# Melkior Resources Inc.

## Management's Discussion and Analysis

For the nine-month period ended May 31, 2008

**Melkior Resources Inc.**
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The following Management's Discussion and Analysis (the "MD&A") of the financial condition and results of the operations of Melkior Resources Inc. ("Melkior" or "the Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the nine-month period ended May 31, 2008. This MD&A should be read in conjunction with the Company's financial statements and related notes for the nine-month period ended May 31, 2008 with the Company's MD&A included in the 2007 Annual Report.

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 Quebec and Ontario.

**Overall performance**
The Company reported a net loss of $192,407 for the nine-month period ending May 31, 2008 ("Q3-2008") compared to a net loss of $189,337 in the nine-month period ending May 31, 2007 ("Q3-2007").

On November 1, 2007, the Company completed a brokered private placement of 3,636,360 flow-through common shares at a price of $0.33 per flow-through share for gross proceeds of $1,200,000.

The Company undertook exploration work totalling $1,357,454 in Q3-2008 ($389,954 in Q3-2007), mainly on Timmins West property and also on Launay and Rim Nickel properties. The Company expensed $989,050 in Q3-2008 on mining properties of which $856,000 was invested to acquire Rim Nickel in Ontario ($345,267 in Q3-2007 mostly for the acquisition of Otish and Trojan near Launay).

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.). Melkior retains a 100% ownership of approximately 330 Otish area claims being explored for copper and molybdenum. The transaction generated a gain on disposal of mining assets of $1,071,568.

**Results of operations**
Total expenses are $1,742,163 in Q3-2008 versus $536,239 in Q3-2007. A $672,000 stock-based compensation expense was recorded in Q3-2008 following the grant of 2,800,000 options while in Q3-2007 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 Q3-2008 on the shares received from Otish Energy (nil en Q3-2007).

Professional and consulting fees are $160,779 in Q3-2008 versus $94,662 in Q3-2007 due to increased company activities, management fees charged by a company controlled by the President and legal fees on the Otish sale and Rim Nickel purchase.

Interest income is $134,404 in Q3-2008 versus $52,532 in Q3-2007 due to an enhanced cash position (including cash and cash equivalents, term deposits and exploration funds) throughout Q3-2008.

Finally, Melkior recorded a $323,000 recovery of future income taxes in Q3-2008 ($277,000 in Q3-2007) representing the tax impact of the flow-through shares issued.

### Investing activities

The main mining assets of the Company are Timmins West, Rim Nickel, Launay, Eldorado Nickel and Ungava.

| Deferred exploration expenses Q3-2008 | Ungava | Launay | Otish | Timmins West | Eldora-do | Rim Nickel | Others | Total |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | | $ | $ | $ |
| Balance beginning | 1,134,915 | 3,933,257 | 522,268 | 360,083 | 1,189 | - | 10,554 | 5 962 266 |
| Additions | | | | | | | | |
| Drilling | - | 254,908 | - | 374,101 | - | - | - | 629,009 |
| Geology – prospecting | - | 10,048 | (5,452) | 46,596 | 2,910 | 506 | - | 54,608 |
| Geophysics geochemistry | - | 2,600 | 179,803 | 18,367 | 13,517 | 304,177 | 63,910 | 582,374 |
| 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 | 26,899 | 726 | - | 3,244 | 32,302 |
| Options | - | 17,888 | - | 24,598 | 24,597 | - | - | 67,083 |
| Amortization | - | - | 2,748 | - | - | - | - | 2,748 |
| | - | 285,920 | 187,960 | 537,293 | 72,213 | 304,683 | 67,154 | 1,455,223 |
| Recharge | - | - | (97,769) | - | - | - | - | (97,769) |
| | - | 285,920 | 90,191 | 537,293 | 72,213 | 304,683 | 67,154 | 1,357,454 |
| Deductions | | | | | | | | |
| Tax credits | - | (1,512) | (21,953) | - | - | - | - | (23,465) |
| Disposal | - | - | (562,024) | - | - | - | - | (562,024) |
| Balance, end | 1,134,915 | 4,217,665 | 28,482 | 897,376 | 73,402 | 304,683 | 77,708 | 6,734,231 |

| Deferred exploration expenses Q3-2007 | Ungava | Launay | Otish | Others Quebec | Timmins West | Hender-son | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Balance, beginning | 1,133,819 | 3,905,396 | - | - | 59,045 | - | 5,098,260 |
| Additions | | | | | | | |
| Drilling | - | - | 127,312 | - | - | - | 127,312 |
| Geology - prospecting | - | 11,460 | 88,377 | 105 | 22,481 | 18,000 | 140,423 |
| Geophysics geochemistry | - | 17,194 | 18,195 | - | 111,597 | 589 | 147,575 |
| Analysis | - | 25 | - | - | - | 966 | 991 |
| Line cutting | - | 9,036 | 45,293 | - | 23,089 | - | 77,418 |
| Logistics | | - | 55,545 | - | - | 780 | 56,325 |
| Travelling | - | 250 | 8,224 | - | 4,359 | 773 | 13,606 |
| Recharge | | - | (163,142) | - | - | (10,554) | (173,696) |
| | - | 37,965 | 179,804 | 105 | 161,526 | 10,554 | 389,954 |
| Deductions | | | | | | | |
| Tax credits | - | (11,437) | (55,841) | - | - | - | (67,278) |
| Balance, end | 1,133,819 | 3,931,924 | 123,963 | 105 | 220,571 | 10,554 | 5,420,936 |

***Timmins West***

The Company undertook exploration work totalling $484,532 ($65,864 in Q3-2007) on drilling on the Timmins West property in Q3-2008.

The property is composed of 120 mining claims located in Bristol, Carscallen and Denton Townships in the Timmins area of Ontario.

**Investing activities** (cont'd)

On February 22, 2006, the Company signed a letter of intent to acquire 100% interest in 63 claims in consideration of $10,000 cash paid in March 2006, 600,000 common shares of the Company issued in April 2006 for $90,000 and a 1.5% net smelter returns royalty in favour of the vendor. In February 2007, the Company acquired for $8,400 in cash a 100% interest in 28 claims in the Cascallen Township, close to its West Timmins gold property at Timmins, Ontario. These 28 claims are subject to a 2% NSR and the Company has the right to buy out 50% of the NSR for $1,000,000. On August 2, 2007, the Company acquired one claim for $20,000 in cash and a 2% NSR and the Company has the right to buy back 50% of the NSR for $1,000,000. The remaining 28 claims of the Timmins West property were acquired through staking.

The property is adjacent to the Destor- Porcupine Fault and 5km west of the Lake Shore Gold Inc gold deposit in Bristol Township. The Destor- Porcupine fault is considered to be a controlling structure for gold mineralization in the 70 million ounce Timmins Gold Camp.

In November 2007, Melkior completed drilling of 2543 metres in 23 holes at Timmins West (NR November 21, 2007). New assay results from summer trenching and sampling have identified a 50 metre long vein located 100 metres north-north east of the last known surface extent of the 1010 vein. The maximum mineralized width of this new zone is one metre and assay results have yielded a maximum value of 467 g/t gold; 10 of the 28 samples taken exceed 28 g/t Au and 19 of the 28 samples exceed 10 g/t Au. Melkior Resources is very pleased to have extended this high grade gold bearing vein system to a total length of 300 metres.

On the January 9, 2008, press release, Melkior announced that drilling on the 1010 Zone has returned 19.80 g/t Au over 3.18 metres (WKD-07-18). This undercuts a surface grab sample obtained 20 m from the drill collar that assayed 125.12 g/t Au over 0.20m. Additionally drilling on the northern extension of the 1010 Zone (WKD-07-17B) has returned 17.14 g/t Au over 1.2 metres. This hole is located 200 metres north of WKD-07-18. Surface grab samples obtained 30 m from the drill collar of WKD-07-17B returned assays up to 467.00 g/t gold.

Fifty line kilometres of detailed line cutting and magnetometer surveying have been completed. On June 17, 2008, a diamond drill has been mobilized for a program of approximately 56 holes totalling approximately 2,930 metres. The holes are designed to systematically drill the gold bearing veins on two levels at regular intervals along their length. The program is expected to take 6 to 8 weeks.

The budget for exploration expenditures in Fiscal 2008 at Timmins West is $850,000.

***Timmins Eldorado Nickel***
In June 2007, Melkior staked 243 claims in the Eldorado, Shaw and Thomas townships 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. These claims are two kilometres from the Liberty Mines Redstone nickel mine.

Fifty eight kilometres of line cutting and magnetometer surveying have been completed. Further geophysics is planned in preparation for a 2008 drilling program.

The budget for exploration expenditures in Fiscal 2008 at Timmins Eldorado Nickel is $50,000.

***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. 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.

**Investing activities** (cont'd)

The budget for exploration expenditures in Fiscal 2008 at Timmins Loveland is $40,000.

***Long Lac - Geraldton***

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 airborne geophysical survey has been contracted at a cost of about $80,000. A summer program of anomaly follow up will be undertaken.

***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 commons 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 Company decided to acquire the Rim Nickel claims subsequent to the staking. The President and a director of the Company participated with others in the staking. When the Company decided to acquire the claims, the president and the director offered their interest to the Company for reimbursement of their costs.

The claims are located in the McFauld's Lake area in Ontario. East Rim Nickel consists of 909 claim units totalling 14544 hectares and are located on the east bank of the Attawapiskat River and adjoin de "Ring of Fire". West Rim Nickel consists of 909 claim units totalling 14544 hectares. West Rim Nickel is 20km due North of the Noront Double Eagle discovery and covers most of a second significant gravity anomaly within the "Ring of Fire". Melkior has agreed to acquire the claims to cover two strong regional gravity anomalies. From worldwide experience it is known that important nickel mining camps are typically located on or adjacent to regional gravity features caused by heavy geological units that can be indicative of a mafic/ultramafic body which could be the central intrusive source of nickel/copper mineralization.

**Investing activities** (cont'd)

In April 2008, Melkior has completed an airborne time-domain electromagnetic and magnetometer survey over East Rim Nickel. A total of 1738 line kilometres were surveyed using the Fugro MEGATEM system. Melkior selected Fugro Airborne Surveys Corp. and MEGATEM due to Fugro's extensive worldwide experience surveying for nickel and base metals with many years of experience at target selection. MEGATEM is specifically suited for locating large massive sulphide bodies at depths of several hundred metres. The 1738km MEGATEM survey has now been interpreted and the final written report is scheduled for delivery in four weeks. The preliminary 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 survey of West Rim Nickel was done consisting of approximately 1440 line kilometres at a cost of $300,000.,

The budget for exploration expenditures in Fiscal 2008 at East Rim Nickel is $440,000 and $330,000 at West Rim Nickel.

***Otish Uranium Exploration:***
The Company, in partnership with Santoy Resources Inc. ("Santoy"), has acquired an interest in a total of 1302 map staked claims (64,977ha) in the Otish sedimentary basin of Quebec.

On December 18, 2007, the Company signed a letter of intent for the sale of its 50% interest in the Otish Basin uranium to Kakanda Resources Corp (now called Otish Energy Inc.). 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.

Melkior retains a 100% ownership on the Otish Macleod property of approximately 330 Otish area claims being explored for copper and molybdenum. The transaction generated a gain on disposal of mining assets of $1,071,568.

***Otish Macleod***

In April 2007, the Company acquired a 100% interest on the 330 claims at Macleod Lake in the Otish area at a staking cost of $38,350. These claims surround the copper-molybdenum property of Western Troy Capital Corp. The latter company has been conducting drilling on their copper-molybdenum prospect. They have reported drill a intersection of up to 54.9 metres grading 0.56% copper and 0.11% molybdenum. Melkior previously owned parts of the newly acquired property for its kimberlite exploration potential. The company will evaluate previous data and study the geological environment which is believed to be similar to Western Troy Capital Corp.

***Henderson***
On February 5, 2007, Melkior acquired the Henderson property by staking 20 claims covering 400 hectares in the Bancroft district of Ontario. The claims cover a series of uranium occurrences known as the Henderson uranium occurrences. Historically these are described in Ontario Geological Survey Circular 23. Five radioactive dikes were studied by Henderson Uranium Mines Limited. On showing 3 a chip sample over 6ft returned 0.15% U308. Showing 4 is (pre-43-101) historically reported to consist of a 40ft wide sheared and brecciated zone with an exposed length of 150ft. A representative grab sample assayed 0.22% U308. Other samples assayed 0.33% and 0.65% U308.

**Investing activities** (cont'd)

Jens Hansen prospected the property with Mr. Henderson in the 1960's. Hansen was at that time employed by the Atomic Energy of Canada Limited at the Chalk River nuclear research laboratory. Melkior has offered a 50% interest to Santoy Resources Inc at cost. Santoy and Melkior are 50-50 partners on the Henderson project.

***Launay***

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 entire property covers more than 4,772 hectares and is located approximately 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).

The most important mineralized zones on the Launay property have been reported historically prior to the implementation of the National Instrument 43-101 Standards for resource and reserve reporting.

1. Principal Zone- a 150 metre long N-S shear averaging 23m wide. Drill intersection by Melkior's predecessor obtained best intersections of 5.09g/t gold over 9.42m and 3.37 g/t gold over 6.8m. (DDHML-86-01, 86-03);
2. Zone 75- consists of auriferous disseminated pyrite over a N-S strike of 400m. The most significant drill intersections are 6.92g/t gold over 12.8m and 9.10g/t gold over 7.0m (DDH 87-92 and MR 00-11) In 1988 a historical resource was estimated.

In March 2006, 1600 sample geochemical survey results of the northern portion of the property were received. The geochemical survey identified six (6) significantly anomalous gold zones to be followed up.

In Fiscal 2007, Melkior did 24km of line cutting. Further assays were done and non compliant 43-101 resource evaluations were performed.

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 50% 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. As of mid July, Melkior is still awaiting a portion of the assay results.

The budget for exploration expenditures in Fiscal 2008 at Launay is $450,000.

**Investing activities** (cont'd)

***Ungava***

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 35 km WSW of the Raglan mine of Xstrata Nickel (formally Falconbridge Ltd). Xstrata Nickel is the operator of the project and hold a 51% interest in the property.

Subject to an agreement dated July 21, 1987, exploration to 1999 done by Melkior, its predecessors and partners totalled $1,669,805 (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). 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. This estimate is currently being re-calculated using the same method as is being used at Raglan.

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.

Recent announcements by Xstrata Nickel of major new investments in exploration and infrastructure could enhance the significance of Melkior's interests in the important Raglan nickel camp. The Delta deposit is one of the higher grade deposits in the Raglan belt. Increasing the tonnage would render this a very attractive target for future mining by an operator in the area. Xstrata Nickel is the operator and has not proposed any exploration for 2008. If Xstrata Nickel does not propose an exploration program for 2008, Melkior intends to propose a program with a budget to be determined.

***Other properties in Quebec***

The Company holds 35 claims in the Vauquelin property and 30 claims in the Tiblemont property 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 considerable activity by others in the area hence the properties will be maintained in good standing. The work credits are adequate for 10 years. 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.

**Financing activities**
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.

In Q3-2008, 750,000 options were exercised for a total proceed of $85,000 (1,030,000 options for $141,250 and 3,295,000 warrants for $486,225 in Q3-2007).

**Working capital**
The Company has a working capital of $4,127,161 as at May 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. Management is currently considering its opportunities for further financing at this time.

**Summary of quarterly results**
For the eight most recent quarters.

| | **May 31 2008** | **February 29 2008** | **November 30 2007** | **August 31 2007** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Net income (loss) | (484,412) | 312,385 | (20,380) | 34,301 |
| Net loss per share | (0.01) | - | - | - |
| Total assets | 13,579,031 | 13,085,953 | 12,462,015 | 11,464,686 |

| | **May 31 2007** | **Febraury 28 2007** | **November 30 2006** | **August 31 2006** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Net loss for the period | (44,820) | (63,524) | (80,993) | (150,104) |
| Net loss per share | - | - | - | - |
| Total assets | 11,314,149 | 7,800,841 | 6,535,286 | 6,557,720 |

**Industry and economic factors affecting the Company's performance**
Details of risk factors are outlined in the Company's MD&A included in the 2007 annual report.

**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:*

e) 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).
f) 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.

**Change in accounting policies**

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.

### Financial instruments and other 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 major financial institutions in Canada.

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

### Outstanding share data

| | **As at July 18, 2008** |
|---|---|
| | Number |
| Common shares | 82,815,603 |
| Options | 5,870,000 |
| Warrants | 12,508,885 |
| | 101,194,488 |

### 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.

### Contingencies

Refer to note 9 in the financial statements

**Management's responsibility for financial information**
Melkior's financial statements are the responsibility of the Company's management. The financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

**Special note regarding forward-looking statements**
This Report contains forward-looking statements that are based on beliefs of its management as well as assumptions made by and information currently available to management of the Company. When used in this Report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", and the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in those statements. The statements contained in this Report speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

July 18, 2008

(S) Jens E. Hansen
Jens E. Hansen
President

(S) Ingrid Martin
Ingrid Martin
Chief Financial Officer