Melkior Resources Inc.

Interim Financial Statements

Six-month period ended February 29, 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

	February 29 2008	August 31 2007
	(unaudited)	(audited)
	$	$
Assets		
Current assets		
Cash and cash equivalents	133,851	3,790,650
Term deposits	3,391,445	-
Taxes and other receivable	1,465,330	208,956
Due from a partner	115,015	246,355
Taxes credits receivable	313,303	285,455
Prepaid expenses	1,395	19,786
	5,420,339	4,551,202
Equipments (Note 3)	12,378	15,126
Exploration funds	714,770	-
Mining assets (Note 4)		
Mining properties	889,949	936,092
Deferred exploration expenses	6,048,517	5,962,266
	13,085,953	11,464,686
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	114,410	376,210
Shareholders' Equity		
Share capital (Note 5)	32,966,313	31,623,313
Contributes surplus (Note 5d)	1,228,068	454,977
Deficit	(21,222,838)	(20,989,814)
	12,971,543	11,088,476
	13,085,953	11,464,686

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		Six-month period ended	
	February 29 2008	February 28 2007	February 29 2008	February 28 2007
	$	$	$	$
Expenses				
General and administrative	48,332	33,867	68,493	51,892
Travelling and promotion	9,401	4,364	13,138	4,988
Investors and shareholders relations		40,601		60,581
	51,951		64,064	
Professional and consulting fees	75,508	45,839	108,473	57,224
General exploration	-	1,519	-	3,079
Stock-based compensation	672,000	226,000	672,000	258,000
Fair value variation on financial instruments held for trading and on taxes and other receivable		-		
	287,064		287,321	
Foreign exchange loss	-	1,489	-	5,834
	1,144,256	353,679	1,213,489	441,598
Other income				
Interest income	49,173	13,155	90,937	20,081
Project management fees	10,471	-	17,560	-
Gain on disposal of mining assets	1,073,997	-	1,073,997	-
	1,133,641	13,155	1,182,494	20,081
Loss before income taxes	(10,615)	(340,524)	(30,995)	(421,517)
Recovery of future income taxes	323,000	277,000	323,000	277,000
Comprehensive income (loss) for the period	312,385	(63,524)	292,005	(144,517)
Basic and diluted net loss per share	-	-	-	-
Weighted average number of outstanding common shares	76,551,936	60,312,527	75,212,077	55,887,388
Deficit, beginning of period	(21,212,223)	(20,091,500)	(20,989,814)	(20,005,007)
Net income (loss)	312,385	(63,524)	292,005	(144,517)
Share issue expenses	(323,000)	(424,295)	(525,029)	(429,795)
Deficit, end of period	(21,222,838)	(20,579,319)	(21,222,838)	(20,579,319)

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		Six-month period ended	
	February 29 2008	February 28 2007	February 29 2008	February 28 2007
	$	$	$	$
Operating activities				
Net income (loss) for the period	312,385	(63,524)	292,005	(144,517)
Non-cash items:				
Stock-based compensation	672,000	226,000	672,000	258,000
Foreign exchange loss	-	1,489	-	5,834
Gain on disposal of mining assets	(1,073,997)	-	(1,073,997)	-
Recovery of future income taxes	(323,000)	(277,000)	(323,000)	(277,000)
	(412,612)	(113,035)	(432,992)	(157,683)
Changes in non-cash working capital items				
Taxes and other receivable	(1,250,552)	(11,814)	(1,267,901)	(3,574)
Due from a partner	(65,291)	-	(65,291)	-
Prepaid expenses	11,699	-	18,391	-
Accounts payable and expense payable	(2,933)	668	15,683	(1,618)
Due to a director	-	(91,122)	-	(91,122)
	(1,307,077)	(102,268)	(1,299,118)	(96,314)
Cash flows from operating activities	(1,719,689)	(215,303)	(1,732,110)	(253,997)
Investing activities				
Term deposits	(3,391,445)	-	(3,391,445)	-
Exploration funds	85,521	(817,319)	(714,770)	(817,319)
Additions to mining properties	(18,098)	(21,293)	(42,023)	(37,210)
Disposal of mining properties	1,812,000	-	1,812,000	-
Deferred exploration expenses	(277,445)	(92,896)	(682,180)	(98,994)
Cash flows from investing activities	(1,789,467)	(931,508)	(3,018,418)	(953,523)
Financing activities				
Issuance of common shares	-	1,462,500	1,220,000	1,492,500
Share issue expenses	-	(112,456)	(126,271)	(117,956)
Cash flows from financing activities	-	1,350,044	1,093,729	1,374,544
Net changes in cash and cash equivalents	(3,509,156)	203,233	(3,656,799)	167,024
Cash and cash equivalents, beginning of period	3,643,007	809,612	3,790,650	845,821
Cash and cash equivalents, end of period	133,851	1,012,845	133,851	1,012,845

Additional information				
Interest cashed	11,532	8,007	50, 728	12,694
Issuance of shares for acquisition of mining properties	20,000	89,000	110,000	89,000
Agent warrant granted for capital raising	-	34,839	75,758	34,839
Future income taxes accounted for in share issue expenses	323,000	277,000	323,000	277,000
Tax credits receivable applied against deferred exploration expenses	27,848	8,155	27,848	8,155
Exercise of options credited to share capital on exercise	-	62,400	-	62,400
Exercise of broker warrants credited to share capital on exercise	-	25,600	-	25,600
Additions of mining properties and deferred exploration expenses included in accounts payable and accrued liabilities	71,842	30,000	71,842	30,000
Due from a partner included in deferred exploration expenses	49,624	-	49,624	-
Depreciation included in deferred exploration expenses	1,374	-	2,748	-
Stock-based compensation included in deferred exploration expenses	28,750	-	38,333	-
Value of stock option exercised	-	-	13,000	-

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

1. Basis of presentation

The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada for interim financial statements. The interim financial statements have, in management's opinion, been properly prepared using judgement within reasonable limits of materiality. 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 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 Company has evaluated that these new sections have no significant impact on the Financial Statements. Cash and cash equivalents, term deposits 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. Equipments

	Cost	Accumulated depreciation	Net book value
	$	$	$
Equipments	16,500	4,122	12,378

4. Mining assets

Mining properties	August 31 2007	Additions	Disposals	February 29 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
Loveland	-	94,400	-	94,400
Long lac	-	19,805	-	19,805
	936,092	133,031	(179,174)	889,949

Deferred exploration expenses	August 31 2007	Expendi-tures	Disposals	Tax credits	February 29 2008
	$	$	$	$	$
Quebec					
Launay	3,933,257	75,131	-	(1,531)	4,006,857
Ungava	1,134,915	-	-	-	1,134,915
Otish	522,268	91,481	(558,830)	(26,317)	28,602
Ontario					
Timmins West	360,083	484,532	-	-	844,615
Eldorado	1,189	18,391	-	-	19,580
Henderson	10,554	-	-	-	10,554
Loveland	-	150	-	-	150
Long Lac	-	3,244	-	-	3,244
	5,962,266	672,929	(558,830)	(27,848)	6,048,517

a) Québec

Otish

On December 18, 2007, the Company has signed a letter of intent for the sale of its Otish Basin uranium interests to Kakanda Resources Corp. 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:

- Kakanda pays Melkior $500,000 cash (received March 4, 2008);
- Kakanda issues 4,100,000 of its common shares to Melkior (received March 4, 2008). 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.

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

4. Mining assets (cont'd)

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 issued on January 15, 2008 and 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.

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

5. 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:

	Six-month period ended February 29, 2008	
	Number of shares	**Amount**
Issued		**$**
Balance at beginning of period	72,693,598	31,623,313
Flow-through private placements	3,636,360	1,200,000
Exercise of stock options	100,000	20,000
Value of stock options exercised	-	13,000
Acquisition of mining properties (Note 4a and b)	300,000	110,000
Balance at end of period	76,729,958	32,966,313

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 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.

5. **Share capital** (Cont'd)

b) Stock option plan

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

	Six-month period ended February 29, 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	(100,000)	0.20
Balance at end of period	6,520,000	0.29

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 February 29, 2008, $38,333 was capitalized based on the vesting period.

5. 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 February 29, 2008:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		$	
150,000	150,000	0.10	April 9, 2008
1,700,000	1,700,000	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	125,000	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
6,520,000	6,145,000		

c) Warrants

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

	Six-month period ended February 29, 2008	
	Number of warrants	Weighted average exercise price
		$
Balance at beginning of period	7,641,500	0.44
Issued	303,030	0.33
Balance at beginning and end of period	7,944,530	0.43

Warrants outstanding as at February 29, 2008 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
2,903,226	0.25	June 18, 2008
435,645	0.155	June 18, 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
7,944,530		

5. Share capital (Cont'd)

d) Contributed surplus

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

	Six-month period ended February 29, 2008
	$
Balance at beginning of the period	454,977
Stock-based compensation in favour of consultants (Note 5b)	710,333
Exercise of stock options credited to share capital	(13,000)
Agent warrant (Note 5a)	75,758
Balance at end of period	1,228,068

6. Related party transactions

In the normal course of operations:

a) During the period ended February 29, 2008 a company controlled by an officer charged professional fees amounting to $24,315 ($15,284 for the period ended February 28, 2007), management fees amounting to $22,725 ($16,351 for the period ended February 28, 2007) and administrative fees amounting to $18,000 ($9,000 for the period ended February 28, 2007);
b) During the period ended February 29, 2008, a company controlled by an officer charged professional fees of $31,031 ($32,029 for the period ended February 28, 2007); Share issue expense fees for $3,369 were charged for the period ended February 28, 2007;
c) As at February 29, 2008, the balance due to the related parties amounted to $24,647 (February 28, 2007 – $627).

Not in the normal course of business:

d) In November 2007, officers of the Company participated in private placements of flow-through shares (note 5a) for a total consideration of $44,900 ($nil for the period ended February 28, 2007).

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

7. 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.

8. 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 manages 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 liquid investments 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 and term deposits. The Company maintains substantially all of its cash and cash equivalents, term deposits and exploration funds in financial instruments guarantied by major financial institutions in Canada.

Liquidity risk
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 placement. The Company establishes cash estimates 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.

9. Subsequent event

On March 27, 2008, the Company announced that it has agreed to acquire a 50% interest in approximately 100 claims (1500 claim units) or 24000 hectares in the McFauld's Lake "Ring Of Fire" area of Northern Ontario. The property is located approximately 33 kilometres north east of the Double Eagle (Cu, Ni, PGE) discovery by Noront Resources Ltd.

Melkior will pay the claim vendors $350,000 upon regulatory approvals and undertake geophysical surveys of $250,000 during the first year. Melkior will be the operator and will have a first right of refusal to acquire the 50% interest retained by the owners. Two of the six claim vendors are insiders of Melkior.