

Melkior Resources Inc.

Interim Financial Statements

For the nine-month period ended May 31, 2010

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

Melkior Resources Inc.

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Melkior Resources Inc.

(an exploration company)

Balance Sheets

	May 31, 2010	August 31, 2009
	<u>(unaudited)</u>	<u>(audited)</u>
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,449,020	585,654
Short term investments (Note 3)	3,168,744	2,781,533
Sales tax receivable	54,841	31,122
Due from partners, without interest, on demand	4,945	60,000
Taxes credits receivable	101,005	94,229
Prepaid expenses	15,208	24,973
Listed shares held for trading	111,375	82,000
	<u>4,905,138</u>	<u>3,659,511</u>
Exploration funds (Note 3)	2,083,462	-
Equipments (Note 4)	-	4,134
Mining assets (Note 5)		
Mining properties	1,842,172	1,640,472
Deferred exploration expenses	5,352,412	3,803,409
	<u>14,183,184</u>	<u>9,107,526</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	99,231	159,705
Due to a partner, without interest, on demand	-	2,596
	<u>99,231</u>	<u>162,301</u>
Shareholders' Equity		
Share capital (Note 6)	41,827,367	35,684,352
Contributes surplus (Note 6d)	1,942,508	1,435,096
Deficit	(29,685,922)	(28,174,223)
	<u>14,083,953</u>	<u>8,945,225</u>
	<u>14,183,184</u>	<u>9,107,526</u>

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

Melkior Resources Inc.

(an exploration company)

Statements of Earnings and Comprehensive loss and Deficit

(Unaudited)

	Three-month period ended May 31,		Nine-month period ended May 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Expenses				
General and administrative	62,193	31,328	256,247	122,664
Travelling and promotion	2,573	3,176	17,105	5,630
Investors and shareholders relations	20,725	14,183	103,767	57,108
Professional and consulting fees	34,225	42,281	142,825	131,186
General exploration	-	(31,852)	2,170	(22,526)
Stock-based compensation	8,438	-	204,376	12,000
Amortization	1,386	1,374	4,134	4,122
Fair value variation on financial instruments held for trading	27,794	16,047	35,244	557,088
Write-off of mining assets	1,050	6,649	8,469	1,472,686
	<u>158,384</u>	<u>83,186</u>	<u>774,337</u>	<u>2,339,958</u>
Other income				
Interest income	8,120	10,265	20,535	53,230
Project management fees	6,849	(691)	24,972	2,709
	<u>14,969</u>	<u>9,574</u>	<u>45,507</u>	<u>55,939</u>
Loss before income taxes	<u>(143,415)</u>	<u>(73,612)</u>	<u>(728,830)</u>	<u>(2,284,019)</u>
Future income taxes	-	-	884,000	-
Net income (loss) and comprehensive income (loss)	<u>(143,415)</u>	<u>(73,612)</u>	<u>155,170</u>	<u>(2,284,019)</u>
Basic and diluted net loss per share	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.03)</u>
Weighted average number of outstanding common shares	<u>109,480,370</u>	<u>85,315,603</u>	<u>101,954,347</u>	<u>85,114,139</u>
Deficit, beginning of period	(29,542,507)	(23,997,809)	(28,174,223)	(21,787,402)
Net income (loss)	(143,415)	(73,612)	155,170	(2,284,019)
Future income taxes related to flow- through shares	-	-	(884,000)	-
Share issue expenses	-	-	(782,869)	-
Deficit, end of period	<u>(29,685,922)</u>	<u>(24,071,421)</u>	<u>(29,685,922)</u>	<u>(24,071,421)</u>

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

Melkior Resources Inc.

(an exploration company)

Statement of Cash Flows

(Unaudited)

	Three-month period ended May 31,		Nine-month period ended May 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Operating activities				
Net loss for the period	(143,415)	(73,612)	155,170	(2,284,019)
Non-cash items:				
Stock-based compensation	8,438	-	204,376	12,000
Amortization	1,386	1,374	4,134	4,122
Fair value variation on financial instruments held for trading	27,794	15,946	35,244	557,357
Write-off of mining assets	1,050	6,649	8,469	1,472,686
Recovery of future income taxes	-	-	(884,000)	-
Interest accrued on interest income	(885)	(7,271)	14,690	97,600
	<u>(105,632)</u>	<u>(56,914)</u>	<u>(461,917)</u>	<u>(140,254)</u>
Changes in non-cash working capital items				
Sales tax receivable	(13,802)	92,286	(23,719)	27,983
Due from partners	1,229	(4,944)	(1,994)	7,047
Prepaid expenses	(2,742)	(9,482)	9,765	66,721
Accounts payable and accrued liabilities	(29,314)	(5,074)	(6,650)	(33,874)
Due to a partner	(14,960)	(5,118)	(296)	6,333
	<u>(59,589)</u>	<u>67,668</u>	<u>(22,894)</u>	<u>74,210</u>
Cash flows used in operating activities	<u>(165,221)</u>	<u>10,754</u>	<u>(484,811)</u>	<u>(66,044)</u>
Investing activities				
Purchase of short term investments	-	-	(5,892,982)	(2,100,000)
Disposal of short term investments	2,038,000	145,000	3,403,000	3,575,000
Exploration funds	-	-	-	373,930
Additions to mining properties	(185,870)	(16,324)	(203,234)	(393,870)
Deferred exploration expenses	(910,451)	-	(1,705,158)	-
Payments received from partners for exploration costs	3,320	(217,584)	116,394	(1,138,696)
Taxes credits cashed	-	67,520	4,475	67,520
Cash flows used in investing activities	<u>944,999</u>	<u>(21,388)</u>	<u>(4,277,505)</u>	<u>383,884</u>
Financing activities				
Issuance of common shares	-	-	6,110,362	-
Share issue expenses	-	-	(484,680)	-
Cash flows from financing activities	<u>-</u>	<u>-</u>	<u>5,625,682</u>	<u>-</u>
Net changes in cash and cash equivalents	779,778	(10,634)	863,366	317,840
Cash and cash equivalents, beginning of period	<u>669,242</u>	<u>1,439,132</u>	<u>585,654</u>	<u>1,110,658</u>
Cash and cash equivalents, end of period	<u>1,449,020</u>	<u>1,428,498</u>	<u>1,449,020</u>	<u>1,428,498</u>

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

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2010

(Unaudited)

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. 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, 2009. The accounting policies follow that of the most recently reported audited annual financial statements, except for the change in accounting policies as disclosed in Note 2.

2. Accounting estimates and 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. Significant areas where management judgement is applied are mining asset valuations and stock-based compensation. Actual results could differ from management's best estimates as additional information becomes available in the future.

Taking effect September 1, 2009, according to the transition dispositions, the Company adopted the following new accounting policies published by the Canadian Institute of Chartered Accountants ("CICA"):

- a) Financial Instrument: in June 2009, the CICA amended Section 3862, "Financial instrument - disclosure". This section has been amended to introduce new financial disclosure requirements, particularly with respect to fair value measurement of financial instruments (three hierarchy levels) and entity exposure to liquidity risk. The amendments to this section apply to annual financial statements for years ending after September 2009. Disclosure and presentation requirements pertaining to this section have no impact on the Company's financial results.

3. Short term investments

As of May 31, 2010, short term investments include guaranteed investments from Canadian financial institutions totalling \$5,252,206 cashable at any time without penalties, maturing between November 4, 2010 and January 5, 2011 and bearing interest rates between 0.35% and 0.45%.

	May 31, 2010
	\$
Guaranteed investment certificates	5,252,206
Less: Exploration funds	(2,083,462)
	<u>3,168,744</u>

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(Unaudited)

4. Equipments

	Depreciation Rate	Cost	Accumulated depreciation	May 31, 2010
		\$	\$	\$
Exploration equipment	Straight line over 3 years	16,500	16,500	-

5. Mining assets

Mining properties	August 31, 2009	Acquisitions	Disposals	May 31, 2010
	\$	\$	\$	\$
Quebec				
Launay	389,131	4,860	-	393,991
Mont Otish	32,335	480	-	32,815
Ontario				
Timmins	272,829	25,480	-	298,309
Henderson	5,375	-	-	5,375
Long Lac	19,824	-	-	19,824
Rim Nickel – McFaulds	920,978	170,880	-	1,091,858
	<u>1,640,472</u>	<u>201,700</u>	<u>-</u>	<u>1,842,172</u>

Deferred exploration expenses	August 31, 2009	Expenditures	Tax credits	Write-offs	May 31, 2010
	\$	\$	\$		\$
Quebec					
Launay	404,989	12,839	(4,905)	-	412,923
Ungava	-	14,815	(6,346)	(8,469)	-
Mont Otish	78,068	-	-	-	78,068
Troilus	394,341	-	-	-	394,341
Ontario					
Timmins	2,185,704	1,347,667	-	-	3,533,371
Henderson	14,931	-	-	-	14,931
Long Lac	102,461	18,119	-	-	120,580
Rim Nickel - McFaulds	622,915	175,283	-	-	798,198
	<u>3,803,409</u>	<u>1,568,723</u>	<u>(11,251)</u>	<u>(8,469)</u>	<u>5,352,412</u>

Melkior Resources Inc.

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Notes to financial statements

Nine-month period ended May 31, 2010

(Unaudited)

5. Mining assets (Cont'd)

a) *Timmins*

i) *Loveland*

On November 27, 2009, the Company signed a letter of intent with Bold Venture Inc. ("Bold") whereby Bold can acquire a 10% interest in the Loveland property by undertaking \$125,000 of exploration work. The Company is the operator. Once the 10% interest is earned, Bold can decide not to pursue the exploration. Bold will therefore return its 10% interest to the Company and the Company will have to pay Bold \$40,000. At any time, the Company has the right to purchase Bold's 10% interest by paying twice what Bold has spent to that time in cash.

ii) *Shaw*

On October 30, 2009, the Company signed an agreement to acquire 100% interest in mining claims in consideration of \$15,500 cash and a 1% Net Smelter Return ("NSR") royalty of which 0.5% can be repurchased for \$1,000,000.

On February 23rd, 2010, the Company signed an agreement to acquire 100% interest in additional mining claims in consideration of \$9,500 cash and a 1% Net Smelter Return ("NSR") royalty of which 0.5% can be repurchased for \$1,000,000.

b) *McFaulds – Broke Back and Riverbank*

On January 18, 2010, the Company signed an agreement to acquire 100% interest in the the Broke Back and Riverbank properties, located in McFaulds region in Ontario. The Company can acquire the 100% interest from two of the original vendors of East and West Rim Nickel by reimbursing out of pocket staking costs of \$167,400 and by undertaking the assessment work needed to renew the claims for at least 12 months. The vendors of the original East Rim property will retain a 2% NSR royalty. Melkior can repurchase 1% NSR for \$1,000,000 within one year of presenting a scoping study. The stakers of Broke Back and Riverbank are North American Exploration Limited and Geotest Corporation. Jens Hansen, president of the Company, is a principal of Geotest Corporation.

6. 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 the value of paid up capital.

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2010

(Unaudited)

6. Share capital (Cont'd)

Issued and to be issued:

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

	Nine-month period ended May 31, 2010	
	Number of shares	Amount \$
Balance at beginning of period	90,074,531	35,684,352
Private placements	9,243,001	2,772,900
Flow-through private placements	9,959,400	3,286,602
Exercise of warrants	3,438	860
Value of warrants exercised	-	653
Exercise of stock options	200,000	50,000
Value of stock options exercised	-	32,000
Balance at end of period	<u>109,480,370</u>	<u>41,827,367</u>

a) *Private placements*

On December 15 and 17, 2009, the Company closed a private placement of: (i) 9,243,001 units at a price of \$0.30 per unit for gross proceeds of \$2,772,900 and (ii) 9,959,400 flow-through common shares at a price of \$0.33 per flow-through shares for gross proceeds of \$3,286,602 for total gross proceeds of \$6,059,502 (collectively, the "Private Placement"). Each unit is comprised of one common share and one-half of one warrant. Each whole warrant entitles its holder to purchase one additional common share at a price of \$0.40 per common share from the first 12 months and at a price of \$0.50 per common share for the subsequent 12 months.

The Company paid to the brokers (i) cash in the amount of \$371,666, representing 7 % of the gross proceeds raised by the brokers, and (ii) 1,656,605 broker warrants, representing 10% of the number of units and flow-through shares issued under the brokered portion of the private placement. A total of 690,965 Broker Warrants entitle its holder to purchase one additional common share at a price of \$0.30 per common share and 965,640 broker warrants entitle its holder to purchase one additional common share at a price of \$0.33 per common share, for a period of 24 months following the Closing Date.

The total broker warrant fair value amount to \$298,189 and this fair value was estimated using the Black-Scholes pricing model with no expected dividend yield, an expected volatility of 113%, a risk-free interest rate of 1.32% and an expected life of options of 2 years.

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2010

(Unaudited)

6. Share capital (Cont'd)

b) Stock option plan

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

	Nine-month period ended May 31, 2010	
	Number of options	Weighted average exercise price
		\$
Balance at beginning of period	6,470,000	0.30
Granted	1,125,000	0.35
Exercised	(200,000)	0.25
Balance at end of period	<u>7,395,000</u>	0.32
Option exercisable at end of period	<u>7,282,500</u>	0.32

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 21, 2009	December 30, 2009
Optionee	Investor relation firm	Directors, officer and consultants
Number of options	225,000	900,000
Exercise price	\$0.30	\$0.36
Exercise price compared to the market	Higher	Higher
Risk free interest	1.51%	2.74%
Average expected volatility	109%	104%
Expected dividend	-	-
Expected life (years)	2	5
Vesting	25% every quarter	Immediate
Estimated fair value per option	\$0.15	\$0.25
Estimated fair value	\$33,750	\$225,000

Some stock options were granted to a director and to a consultant involved in exploration work and therefore \$37,500 of the stock-based compensation cost was capitalized in the deferred exploration expenses.

For the nine-month period ended May 31, 2010, a total of 1,125,000 options were granted. These options were granted at an exercise price superior at the closing market value of the shares the previous day of the grant. The total fair value of these options amount to \$258,750 of which \$204,376 is accounted for as stock-based compensation, \$37,500 was capitalized in the deferred exploration expenses and the remaining \$16,874 will not be accounted for as stock-based compensation since these options were cancelled in June 2010. The hypotheses used include an average interest rate without risk of 2.49%, an average expected life of the options of 4 years, no expected dividend yield, an estimated average volatility of 105% and a weighted average fair value per option of \$0.23.

Melkior Resources Inc.

(an exploration company)

Notes to financial statements

Nine-month period ended May 31, 2010

(Unaudited)

6. Share capital (Cont'd)

The following table summarizes information about common share purchase options outstanding and exercisable as at May 31, 2010:

<u>Number of options outstanding</u>	<u>Number of options exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
		\$	
1,200,000	1,200,000	0.10	November 11, 2010
270,000	270,000	0.125	February 9, 2011
200,000	200,000	0.20	May 8, 2011
225,000	112,500	0.30	November 1, 2011
1,400,000	1,400,000	0.30	January 15, 2012
400,000	400,000	0.35	October 26, 2012
1,900,000	1,900,000	0.50	December 17, 2012
200,000	200,000	0.25	February 25, 2013
300,000	300,000	0.10	November 7, 2013
400,000	400,000	0.40	August 7, 2014
900,000	900,000	0.36	December 30, 2014
<u>7,395,000</u>	<u>7,282,500</u>		

c) Warrants

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

	<u>Nine-month period ended May 31, 2010</u>	
	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
		\$
Balance at beginning of period	16,944,130	0.40
Issued	6,278,104	0.38
Exercised	(3,438)	0.25
Expired	<u>(303,030)</u>	0.33
Balance at end of period	<u>22,915,766</u>	0.39

Melkior Resources Inc.

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Notes to financial statements

Nine-month period ended May 31, 2010

(Unaudited)

6. Share capital (Cont'd)

Warrants outstanding as at May 31, 2010 are as follows:

<u>Number of warrants</u>	<u>Exercise price</u>	<u>Expiry date</u>
	\$	
4,758,928	0.35	June 30, 2011
146,562	0.25	June 30, 2011
4,496,499	Y1: 0.40 Y2: 0.50	December 15, 2011
125,000	Y1: 0.40 Y2: 0.50	December 17, 2011
665,965	0.30	December 15, 2011
965,640	0.33	December 15, 2011
25,000	0.30	December 17, 2011
2,903,226	0.25	December 18, 2011 ¹⁾
1,659,999	0.60	March 13, 2012 ^{2) 6)}
590,000	0.60	March 27, 2012 ^{3) 6)}
1,578,947	0.60	May 8, 2012 ⁴⁾
5,000,000	0.35	June 9, 2013 ⁵⁾
<u>22,915,766</u>		

Note:

- 1) The expiry date was extended from December 18, 2008 to December 18, 2011.
- 2) The expiry date was extended from March 13, 2008 to March 13, 2012.
- 3) The expiry date was extended from March 27, 2008 to March 27, 2012.
- 4) The expiry date was extended from May 8, 2008 to May 8, 2012.
- 5) The expiry date was extended from June 9, 2009 to June 9, 2013
- 6) These warrants are subject to an accelerated expiry if the volume weighted average price of the common shares is at least \$0.80 for any period of 20 consecutive trading days. The Company may then, within five business days of such 20 trading day period, provide notice by press release to the holders of warrants (the "Accelerated Expiry Notice") that the warrants shall terminate on the earlier of the date that is 25 days following the date of the Accelerated Expiry Notice or the warrants expiry date.

d) *Contributed surplus*

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

	<u>Nine-month period ended May 31, 2010</u>
	\$
Balance at beginning of the period	1,435,096
Agent warrants (note 6a)	298,189
Exercise of agent warrants cost credited to share capital	(653)
Stock-based compensation in favour of directors and offices (note 6b)	175,000
Stock-based compensation in favour of consultants (note 6b)	66,876
Exercise of stock options credited to share capital	(32,000)
Balance at end of period	<u>1,942,508</u>

Melkior Resources Inc.

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Notes to financial statements

Nine-month period ended May 31, 2010

(Unaudited)

7. Related party transactions

Not in the normal course of business:

As part of the acquisition of the Broke Back and Riverbank properties, a company controlled by the president of the Company received \$127,400 cash which represent the reimbursement of their costs incurred in this transaction for the staking (Note 5c).

8. Statement of cash flows

	Three-month period ended May 31,		Nine-month period ended May 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Additional information				
Interest cashed	7,235	4,543	35,225	153,166
Exercise of options credited to share capital	-	-	50,000	-
Exercise of warrants credited to share capital	-	-	860	-
Agent warrants granted for raising capital	-	-	298,189	-
Future income taxes accounted for in share issue expenses	-	-	884,000	-
Tax credits receivable applied against deferred exploration expenses	-	12,738	11,251	77,580
Additions of mining properties and deferred exploration expenses included in accounts payable and accrued liabilities	45,839	10,916	45,839	10,916
Due from partners included in deferred exploration expenses and mining properties	2,951	-	2,951	-
Due to a partner included in deferred exploration expenses	-	21,784	-	21,784
Listed shares received on disposal of mining assets	-	-	60,000	-
Exploration funds deducted from short-term investments	2,083,462	-	2,083,462	-
Stock-based compensation included in deferred exploration expenses	-	-	37,500	-

Melkior Resources Inc.

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Notes to financial statements

Nine-month period ended May 31, 2010

(Unaudited)

9. Subsequent event

On July 16, 2010, the Company granted 1,900,000 stock options and their fair value was calculated with the following assumptions:

Grant date	July 16, 2010
Optionee	Directors, officer and consultants
Number of options	1,900,000
Exercise price	\$0.20
Exercise price compared to the market	Higher
Risk free interest	2.39%
Average expected volatility	98%
Expected dividend	-
Expected life (years)	5
Vesting	Immediate
Estimated fair value per option	\$0.14
Estimated fair value	\$266,000