Prepaid expenses	8,440	19,786
Listed shares held for trading	615,000	-
	<u>4,575,311</u>	<u>4,551,202</u>
Equipments (Note 5)	11,004	15,126
Exploration funds (Note 3)	512,517	-
Mining assets (Note 6)		
Mining properties	1,745,968	936,092
Deferred exploration expenses	6,734,231	5,962,266
	<u>13,579,031</u>	<u>11,464,686</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	448,150	376,210
Shareholders' Equity		
Share capital (Note 7)	33,591,313	31,623,313
Contributes surplus (Note 7d)	1,246,818	454,977
Deficit	<u>(21,707,250)</u>	<u>(20,989,814)</u>
	<u>13,130,881</u>	<u>11,088,476</u>
	<u>13,579,031</u>	<u>11,464,686</u>

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

Melkior Resources Inc.

(an exploration company)

Statements of Earnings, Comprehensive income and Deficit

(Unaudited)

	Three-month period ended		Nine-month period ended	
	May 31		May 31	
	2008	2007	2008	2007
	\$	\$	\$	\$
Expenses				
General and administrative	32,937	18,024	101,430	69,916
Travelling and promotion	8,765	6,362	21,903	11,350
Investors and shareholders relations	23,840	21,336	87,904	81,917
Professional and consulting fees	52,306	37,438	160,779	94,662
General exploration	-	(1,519)	-	1,560
Stock-based compensation	-	13,000	672,000	271,000
Amortization	1,374	-	1,374	-
Fair value variation on financial instruments held for trading	409,452	-	696,773	-
Foreign exchange loss	-	-	-	5,834
	<u>528,674</u>	<u>94,641</u>	<u>1,742,163</u>	<u>536,239</u>
Other income				
Interest income	43,467	32,451	134,404	52,532
Management fees	3,224	17,370	20,784	17,370
Gain (loss) on disposal of mining assets	(2,429)	-	1,071,568	-
	<u>44,262</u>	<u>49,821</u>	<u>1,226,756</u>	<u>69,902</u>
Loss before income taxes	(484,412)	(44,820)	(515,407)	(466,337)
Recovery of future income taxes	-	-	323,000	277,000
Net loss and comprehensive loss for the period	<u>(484,412)</u>	<u>(44,820)</u>	<u>(192,407)</u>	<u>(189,337)</u>
Basic and diluted net loss per share	<u>(0.01)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average number of outstanding common shares	<u>77,104,414</u>	<u>69,200,047</u>	<u>75,847,461</u>	<u>60,971,536</u>
Deficit, beginning of period	(21,222,838)	(20,579,319)	(20,989,814)	(20,005,007)
Net Loss	(484,412)	(44,820)	(192,407)	(189,337)
Share issue expenses	-	(384,272)	(525,029)	(814,067)
Deficit, end of period	<u>(21,707,250)</u>	<u>(21,008,411)</u>	<u>(21,707,250)</u>	<u>(21,008,411)</u>

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

Melkior Resources Inc.

(an exploration company)

Statement of Cash Flows

(Unaudited)

	Three-month period ended		Nine-month period ended	
	May 31		May 31	
	2008	2007	2008	2007
	\$	\$	\$	\$
Operating activities				
Net loss for the period	(484,412)	(44,820)	(192,407)	(189,337)
Non-cash items:				
Stock-based compensation	-	13,000	672,000	271,000
Amortization	1,374	-	1,374	-
Fair value variation on financial instruments held for trading	410,000	-	697,000	-
Foreign exchange loss	-	-	-	5,834
Interest accrued on interest income	(39,773)	-	(91,218)	-
Loss (gain) on disposal of mining assets	2,429	-	(1,071,568)	-
Recovery of future income taxes	-	-	(323,000)	(277,000)
	<u>(110,382)</u>	<u>(31,820)</u>	<u>(307,819)</u>	<u>(189,503)</u>
Changes in non-cash working capital items				
Taxes and other receivable	381,840	(263,836)	138,939	(267,410)
Due from a partner	50,190	-	(15,201)	-
Prepaid expenses	(7,045)	-	11,346	-
Accounts payable and accrued liabilities	46,275	12,760	61,958	11,142
Due to a director	-	-	-	(91,122)
	<u>471,260</u>	<u>(251,076)</u>	<u>197,042</u>	<u>(347,390)</u>
Cash flows used in operating activities	<u>360,878</u>	<u>(282,896)</u>	<u>(110,777)</u>	<u>(536,893)</u>
Investing activities				
Purchase of short term investments	-	-	(3,340,000)	-
Exploration funds	202,253	235,344	(512,517)	(581,975)
Addition to property, plant and equipment	-	(16,500)	-	(16,500)
Additions to mining properties	(19)	(109,057)	(42,041)	(146,267)
Disposal of mining properties	-	-	500,000	-
Deferred exploration expenses	(657,356)	(89,295)	(1,339,437)	(188,289)
Taxes credits received	241,308	38,397	241,308	38,397
Cash flows used in investing activities	<u>(213,814)</u>	<u>58,889</u>	<u>(4,492,687)</u>	<u>(894,634)</u>
Financing activities				
Issuance of common shares	65,000	3,514,975	1,285,000	5,007,475
Share issue expenses	-	(264,272)	(126,271)	(382,228)
Cash flows from financing activities	<u>65,000</u>	<u>3,250,703</u>	<u>1,158,729</u>	<u>4,625,247</u>
Net changes in cash and cash equivalents	212,064	3,026,696	(3,444,735)	3,193,720
Cash and cash equivalents, beginning of period	133,851	1,012,845	3,790,650	845,821
Cash and cash equivalents, end of period	<u>345,915</u>	<u>4,039,541</u>	<u>345,915</u>	<u>4,039,541</u>

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

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2008

(Unaudited)

1. Basis of presentation and accounting estimates

The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada for interim financial statements. These interim financial statements do not include all the note disclosures required for annual financial statements and therefore they should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2007. The accounting policies follow that of the most recently reported audited annual financial statements, except for the new accounting policies as disclosed in Note 2.

2. Accounting estimates change in accounting policies

The preparation of interim financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Taking effect in Fiscal 2008, the Canadian Institute of Chartered Accountants 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 Company has evaluated that these new sections have no significant impact on the Financial Statements. Cash and cash equivalents, short term investments, 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, taxes and other receivable and due from a partner are classified as loans and receivables, and accounts payable and expense payable are classified as other liabilities.

3. Cash and cash equivalents and exploration funds

As of May 31, 2008, cash and cash equivalents and exploration funds include a treasury bill of \$688,084 bearing interest of 1.92% and maturing on July 10, 2008. As of August 31, 2007, the cash and cash equivalents included guaranteed investments certificates and banker acceptances bearing interest between 4.06% and 4.56%, maturing between September 10, 2007 and August 20, 2008.

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2008

(Unaudited)

4. Short term investments

	<u>Maturity</u>	<u>Rate</u>	<u>May 31 2008</u>
			\$
Guaranteed investment certificate, cashable at anytime after the first 30 days without penalty	Nov. 3, 08	4.55%	1,240,000
Guaranteed investment certificate, cashable at anytime after the first 30 days without penalty	Nov. 3, 08	4.8%	1,100,000
Guaranteed investment certificate	Nov. 3, 08	4.9%	1,000,000
Interest accrued			91,218
Total			<u>3,431,218</u>

5. Property, plant and equipment

	<u>Depreciation Rate</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>May 31 2008</u>
		\$	\$	\$
Exploration equipment	Straight line over 3 years	16,500	5,496	11,004

6. Mining assets

<u>Mining properties</u>	<u>August 31 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>May 31 2008</u>
	\$	\$	\$	\$
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
Loveland	-	94,400	-	94,400
Long lac	-	19,824	-	19,824
Rim Nickel	-	856,000	-	856,000
	<u>936,092</u>	<u>989,050</u>	<u>(179,174)</u>	<u>1,745,968</u>

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2008

(Unaudited)

6. Mining assets (cont'd)

<u>Deferred exploration expenses</u>	<u>August 31 2007</u>	<u>Expenditures</u>	<u>Disposals</u>	<u>Tax credits</u>	<u>May 31 2008</u>
	\$	\$	\$	\$	\$
Quebec					
Launay	3,933,257	285,920	-	(1,512)	4,217,665
Ungava	1,134,915	-	-	-	1,134,915
Otish	522,268	90,191	(562,024)	(21,953)	28,482
Ontario					
Timmins West	360,083	536,793	-	-	896,876
Eldorado	1,189	72,213	-	-	73,402
Henderson	10,554	-	-	-	10,554
Loveland	-	500	-	-	500
Long Lac	-	67,154	-	-	67,154
Rim Nickel	-	304,683	-	-	304,683
	<u>5,962,266</u>	<u>1,357,454</u>	<u>(562,024)</u>	<u>(23,465)</u>	<u>6,734,231</u>

a) Québec

Otish

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.). Prior to the sale, Melkior is a 50-50 partner with Santoy Resources Ltd. 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.

Melkior retains a 100% ownership of approximately 330 Otish area claims being explored for copper and molybdenum.

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

b) Ontario

Timmins West - 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. The shares were valued at \$90,000 with the closing price of the stock exchange on November 2, 2007. The property is located in the Loveland Township in Ontario.

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2008

(Unaudited)

6. Mining assets (cont'd)

Long Lac

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

Rim Nickel

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 common shares of the Company. The transaction is subject to regulatory approval. The 2,500,000 common shares were valued and accounted for at \$550,000, the closing price of the securities of the Company at the TSX Venture Exchange on April 9, 2008. A director and the president of the Company will receive \$110,000 in cash which represents the reimbursement of their costs incurred in this transaction for the staking. The East Rim Nickel property is subject to a 2% NSR royalty, of which 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 0.5% can be repurchased by the Company for \$1,000,000.

Bold Ventures Inc. ("Bold") is in the process of acquiring 50% of the West Rim Nickel property, subject to the completion of \$125,000 in exploration work. If Bold does not become a 50% partner, it will obtain a 1% NSR. The Company will be the operator.

The claims are located in the McFauld's Lake area in Ontario.

7. Share capital

Authorized:

The Company's authorized share capital consists of an unlimited number of common shares of no par value and an unlimited number of preferred shares with an 8% non-cumulative dividend, redeemable at paid up capital.

Issued and to be issued:

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

	Nine-month period ended May 31, 2008	
	Number of shares	Amount \$
Balance at beginning of period	72,693,598	31,623,313
Issued following:		
Flow-through private placements	3,636,360	1,200,000
Exercise of options	750,000	85,000
Value of option exercised	-	23,000
Mining properties	300,000	110,000
	<u>77,379,958</u>	<u>33,041,313</u>
To be issued:		
Mining properties	2,500,000	550,000
Balance at end of period	<u>79,879,958</u>	<u>33,591,313</u>

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2008

(Unaudited)

7. Share capital (Cont'd)

a) Private placements

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 total agent warrant cost amount to \$75,758 and this fair value was estimated using the Black-Scholes 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 raised \$200,000 pursuant to a private placement of 606,060 flow-through shares.

b) Stock option plan

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

	Nine-month period ended May 31, 2008	
	Number of options	Weighted average exercise price
		\$
Balance at beginning of period	3,820,000	0.18
Granted	2,800,000	0.44
Exercised	(750,000)	0.11
Balance at end of period	<u>5,870,000</u>	<u>0.31</u>

Stock compensation cost fair value was calculated on options granted using the Black-Scholes option pricing model based on the following assumptions:

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

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 May 31, 2008, \$67,083 was capitalized based on the vesting period.

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2008

(Unaudited)

7. Share capital (Cont'd)

b) Stock option plan (cont'd)

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

<u>Number of options outstanding</u>	<u>Number of options exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
		\$	
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	250,000	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
<u>5,870,000</u>	<u>5,620,000</u>		

c) Warrants

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

	<u>Nine-month period ended May 31, 2008</u>	
	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
		\$
Balance at beginning of period	7,641,500	0.44
Issued	<u>303,030</u>	0.33
Balance at end of period	<u>7,944,530</u>	0.43

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

<u>Number of warrants</u>	<u>Exercise price</u>	<u>Expiry date</u>
	\$	
2,903,226	0.25	December 18, 2008 ¹⁾
435,645	0.155	June 18, 2008 (exercised on June 11, 2008)
1,659,999	0.60	September 13, 2008
590,000	0.60	September 27, 2008
1,736,841	0.60	November 8, 2008
315,789	0.475	November 8, 2008
303,030	0.33	November 1, 2009
<u>7,944,530</u>		

1) The expiry date was extended from June 18, 2008 to December 18, 2008.

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2008

(Unaudited)

7. Share capital (Cont'd)

d) Contributed surplus

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

	Nine-month period ended May 31, 2008
	\$
Balance at beginning of the period	454,977
Stock-based compensation cost (Note 5b)	739,083
Stock-based compensation cost credited to capital when exercised	(23,000)
Agent warrants cost (Note 5a)	75,758
Balance at end of period	<u>1,246,818</u>

8. Related party transactions

In the normal course of operations:

- a) During the period ended May 31, 2008 companies controlled by an officer charged professional fees amounting to \$45,225 (\$42,484 for the period ended May 31, 2007), management fees amounting to \$30,225 (\$17,926 for the period ended May 31, 2007) and administrative fees amounting to \$27,000 (\$30,601 for the period ended May 31, 2007);
- b) During the period ended May 31, 2008, a company controlled by an officer charged professional fees of \$41,781 (\$49,561 for the period ended May 31, 2007); Share issue expense fees for \$3,681 were charged for the period ended May 31, 2007;
- c) An amount of \$6,000 was paid as directors fees.
- d) As at May 31, 2008, the balance due to the related parties amounted to \$22,799 (May 31, 2007 – \$7,807).

Not in the normal course of business:

- g) In November 2007, officers of the Company participated in private placements of flow-through shares (Note 5a) for a total consideration of \$44,900 (\$47,600 for the period ended May 31, 2007).
- h) As part of the acquisition of the Rim Nickel property, a director and the president of the Company will receive \$110,000 cash which represent the reimbursement of their costs incurred in this transaction for the staking.

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

9. 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.

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2008

(Unaudited)

10. Statement of cash flows

	Three-month period ended May 31		Nine-month period ended May 31	
	2008	2007	2008	2007
	\$	\$	\$	\$
Additional information				
Interest cashed	6,473	26,765	57,201	39,459
Issuance of shares for acquisition of mining properties	550,000	110,000	660,000	199,000
Agent warrants granted for raising capital	-	120,000	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	-	59,123	27,848	67,278
Exercise of options credited to share capital on exercise	10,000	6,300	23,000	68,700
Exercise of broker warrants credited to share capital on exercise	-	11,100	-	36,700
Additions of mining properties and deferred exploration expenses included in accounts payable and accrued Liabilities	359,307	171,665	359,307	201,665
Due from a partner included in deferred exploration expenses	29,052	-	29,052	-
Amortization included in deferred exploration expenses	-	-	2,748	-
Listed shares received on disposal of mining assets	1,312,000	-	1,312,000	-
			0	
Value of stock options exercised	10,000	-	23,000	-
Stock-based compensation included in deferred exploration expenses	28,750	-	67,083	-

11. 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 monitor 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 major financial institutions in Canada.

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2008

(Unaudited)

11. 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.

Fair Value

The carrying amounts of taxes and other receivable, due from a partner and accounts payable and accrued liabilities on the balance sheets approximate fair value because of the limited term of these instruments. The fair value of the listed shares held for trading is based on the closing price on the stock market.

12. Subsequent event

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.