Melkior Resources Inc.
(an exploration company)
Management Discussion and Analysis

For the three-month period ended November 30, 2007

The following 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 three-month period ended November 30, 2007. This MD&A should be read in conjunction with the Company’s financial statements and related notes for the first quarter ended November 30, 2007 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 an exploration and development stage company engaged in the acquisition, exploration and development of mining properties located in Quebec and Ontario.

Overall performance
The Company reported a net loss of $20,380 for the three-month period ending November 2006 (“Q1-2008”) compared to a net loss of $80,993 in the three-month period ending November 2006 (“Q1-2007”).

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 expensed $502,074 in exploration in Q1-2008 ($6,098 in Q1-2007), of which $448,687 was expensed on the Timmins West property located in Ontario. The Company invested $91,206 in Q1-2008 on mining properties ($15,917 in Q1-2007) mostly for the acquisition of Loveland in Ontario.

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 will pay Melkior $500,000 cash;
- Kakanda will issue 4,000,000 of its common shares to Melkior;
- 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 Marc André claims.

Melkior retains a 100% ownership of approximately 330 Otish area claims being explored for copper and molybdenum. The finalization of the sale is subject to approval by the regulatory authorities.

Results of operations
Total expenses are $69,233 in Q1-2008 versus $87,919 in Q1-2007. A $32,000 stock-based compensation expense was recorded in Q1-2007 while in Q1-2008, the cost of the option granted to consultants performing exploration work was capitalized against the deferred exploration expenses for $9,583 based on the vesting period. Professional and consulting fees are $32,965 in Q1-2008 versus $11,385 in Q1-2007 due to increase activities. A loss in foreign exchange conversion of $4,345 had to be recorded in Q1-2007 on the amount due to a director that was reimbursed during Q1-2007.

Interest income are $41,764 in Q1-2008 versus $6,926 in Q1-2007 due to an enhanced financial position with cash and cash equivalent at $3,643,007 on November 30, 2007 compared to $809,612 on November 30, 2006. Melkior also earned $7,089 of management fees as the operator of the Otish exploration work done in partnership with Santoy Resources Inc.

Investing activities

The Company spent $502,074 in Q1-2008 ($6,098 in Q1-207) in deferred exploration expenses. The main mining assets of the Company are Launay, Otish, Timmins West, Eldorado Nickel and Ungava.

Timmins West

The Company spent $443,639 ($1,493 in Q1-2007) mostly on drilling on the Timmins West property in Q1-2008.

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

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 out 50% for $1,000,000. The remaining 28 claims of the Timmins West property were acquired through staking.

The property covers and is located on the contact between the Carlton granodiorite pluton and the Deloro volcanic rocks. Regionally the contact zone hosts a number of gold occurrences. There are three historical occurrences on the present property which appear to be associated with felsic dykes and north-south structures. According to Melkior's research, these structures represent important exploration targets previously underexplored due to overburden cover. 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.

The results of the 2006 summer exploration program are summarized in a press release dated October 5, 2006. This exploration program included a 65 km magnetometer survey over the central area of the property which hosts several historic gold occurrences, old shafts and numerous pits and trenches (circa 1930's). The focus of the summer program was to identify and sample historic gold occurrences. The current program indicates the presence of gold at several locations on the property which suggests the possibility of finding more gold bearing structures with systematic exploration.

During the summer 2007, Melkior has undertaken geology, Induced Polarization geophysics and mechanical overburden removal. Trenching and sampling has revealed a number of high grade (up to 800 g/t) but narrow gold zones over up to 50 metres length. Three significant Induced Polarization anomalies coincide with gold zones. The results of the 2007 summer exploration program are summarized in two press releases dated September 6 and 19, 2007.

In November 2007, Melkior completed the drilling of 2543 metres in 23 holes of NQ core (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. This vein system was drill tested.

Investing activities (cont'd)

The drill program's objective was to test a series of geological and geophysical targets defined by geology, sampling, magnetometer and Induced Polarization (IP) surveys. The primary drill targets were within the Carleton tonalite geological unit that occupies the western 2/3 of the property and hosts gold mineralization in structurally controlled veins (NR October 5, 2006 and September 6, 2007). Five individual drill targets within the tonalite were tested with 17 NQ diamond drill holes for gold and an additional 6 holes for base metals.

The targets tested were:

1. ZamZam Zone. Five holes were drilled.
2. Jowsey Zone. One hole was drilled.
3. Shenkman Zone. Three holes were drilled.
4. Mysterious Shear Zone. One hole was drilled.
5. 1010 Vein system. Seven holes were drilled. The system has now been surface traced for 300 metres and is open at both ends.

Visible gold has been observed in outcrop in the 1010 vein on the ZamZam Zone and in hole number WKD-07-18 (1010 Zone) for which assays are pending (PR January 3, 2008). A photograph of the visible gold in WKD-07-18 will be available on the Company Website www.melkior.com.

Drilling on the Shenkman Zone encountered the southward continuation of the ZamZam Zone. Hole WKD-07-6B intersected 1.00 metre grading 40.37 g/t gold 60 metres below surface. This important development extends the high grade gold system 400 metres to the south and to a vertical depth of 60 metres with the vein being open to the north, the south and to depth.

Three drill holes (WKD-07-06, 6B, 6C) on the Shenkman Zone were drilled from one set-up in a westerly direction at inclinations of 50, 70 and 90 degrees from the horizontal. These holes targeted a pronounced Induced Polarization (IP) chargeability anomaly and a north-south trending quartz vein where surface grab samples returned assays of up to 15 g/t gold. The IP anomaly was observed to be due to wide disseminated pyrite mineralization in altered Quartz Feldspar Porphyry which locally exhibits very stong hydrothermal alteration and contains anomalous gold. The interpreted continuation of the ZamZam Zone vein system is hosted within the Carleton Intrusive adjacent to the altered porphyry. The IP anomaly extends for 150 metres to the southeast.

On the ZamZam Zone surface overburden removal and sampling this summer exposed a 55 metre length of high grade gold in quartz veins with a maximum gold assays of 843.72 g/t in a grab sample and 12.71 g/t over 3 metres in a chip sample. Hole WKD-07-9B drilled on the ZamZam Zone confirms depth continuity of the vein system with an intersection of 0.85 metres grading 13.1 g/t gold encountered 31 metres below the exposed vein on surface.

These assay results build upon those of a very successful summer exploration program that generated gold assays up to 864.3 g/t gold and the discovery of several new gold bearing veins which appear to extend for several hundred metres along strike. The limited assay results available to date justify additional drilling on the ZamZam Zone. Assay results from the 1010 zone are expected to be available shortly. Assay results for samples submitted for ICP analysis are expected in approximately three weeks.

Samples from the NQ drill core were either split using a hydraulic core spliter or sawn in half with one half sent for assay and the other half retained for reference. Samples were analysed by Bourlamaque Assay Laboratories of Val d'Or , Quebec for assay using the standard fire assay technique with a gravimetric finish. Due to the presence of coarse gold, all samples returning values over 5 g/t Au are being re-assayed after sieve screening of metallic particles to more accurately determine the gold content.

Investing activities (cont'd)

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.

The assay results from drilling on these zones justify additional drilling which is anticipated in the spring of 2008. Contract negotiations have commenced to secure a drill in the order of 5000 metres of NQ drilling focused on evaluating these gold bearing structures and other areas of potential on the property.

The anticipated cost in Fiscal 2008 for Timmins West is $650,000.

Timmins Eldorado Nickel
The Company spent $5,048 on the Timmins Eldorado Nickel property in Q1-2008 (nil in Q1-2007).

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.

The anticipated cost in Fiscal 2008 for Timmins Eldorado Nickel is $300,000.

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.

247 Claims Acquired in Geraldton-Long Lac
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. A budget has not yet been defined.

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. Of these, 968 claims are registered in the name of the Company but held for the 50-50 partnership, with no royalties to third parties. The claims comprise 3 groups are referred to as Otish East, Otish West and Beaver Lake.

A group of 13 claims (501,55 ha) known as the Marc-André block were purchased from International Royalties Corp.

Investing activities (cont'd)
Another group of 317 claims (14,741ha) known as the Majescor Lac Laparre block has been optioned from Majescor Resources Inc. ("Majescor"). The Company-Santoy partnership can acquire a 66 2/3 interest in the property.

Melkior was the operator of the partnership for the 2007 exploration season receiving a 10% management fee. A program of helicopter supported geology, sampling and prospecting was undertaken during July and August 2007. Assay results for this work have been partially received with the final data expected during the winter 2008. A magnetometer spectrometer airborne survey has been completed and it has defined targets which will be explored in 2008.

Otish East, West and Beaver Lake
The Company spent $219,955 in Fiscal 07 and $34,167 in Q1-2008 in exploration on the Otish East, West and Beaver Lake properties.

These claim group consist of three separate blocks. Otish East is located over the eastern portion of the Otish sedimentary basin and consists of 650 claims totalling 34,228.93 hectares. The Otish West and Beaver Lake properties are located at the north western margin of the Otish basin. They cover 322 claims or 16,505.63 ha. The Beaver Lake property is located less than two kilometres north of the Beaver Lake uranium occurrence.

Subsequent to year end, the company undertook a helicopter borne magnetometer and spectrometer survey. A total of approximately 4900 line kilometres were surveyed. The data will be interpreted during the winter in preparation for a 2008 summer exploration program.

Otish Marc André
The Company spent $325,050 in Fiscal 2007 in exploration on the Otish Marc André property

On January 15, 2007, Melkior and Santoy acquired a 100% interest in 13 claims totalling 501.55 Ha at Lac Laparre in the Otish Mountains district of Quebec. Consideration to be paid to International Royalties Corp., a private company, by the Joint Venture for the property is $10,000 cash, 200,000 shares of Melkior and 40,000 shares of Santoy. Melkior recorded the cash payment of $5,000 and the 200,000 shares issuance at $54,000 based on the stock quotation on the day of the agreement. A two percent 2% Net Smelter Return royalty ("NRS"), of which 1.5% may be purchased for $1 million at any time prior to commercial production, has been reserved for the original vendor of the property, Mr. A. L. Barker. As a current director of Melkior, Mr. Barker is a non arm's-length party to the purchase agreement and consequently abstained from voting.

The property is situated within the Otish Basin where the basement complex is unconformably overlain by fluvio-terrestrial to marine sediments of the Indicateur Formation (locally conglomerate, quartz arenite and sub-arkose). The claims cover two uranium showings of note; the Marc-André uranium occurrence at the northeast end of the property, and the J. Robert radioactive boulder train in the southwest sector.

Geophysical grids established in the early 1980's by Uranerz Exploration and Mining delineated an east-northeast trending, 100 to 200 metre wide, altered gabbroic dike cut by a series of sub-parallel, north-south to ENE-trending faults. At the Marc-André Occurrence, a number of trenches investigated the highly altered (limonitic, hematitic, tourmaline and epidote rich, siliceous and sericitic) fault breccia adjacent to and within the gabbroic dike. The best grab sample was reported to have assayed 0.26% U_3O_8 . On the J. Robert grid, a boulder train of angular, altered, brecciated radioactive sediments lies adjacent to a geophysically interpreted fault zone. As a consequence of the collapse of the uranium market in the 1980's, neither occurrence was investigated by drilling.

Investing activities (cont'd)

In 2007, the Melkior Santoy partnership undertook line cutting and magnetometer geophysical surveying over the claims. Several test drill holes were completed on the Marc-Andre uranium occurrence. The holes appear to have been incorrectly located and missed the intended target. Sampling and geology undertaken during the 2007 field season has contributed to a better understanding of the geology of the property and further work is planned for 2008.

The geologic setting of the Marc-Andre and of the J. Robert appears to be analogous to the Strateco Resources Matoush Property, 20 km to the southwest, where one of the best reported drill intercepts to date has been 2.1% U3O8 over a core length of 12.4 metres (Strateco news release Dec. 21/06). The Matoush occurrence was also a Uranerz discovery during the same early 1980's program. This mineralization is "perched" above the basement rocks in altered, arkosic to sub-arkosic, brecciated sandstones in the hanging wall of the Matoush Fault. "The uranium mineralization is closely linked to the tourmaline alteration on both sides of a gabbro dike in the sediments. Typically, moving outward from the dike is first a tourmaline zone, then a chlorite-fuchite-muscovite zone and a limonite-hematite zone." (Strateco website). To date, this fault zone has been traced for over 8 kilometres on Strateco's claims. This style of mineralization is similar to unconformity-related uranium orebodies at McArthur River and Cigar Lake in the Athabasca Basin of Saskatchewan.

Otish Majescor
The Company spent $196,757 in Fiscal 2007 et $12,063 in Q1-2008 in exploration on the Otish Majescor property

On February 8, 2007, Melkior and Santoy (50% each) have entered into an option agreement with Majescor Resources Inc. ("Majescor") to earn sixty six and two thirds percent interest in 317 claims (map designated cells or CDC's) totalling 14,741 hectares in the Lac Laparre area in the Otish Mountains district of Quebec. The terms of the Option Agreement call for an exploration work commitment of $2.5 million 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 Melkior over a two year period and 60,000 shares of Santoy, in tranches over a one year period, and the reservation of a 1.5% NSR, one half of which is purchasable at any time prior to commercial production for $1 million. The option excludes diamonds. Melkior has fulfilled it's share of the agreement for the first year which is a cash payment of $25,000 and the 100,000 share issuance at $35,000 based on the stock quotation on the day of the agreement. The Melkior-Santoy partnership has spent $417,639 in exploration work on Otish Majescor as of November 30, 2007 and therefore exceeded its first year commitment of $300,000. A second payment of 100,000 Melkior's share is due February 8, 2008.

The geological setting of the Majescor Lac Laparre block is similar to the Marc-Andre block. The claims are located within the northern portion of the Otish sedimentary basin. A helicopter borne magnetometer and spectrometer survey was flown over the claims for a total of 1775 line kilometres. The data will be interpreted and will be used for a 2008 field program.

Otish Diamonds
The Company spent $42,473 in Fiscal 2007 in exploration on the Otish Diamonds property.

Otish Macleod
The Company spent a minor amount in Fiscal 2007 in exploration on the Macleod property.

In April 2007, the Company acquired a 100% interest in 330 claims at Macleod Lake 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 intersections of 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.

Investing activities (cont'd)

Henderson
The Company spent $10,554 in Fiscal 2007 in exploration on the Henderson property.

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.

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 will offer a 50% interest to Santoy Resources Inc at cost. Santoy and Melkior are 50-50 partners on the Otish uranium project.

Launay
The Company spent $7,157 ($4,205 in Q1-2007) on the Launay property in Q1-2008.

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 43-101 Standard.

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 of the northern portion have been received. The gold geochemical survey identified six (6) significantly anomalous zones to be followed up. Sites are 25 metres apart.

Investing activities (cont'd)

Melkior has engaged Geologica Groupe Conseil to review and evaluate all previous work carried out between 1986 and 2005. The final report is expected shortly.

In August 2006, a five hole 868 metres of diamond drilling and a soil sampling program was completed. The geologist's report is in progress.

Additional geophysics and drilling in the area will be planned following the receipt of the recommendations from Melkior's geologist and consultants.

In Fiscal 2007, Melkior did 24km of line cutting. Further assays were done and non 43-101 resources evaluations were performed. Melkior dropped 10 claims that used to have NSR but did claim 13 new claims.

Finally, 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 Fiscal 2008, Melkior plans to drill 2000 metres with a total budget of $450,000 on the Launay property. The objective is to update the old data and to increase the gold resources.

Ungava

The Company spent $1,650 ($1,011 in fiscal 2006) on the Ungava property in Fiscal 2007.

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. 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.

In August 2007, a detailed, 50 metre spacing VTEM airborne geophysical survey has been completed on the Delta-Kenty property. The survey was flown in conjunction with Goldbrook Ventures Inc. which owns the claims surrounding the Melkior-Xstrata property.

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 current detailed airborne geophysical survey is expected to generate additional exploration targets for nickel-copper on the joint venture property. The partnership with Xstrata Nickel is considered positive in this regard.

Investing activities (cont'd)

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. If Xstrata Nickel does not propose an exploration program for 2008, Melkior intends to propose a program on 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. The property and its deferred exploration expenses were written off in Fiscal 2005 since the exploration work for gold has not been successful. Nevertheless, there is considerable activity by others in the area hence the property 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.

Deferred exploration expenses Q1-2008	**Ungava**	**Launay**	**Otish**	**Timmins West**	**Eldorado**	**Henserson**	**Total**
	$	**$**	**$**	**$**		**$**	**$**
Balance, beginning	1,134,915	3,933,257	522,268	360,083	1,189	10,554	5,962,266
Additions							
Drilling	-	380	-	358,013		-	358,393
Geology – prospecting	-	4,221	(42,791)	36,150	935	-	(1,485)
Geophysics – geochemistry	-	-	122,719	8,731	600	-	132,050
Analysis	-	-	8,504	12,367		-	20,871
Line cutting	-	-	-	-		-	-
Logistics	-	-	1,280	3,602		-	4,882
Travelling	-	-	-	21,262		-	21,262
Options	-	2,556	-	3,514	3,513	-	9,583
Depreciation	-	-	1,374	-		-	1,374
	-	7,157	91,086	443,639	5,048	-	546,930
Recharge	-	-	(44,856)	-	-	-	(44,856)
	-	7,157	46,230	443,639	5,048	-	502,074
Deductions							
Tax credits	-	(1,531)	(19,525)	-	-	-	(21,056)
Disposal	-	-	-	-	-	-	-
Balance, end	1,134,915	3,938,883	548,973	803,722	6,237	10,554	6,443,284

Investing activities (cont'd)

Deferred exploration expenses Q1-2007	**Ungava**	**Launay**	**Timmins Ouest**	**Otish**	**Total**
	$	$	$	$	$
Balance, beginning	1,133,819	3,905,396	59,045	-	5,098,260
Additions					
Drilling	-	-	-	-	-
Geology - prospecting	-	800	1,000	400	2,200
Geophysics - geochemistry	-	3,405	493	-	3,898
Analysis	-	-	-	-	-
Line cutting	-	-	-	-	-
Travelling	-	-	-	-	-
	-	4,205	1,493	400	6,098
Deductions					
Tax credits	-	-	-	-	-
Balance, end	1,133,819	3,909,601	60,538	400	5,104,358

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 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 Q1-2008, 100,000 options were exercised for a total proceed of $20,000 (300,000 options for $30,000 in Q1-2007).

Working capital
The Company has a working capital of $3,976,783 as at November 30, 2007 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.

	November 30 2007	August 31 2007	May 31 2007	February 28 2007
	$	$	$	$
Net income (loss)	(20,380)	34301	(44,820)	(63,524)
Net loss per share	-	-	-	-
Total assets	12,462,015	11,464,686	11,314,149	7,800,841
	November 30 2006	**August 31 2006**	**May 31 2006**	**February 28 2006**
	$	$	$	$
Net loss for the period	(80,993)	(150,104)	(48,240)	(24,737)
Net loss per share	-	-	-	-
Total assets	6,535,286	6,557,720	6,327,806	6,163,447

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.

Stock based compensation
On October 26, 2007, the Company has granted 500,000 stock options to consultants involved in the exploration work at a price of $0.35 per share, exercisable for 5 years. The options vest in over one year, 25% each quarter. Total stock-based compensation costs amount to $115,000 for an estimated fair value of $0.23 per option. As of November 30, 2007, the cost recorded over the vesting period and capitalized in the deferred exploration expenses was $9,583. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 114%, a risk-free interest rate of 4.25% and an expected life of options of 5 years.

Related party transactions
In the normal course of operations:

a) During the period ended November 30, 2007 a company controlled by an officer charged professional fees amounting to $13,946 ($nil for the period ended November 30, 2006), management fees amounting to $27,938 ($10,500 for the period ended November 30, 2006) and administrative fees amounting to $9,000 ($nil for the period ended November 30, 2006);
b) During the period ended November 30, 2007, a company controlled by an officer charged professional fees of $17,438 ($11,386 for the period ended November 30, 2006);
c) As at November 30, 2007, the balance due to the related parties amounted to $8,186 (November 30, 2006 – $4,105).

Not in the normal course of business:

d) In November 2007, officers of the Company participated in private placements of flow-through shares for a total consideration of $44,900 ($nil for the period ended November 30, 2006).

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 CICA issued three 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 3865, "Hedges", provides guidance on the application of hedge accounting and related disclosures.
- 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.

The Company has evaluated that these new sections have no significant impact on the Financial Statements. Cash and cash equivalents will be 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, accounts receivable and others will be classified as loans and receivables, and accounts payable and expense payable will be classified as other liabilities.

Financial instruments and other instruments
Details are outlined in the Company's MD&A included in the 2007 annual report.

Internal control over financial reporting
The Company has established and maintains internal control over financial reporting ("ICFR"). The ICFR is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and preparation of financial statements in accordance with generally accepted accounting principles ("GAAP"). The certifying officers have evaluated whether there were changes to its ICFR during Q1-2008 that have materially affected, or that are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

Outstanding share data

	As of January 23, 2008
	Number
Common shares	76,629,958
Options	6,120,000
Warrants	7,944,530
	90,694,488

Subsequent event
On December 17, 2007, the Company has granted 1,900,000 stock options to directors and officers at a price of $0.50 per share, exercisable for 5 years.

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 will pay Melkior $500,000 cash;
- Kakanda will issue 4,000,000 of its common shares to Melkior;
- 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 Marc André claims.

Melkior retains a 100% ownership of approximately 330 Otish area claims being explored for copper and molybdenum. The finalization of the sale is subject to approval by the regulatory authorities.

Contingencies
Refer to note 7 in the financial statements

Management's responsibility for financial information

Melkior's financial statements are the responsibility of the Corporation'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.

January 23, 2008

(S) Jens E. Hansen	(S) Ingrid Martin
Jens E. Hansen	Ingrid Martin
President	Chief Financial Officer