Melkior Resources Inc.

Management's Discussion and Analysis

For the year ended August 31, 2010

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Management has prepared the following discussion and analysis (MD&A) which constitutes management's review of financial and operating factors affecting Melkior Resources Inc. ("Melkior" or the "Company") for the year ended August 31, 2010.

This MD&A should be read in conjunction with the Company's financial statements and related notes as at August 31, 2010. All figures are in Canadian dollars unless otherwise noted. The Company's financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

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 stage company engaged in the acquisition and exploration of mining properties located in Québec and Ontario.

Overall performance

Melkior has a $4,826,747 working capital as of August 31, 2010 ($3,497,210 as of August 31, 2009) plus $638,342 exploration funds which will allow the Company to undertake its exploration program for at least the next two years.

In Fiscal 2010, Melkior raised $6,059,502 ($999,375 in 2009) by private placements and $50,860 via the exercise of warrants and options.

Exploration for Fiscal 2010 totalled $3,092,121 versus $1,532,602 in Fiscal 2009. The main exploration expenditures in Fiscal 2010 were on Carscallen (Timmins West) and Rim Nickel (McFaulds). Mining properties at a total cost of $205,273 were acquired in Fiscal 2010 mainly in the McFaulds region ($106,480 in Fiscal 2009l).

Selected annual information

	Fiscal year ended August 31		
	2010	2009	2008
	$	$	$
Income	68,927	113,966	1,267,908
Net loss	(130,034)	(6,309,850)	(267,034)
Net Loss per share, basic and diluted	-	(0.07)	-

	As at August 31		
	2010	2009	2008
	$	$	$
Total assets	14,751,498	9,107,526	14,671,491

Results of operations

Total expenses are $1,082,961 in Fiscal 2010 versus $6,423,816 in Fiscal 2009, due to the following:

- Write-offs for $119,352 in Fiscal 2010 ($5,346,461 in Fiscal 2009) of mining assets relating to Monts Otish and Ungava (Ungava, Monts Otish and Launay in Fiscal 2009) (see investing activities).
- A $398,404 stock-based compensation expense was recorded in Fiscal 2010 following the grant of 3,225,000 options while in Fiscal 2009 the stock-based compensation expenses was $129,000 following the grant of 700,000 options.

Results of operations (Cont'd)

- A $76,625 fair value gain was recorded in Fiscal 2010 ($533,000 loss in Fiscal 2009) on the 4,100,000 shares received from Otish Energy Inc. following the sale of the properties in the Mont Otish.
- Professional and consulting fees increased slightly in Fiscal 2010:

	2010	2009
	$	$
Legal	16,599	10,037
Accounting	89,020	90,438
Audit	33,300	32,000
Consulting	5,300	16,135
Management	57,450	45,160
Professional and consulting fees	**201,669**	**193,770**

- General and administrative increased to $294,554 in Fiscal 2010 ($154,316 in Fiscal 2009) due to:
  - A bonus of $100,000 paid to the president of the Company, Jens E. Hansen.
  - Additional involvement of Nathalie Hansen, director, in the daily administration of the Company.
- During Fiscal 2010, Melkior increased investor relations activities and incurred a cost of $107,029 in investors and shareholders relations compared to $71,940 in Fiscal 2009. Melkior signed an agreement in October 2009 with an investor relations firm whereby Melkior disbursed a monthly fee of $3,000 and has granted 225,000 stock options. Melkior terminated this contract in May 2010.

Interest income was $30,667 in Fiscal 2010 versus $61,685 in Fiscal 2009 due to lower interest rates available.

The management fees income decreased to $28,260 in Fiscal 2010 ($2,710 in Fiscal 2009) since these fees were mainly earned as the operator of Loveland property (Rim Nickel West property in Fiscal 2009).

Melkior recorded a $884,000 recovery of future income taxes in Fiscal 2010 (nil in Fiscal 2009) to compensate the tax impact of the flow-through shares issued.

In Fiscal 2009, Melkior sold a 50% interest in the Bristol property to Big Red Diamond Corporation ("Big Red") and realized a gain of $49,571.

Investing activities

The main mining assets of the Company are Carscallen Timmins West, Rim Nickel – McFaulds and Ungava. The total exploration budget for Fiscal 2011 is $3,045,000.

Deferred exploration expenses 2010	Ungava	Launay	Otish	Troilus	Timmins	Eldora-do	Rim Nickel McFaulds	Others	Total
	$	$	$		$		$	$	$
Balance beginning	-	404,989	78,068	394,341	1,966,511	177,889	622,915	158,696	3,803,409
Additions									
Drilling	-	1,150	-	-	1,555,163	37	960	60,942	1,618,252
Geology – prospecting	7,775	12,338	-	-	52,055	9,664	8,795	30,376	121,003
Geophysics geochemistry	7,040	-	-	-	218,586	13,526	794,891	48,205	1,082,248
Line cutting	-	-	-	-	39,892	6,075	182,116	42,535	270,618
Management fees	-	-	-	-	-	-	-	-	
	14,815	13,488	-	-	1,865,696	29,302	986,762	182,058	3,092,121
Options	-	-	-	-	28,833	-	8,745	-	37,578
Recharge	-	-	-	-	(7,410)	-	(5,790)	(107,284)	(120,484)
	14,815	13,488	-	-	1,887,119	29,302	989,717	74,774	3,009,215
Deductions									
Tax credits	(6,346)	(4,905)	-	-	-	-	-	-	(11,251)
Disposal	-	-	-	-	-	-	-	-	-
Write-off	(8,469)	-	(78,068)	-	-	-	-	-	(86,537)
Balance, end	-	413,572	-	394,341	3,853,630	207,191	1,612,632	233,470	6,714,836

Deferred exploration expenses 2009	Ungava	Launay	Otish	Troilus	Timmins	Eldora-do	Rim Nickel McFaulds	Others	Total
	$	$	$		$		$	$	$
Balance beginning	1,134,915	4,235,839	147,618	-	1,412,737	85,176	394,111	85,710	7,496,106
Additions									
Drilling	-	5,085	-	291,909	327,522	-	-	-	624,516
Geology – prospecting	14,910	48,018	15,291	43,524	59,984	4,395	29,266	33,357	248,745
Geophysics geochemistry	1,800	700	21,578	53,186	94,714	81,289	220,942	39,629	513,838
Line cutting	-	-	-	11,422	74,075	-	-	-	85,497
Management fees	-	-	-	60,006	-	-	-	-	60,006
	16,710	53,803	36,869	460,047	556,295	85,684	250,208	72,986	1,532,602
Options	1,500	5,110	-	1,500	7,528	7,029	5,500	-	28,167
Recharge	-	-	-	-	-	-	(26,904)	-	(26,904)
	18,210	58,913	36,869	461,547	563,823	92,713	228,804	72,986	1,533,865
Deductions									
Tax credits	(7,092)	(17,132)	-	(67,206)	-	-	-	-	(91,430)
Disposal	-	-	-	-	(10,049)	-	-	-	(10,049)
Write-off	(1,146,033)	(3,872,631)	(106,419)	-	-	-	-	-	(5,125,083)
Balance, end	-	404,989	78,068	394,341	1,966,511	177,889	622,915	158,696	3,803,409

Investing activities (Cont'd)

Jens E. Hansen, P. Eng. and President and Director of Melkior, qualified person under NI 43-101, has reviewed the following technical disclosure.

McFaulds
(Nickel - East Rim 100% - West Rim 50% - Riverside 50%- Broke Back 100% - Riverbank 100%)

East Rim
Melkior owns 100% interest in 1,376 claim units or 22,016 hectares in the East Rim Property in the "Ring of Fire" discovery area of North Central Ontario, which covers a large, significant regional gravity feature. The property is possibly underlain by large volumes of dense mafic or ultramafic rocks of the type that can host significant nickel copper massive sulphide occurrences as demonstrated by the work of Noront Resources Ltd. ("Noront"). East Rim is located approximately 25 kilometres from the chromite discoveries by Noront and Freewest Resources Canada Inc., and 30 kilometres from the nickel discovery by Noront. The property is 238 square kilometers in size.

To identify massive sulphides on the property, Melkior undertook a 1738 line kilometre MEGATEM airborne survey. The survey and its interpretation were carried out by Fugro Airborne Surveys. Ten conductors were identified as first priority massive sulphide bedrock prospects and 8 as second priority. In addition one first priority target occurs on the Riverside property owned 50-50 by Melkior and MacDonald Mines Exploration Ltd.

An exposure of highly altered dioritic to gabbroic intrusive rocks measuring approximately 300 by 600 metres was identified by Melkior's consulting geologist in the south eastern portion of the East Rim claims. This confirms Melkior's interpretation that highly prospective mafic rocks are present.

Melkior has completed MEGATEM and VTEM airborne surveys. A series of targets with massive sulphide geophysical signatures have been located. A number of these targets have been located and defined on the ground using Time Domain Electromagnetics. Drilling is anticipated for this winter.

West Rim
Melkior holds the West Rim property 50%-50% with Bold Venture Inc The property covers 941 claims or 15,056 hectares. It is located approximately 20 kilometres north of the important Eagle Nest nickel discoveries and 20 kilometres southeast of the Metalex Venture Ltd -WSR massive sulphide discovery. The West Rim property covers the majority of an important gravity anomaly located at the approximate centre of the "Ring of Fire". The ROF wraps around the Melkior-Bold gravity feature.

Broke Back and Riverbank
On January 18, 2010, the Company signed an agreement to acquire 100% interest in 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 approximately $400,000 of assessment work. The vendors of the original East Rim property will retain a 2% NSR royalty. 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.

The Broke Back property has 843 claim units over 134.9 sq kilometres. These claims adjoin the main Noront claim block, it is located 7 kilometres north of the Noront Eagle One nickel discovery and approximately 6 kilometres northeast of the chromite property of Cliffs Natural Resources Inc. The Riverbank property has 87 claim units over 13.9 sq kilometres. These claims located west of the Attawapiskat River and are within the regional gravity high and adjacent to the Probe Mines Ltd Tamarack project.

In June 2010, an airborne VTEM electromagnetic and magnetic survey of its 100% owned Broke Back and Riverbank claim groups was completed. A total of 1765 line kilometres were flown. Once Melkior has received airborne data it will be interpreted and used to direct the next stage of exploration.

Investing activities (Cont'd)

Melkior is confident that owning a very large land position in Canada's newest emerging mining camp will be important in the future advancement of Melkior. The value is considerably enhanced by the world class chromite discoveries and potential mine developments anticipated in the area.

The exploration budget for Fiscal 2011 is $1,000,000 and the majority will be allocated to East Rim and includes drilling.

Timmins West (Carscallen Gold)
(100% owned – gold)

The Melkior property is located 5km west of the Lake Shore Gold Corp. developing West Timmins gold mine. In the summer 2009, Melkior staked 18 additional unit claims over 288 hectares. This enlarges the Carscallen property to 102 claim units and 1603 hectares. On November 4, 2009, the business combination of Lake Shore Gold Corp. and West Timmins Mining Inc. was approved by the shareholders of those companies.

Melkior is continuing exploration of its Carscallen gold property. A drill program started in November 2009 completed 57 holes and 15,202 meters up to mid June 2010. The Zam-Zam and Shenkman zones have been drilled to a systematic depth of approximately 500 meters. Data from this program are being processed and inserted into a 3 D model which will be used to direct drilling below the 500 meter level. 83% of the holes drilled have encountered gold of greater than 1 g/t and up to 109 g/t. The Zam-Zam – Shenkman and the 1010 zones all remain open along strike and at depth.

Melkior has engaged consultants to complete a model of the mineralized zones in order to direct drilling below the 500 metre level. A down –hole induced polarisation survey has been completed on 26 holes. The objective of the survey was to detect mineralization below the 500 metre level and to direct drilling.

Drilling stopped in mid June to permit assaying, 3D modelling and down hole geophysics to get caught up. Drilling will continue in November 2010.

Melkior is placing a high priority on drilling its West Timmins Carscallen gold property located in the centre of what is becoming a new gold mining district in West Timmins where there is superb infrastructure and a 100 year history of gold production. Melkior is highly encouraged by the consistency of encountering gold as drilling proceeds deeper.

The exploration budget for Fiscal 2011 is $1,300,000. This budget could be increased following the results of the drilling program underway.

Timmins Loveland
(100% owned - or copper nickel)

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.

Geophysics was carried out and one hole drilled without positive results. Bold completed $120,158 of exploration work under the agreement.

The Company has no exploration budget for Fiscal 2011.

Investing activities (Cont'd)

Timmins Eldorado
(100% owned - nickel)

The Eldorado property was staked by the Company in 2006 and is composed of 328 claim units covering 5,248 hectares in Eldorado and Shaw Township located approximately 10 kilometres south of Timmins. The property adjoins Liberty Mines Inc (TSX: LBE) which, following a recent financing by Jilin Jien Nickel Industry Co., Ltd, has resumed nickel production at its Redstone and McWatters Mines. Redstone is approximately one kilometre south of Melkior's claims.

A detailed VTEM survey by Geotech was completed in 2009. This led to the discovery of a series of conductors with the potential for locating massive sulphide nickel bearing deposits. Melkior plans to drill those conductors which have massive sulphide characteristics. It is anticipated 3000 metres of drilling will be required. The ground is swampy and requires winter drilling.

The exploration budget for Fiscal 2011 is $300,000.

Shaw Gold
(100% - gold)

The property is located approximately 13 kilometres south-east of the City of Timmins and was staked in 2009. 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.

In 2009, a three day reconnaissance program was undertaken on the newly staked Shaw property The property consists of 78 unpatented claims covering 12.5 km², located in the Timmins district of Ontario, approximately 13 kilometers south-east of the city of Timmins, in an area actively being explored by others. The objectives of the field work were to determine the best access to the property and to sample known outcrops in the northern part. Three old exploration pits and a number of old trenches were located and sampled. 40 samples were collected. The best assay obtained, was from material hosted in an ankeritized magnetic basalt and graded 2.7 g/t Silver. A second sample returned assays of 1.3% Zinc and 0.6% Lead 236 ppb Au in a pyrite rich basalt.

Outcrop is very limited representing only about one percent of the property.

The exploration budget for Fiscal 2011 is $150,000. An airborne magnetometer and electromagnetic survey is planned for late 2010.

Big Marsh
(100% owned – base metals)

The Company holds claims in the Carscallen Township near Timmins, subject to a 2% NSR of which the Company has the right to buy out half (1%) of the NSR for $1,000,000. The Big Marsh property is located in Carscallen Township two kilometres north of the Melkior Timmins gold property. These claims adjoin a property being actively explored for base metals by San Gold Corp.

On December 15, 2008, the Company acquired additional claims in the Carscallen township for $5,000, subject to a 2% NSR royalty of which 1% can be repurchased for $1,000,000.

The exploration budget for Fiscal 2011 is $50,000. The Big Marsh property is an integral part of Melkior's West Timmins holdings. It is likely that the planned budget will be increased.

Investing activities (Cont'd)

Fripp
(100% owned – gold)

The Fripp property is located 25 kilometres south southwest of the City of Timmins. The exploration budget for Fiscal 2011 is $10,000. The work will consist of prospecting.

Bristol
(100% owned - gold)

In 2009, the Company staked the claims in the Bristol Township, West Timmins. On August 19, 2009, the Company signed a letter of intent with Big Red Diamond Corporation ("Big Red") whereby Bid Red can acquire a 50% interest in the Bristol property. Big Red issued 1,000,000 of its common share to the Company (valued at $60,000 as per the value on the stock exchange of Big Red on August 19, 2009) and will undertake $400,000 of exploration work over a period of 48 months on the claims to earn the 50% interest. Melkior will be the operator. As at August 31, 2010, $8,337 of work was completed on the Bristol property according to the agreement.

The Melkior claims are located between two Big Red claim groups in Bristol Township. Regional airborne geophysics suggests exploration targets that extend from the Melkior claims onto the Big Red properties. The Bristol claims are 5 kilometres north of the Lake Shore Gold West Timmins gold deposit.

The exploration budget will be paid by Big Red, the option holder.

Long Lac -Geraldton
(100% owned – gold copper)

The Beardmore property is located in northern Ontario, approximately 20 km east of the town of Longlac. It consists of 203 unpatented claims, covering 32.5 km^2. In early 2008 an airborne AeroTEM survey was flown and in the summer of 2008 a small program of prospecting over selected anomalies was undertaken.

In August 2009, a 10 day mapping and prospecting campaign was carried out over the anomalous sector identified in 2008. 134 rock samples were collected, highlighting two interesting areas. The first area, followed for 20 meters, returned gold values of 3.43 g/t and 2.37 g/t. The gold is hosted in a silicified amphibolite and is associated with high values of arsenic. The second area returned values of 1.47 g/t; 1.15 g/t gold and 4.09 g/t silver in a gold bearing iron formation injected with quartz veins.

All gold deposits, in the Beardmore-Geraldton gold camp, are associated with high contents of arsenopyrite (H.S. Armstrong, 1943). More prospecting and sampling, in association with ground geophysics will permit a better understanding of the economic potential of the discoveries.

The exploration budget for Fiscal 2011 is $120,000.

Launay
(100% owned - gold)

Melkior holds 169 claims or 75.6 square kilometres. The property is located 80 kilometres north west of Val-D'Or, Quebec. Previous work has identified two gold zones with large tonnage low grade potential. Historical assays from drill holes include 6.92g/t gold over 12.8 metres and 9.10g/t gold over 7.0 metres.

The 2009 program was designed to verify gold at the Zone 75, follow the geological trend onto the new claims and sample the trend. Grab samples taken on Zone 75 yielded 13.75g/t, 5.06g/t and 3.08g/t gold thereby supporting earlier drill results. On the new claims, which are approximately 4 kilometres to the north of Zone 75, several anomalous gold in grab samples including 1.415g/t and 1.28g/t with anomalous silver values of up to 19.15g/t were discovered.

Investing activities (Cont'd)

During 2009, the Company reviewed the exploration expenses and wrote-off the exploration expenses incurred more than three years ago for $3,872,631.

Melkior is discussing the possibility of joint venturing the property to others.

The exploration budget for Fiscal 2011 is $25,000. Prospecting and compiling is planned.

Troilus
(50% earn-in - copper zinc gold)

On October 20, 2008, the Company signed an agreement whereby it has the option to earn a 50% interest in some Troilus properties in Quebec from Beaufield Resources Inc. ("Beaufield") by spending $500,000 on exploration over a three year period. Of the above amount, $250,000 must be spent before June 30, 2009. Beaufield will be the operator. The President of the Company is also the President of Beaufield. The Boards of Directors of both companies have approved this transaction.

Drilling started on December 4, 2008 and was completed on January 20, 2009. The current grassroots program consisted of drilling 6 holes for 933 metres. The holes targeted specific airborne geophysical anomalies with coincident electromagnetics and magnetics. Prior to drilling these targets they have been confirmed by ground geophysics. The geophysical anomalies drilled are indicative of those typically caused by massive sulphides which in this environment can host copper-zinc sulphides with accompanying gold and silver. Sulphides were intersected in 3 of the 6 holes. Significant base metals were not observed in the core.

As of August 31, 2010, $461,547 has been spent on Troilus.

The exploration budget for Fiscal 2011 is $50,000.

Ungava Quebec
(49% owned copper-nickel-platinum group)

Melkior owns 49% of this project with Xstrata Nickel (formally Falconbridge Ltd) holding 51%. In 1999, Falconbridge Ltd reported a resource of 817,000 tonnes 3.05% nickel, 1.26% copper and 2.65g/t platinum-palladium. This is non NI 43-101 compliant and has not been verified by a qualified person. A 2004 drill hole on a new target intersected 99.77 metres 0.64% nickel and 0.26% copper. This has not been followed up.

Considering the market conditions that prevailed in fiscal 2009 where it was difficult to finance an exploration program for the Ungava project located in the far north, the Company doesn't expect to do extensive work on the property in the near future and consequently wrote-off the mining property costs and deferred exploration expenses for $1,347,833 in 2009 and $8,469 in 2010.

The property remains a significant asset and will be further explored at a later time. Melkior has had communication with Joint Venture partner Xstrata Nickel in this regard.

There is no exploration budget for Fiscal 2011.

Mont Otish
(100% Molybdenum – Diamond exploration rights)

Following the airborne survey completed in the fall 2008 on the McLeod molybdenum property in the Otish Mountains, the Company decided to drop half of the claims and consequently wrote off half of the mining property costs and deferred exploration expenses for $97,645. In addition, the Company wrote off the deferred exploration expenses relating to the exploration rights on diamonds in the Otish Mountains for $28,352.

Investing activities (Cont'd)

In 2010, the Company wrote-off the residual value of the Mont Otish properties for $78,068since no work is schedule in the near future.

Henderson
(100% – Uranium, nickel)

On February 5, 2007, the Company acquired the Henderson property by staking claims in the Raglan Township in south-eastern Ontario. The claims were part of the agreement with Santoy Resources Ltd ("Santoy') but Santoy opted out of the agreement in 2009 (Santoy is now called Virginia Energy Resources Inc).

On August 4, 2009, the Company signed an agreement with First Nickel Inc., ("FNI") whereby FNI has the right to earn up to 80% on the Henderson property. FNI can earn 50% by spending $60,000 on exploration in the first year. At the 50-50 point the Company will decide whether or not to participate. If the Company doesn't participate FNI can earn up to 80% by spending an additional $100,000 in the second year. At the 80% point the Company will participate or dilute to a 1.5% NSR Royalty. The Company can continue to explore for uranium independently from the FNI agreement.

During the summer 2010, FNI earned its 50% interest. The Company chose to participate in the exploration over $60,000.

Melkior's budget for Fiscal 2011 is $40,000.

Other properties in Quebec
The Company owns 35 claims in Vauquelin Township and 30 claims in Tiblemont Township 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 activity by others in the area hence the properties will be maintained in good standing. 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 June 30, 2009, the Company closed a private placement of 4,758,928 units at a price of $0.21 per unit for gross proceeds of $999,375. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant will entitle its holder 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. The Company paid a cash finder's fee to PI Financial Corp. ("PI") equivalent to 7 % of the gross proceeds raised by the finder, in the amount of $22,050 plus 10% in finder's warrants, in the amount of 150,000 warrants. Each finder's warrant entitles PI to purchase one additional common share of the Company at a price of $0.25 per common share for a period of 24 months following the closing date.

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

Financing activities (Cont'd)

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.

In Fiscal 2010, 3,438 warrants were exercised for a net proceed of $860 and 200,000 options were exercised for a consideration of $50,000.

Working capital

The Company has a working capital of $4,826,747 of at August 31, 2010 plus $638,342 exploration funds as compared to $3,497,210 as of August 31, 2009. 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.

Summary of quarterly results

For the eight most recent quarters

	August 31 2010	May 31 2010	February 28 2010	November 30 2009
	$	$	$	$
Income	23,420	14,969	20,498	10,040
Net profit (loss) for the period	(285,204)	(143,415)	449,089	(150,504)
Net loss per share	-	-	-	-
Total assets	14,751,498	14,183,184	14,539,969	9,165,606

	August 31 2009	May 31 2009	February 28 2009	November 30 2008
	$	$	$	$
Income	58,027	9,574	12,318	34,047
Net profit (loss) for the period	(4,025,831)	(73,612)	(1,582,614)	(627,793)
Net loss per share	(0.05)	-	(0.02)	(0.01)
Total assets	9,107,526	13,579,031	13,085,953	12,462,015

Fourth quarter

The Company reported a net loss of $285,204 for the quarter ended August 31, 2010 ("Q4 2010") compared to $4,025,831 for the quarter ended August 31, 2009 ("Q4 2009").

In Q4 2009, Melkior sold a 50% interest in the Bristol property to Big Red and realized a gain of $49,571.

Total expenses were higher in Q4 2010 at $308,624 compared to $4,083,858 in Q4 2009 mainly due to following:

- Write-offs for $110,883 in Q4 2010 ($3,872,631 in Q4 2009) of mining assets relating to Monts Otish (Ungava and Launay in Q4 2009).
- A $194,028 stock-based compensation expense was recorded in Q4 2010 following the grant of 2,100,000 options while in Q4 2009 the stock-based compensation expenses was $117,000 following the grant of 400,000 options.

Fourth quarter (Cont'd)

- A $107,250 fair value gain was recorded in Q4 2010 ($20,500 in Q4 2009) on the 4,100,000 shares received from Otish Energy Inc. following the sale of the properties in the Mont Otish.

The Company expensed $1,444,504 in exploration in Q4 2010 ($402,770 in Q4 2009) mostly on Timmins West.

Related party transactions

In the normal course of operations for fiscal 2010:

a) Companies controlled by Jens E. Hansen (president and director) charged:
   i) Professional fees relating to exploration work amounting to $53,765 ($49,950 for fiscal year 2009) capitalised in deferred exploration expenses;
   ii) Management fees amounting to $57,450 ($45,160 for fiscal year 2009) expensed in professional and consulting fees;
   iii) Rent totalling $36,000 ($36,000 for fiscal year 2009) expensed in general and administrative;
b) A company controlled by Ingrid Martin (cfo and secretary) charged professional fees of $82,075 ($75,469 for fiscal year 2009) of which $76,200 ($75,469 in fiscal year 2009) was expenses and $5,875 was recorded as share issue expenses;
c) Nathalie Hansen (director) (nominated November 7, 2008) charged:
   i) For fiscal 2010, $20,640 of exploration work capitalised in deferred exploration expenses and $17,040 of administration work expensed in general and administrative.
   ii) For fiscal 2009, professional fees relating to geophysics or geology of $33,975 capitalised in deferred exploration expenses or mining properties; consulting fees of $11,500 expensed in investors and shareholders relations or professional and consulting fees.
d) As at August 31, 2010, the balance due to the related parties amounted to $27,410 (August 31, 2009 – $33,358) and was recorded in accounts payable and accrued liabilities. This amount is subject to the same conditions as those of non related parties.

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

Not in the normal course of business:

e) As part of the acquisition of the Broke Back and Riverbank properties, a company controlled by Jens E. Hansen received $127,400 cash which represent the reimbursement of its costs incurred in this transaction for the staking.

This transaction was measured at book value.

Subsequent events

On September 1, 2010, the Company signed a letter of intent with Green Swan Capital Corp ("Green Swan"), a capital pool company, whereby Green Swan can acquire a 100% interest in the Broke Back and Riverbank properties by issuing 10,000,000 of its shares to Melkior. The property is subject to a 2.5% NSR royalty. The finalization of the sale to Green Swan is conditional on regulatory and board approvals as well as the latter raising $650,000 for exploration and administrative purposes.

Outstanding share data

	As of November 30, 2010
	Number
Common shares	110,680,370
Options	8,070,000
Warrants	22,915,766
	141,666,136

Stock option plan

The purpose of the Plan is to serve as an incentive for the directors, officers and service providers who will be motivated by the Company’s success as well as to promote ownership of common shares of the Company by these people. There is no objective attached to the plan and no relationship to manage the Company’s risks.

Off-balance sheet arrangements

During Fiscal 2010, the Company did not set up any off-balance sheet arrangements.

Critical accounting estimates

Management is required to make estimates and assumptions in the preparation of financial statements in conformity with generally accepted accounting principles. A description of the Company's significant accounting policies can be found in Note 3 of the Company's financial statements. Key accounting estimates made by management relates to mining assets stock-based compensation and future income taxes.

Accounting changes

Ac*counting changes adopted recently*

Taking effect September 1, 2008, according to the transition dispositions, the Company adopted the following new accounting policies published by the Canadian Institute of Chartered Accountants (“CICA”):

The Company adopted an amendment to Section 3862, *Financial Instruments – Disclosures*. This amendment establishes additional disclosure requirements regarding the level in the fair value of hierarchy in which fair value measurements are categorized for assets and liabilities measured in the balance sheet. The adoption of these amendments did not have any measurement impact on the Company’s financial statements and the additional disclosure requirements are presented in the notes of the financial statements.

IFRS Convergence

The Company is using a four step roadmap to convert to IFRS:

STEP 1: DIAGNOSTIC
The initial diagnostic stage has been completed in 2009 to understand, identify and assess the overall effort required to produce financial information under IFRS.

STEP 2: DESIGN AND PLANNING

STEP 2.1: ACCOUNTING POLICIES
The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed in the summer 2011. Overall, a lot of effort will be put in the financial statements presentation as IFRS requires more disclosure.

Set out below are the main areas where changes in accounting policies are expected to have a significant impact on the Company's financial statements. The list below should not be regarded as a complete list of changes that will result from transition to the IFRS. It is intended to highlight areas that the Company believes to be the most significant; however, the analysis of changes is still in process and the selection of accounting policies where choices are available under IFRS has not been completed. We note that the regulatory bodies that promulgate the Canadian GAAP and the IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's financial statements in future years. The future impacts of the IFRS will also depend on the particular circumstances prevailing in those years. The standards listed below are those existing based on current Canadian GAAP and IFRS. At this stage, the Company is not able to reliably quantify the expected impacts of these differences on its financial statements.

They are as follows:

First time adoption (IFRS 1)
IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

The Company believes that the choices available under IFRS 1 will allow the opening balance as of September 1, 2010 to remain similar in all material aspects to the closing balance of August 31, 2010. The Company expects that key IFRS 1 exemption decisions will be approved by Management during the spring 2011.

Share-based payment (IFRS 2)

The Company manages equity-settled stock based remuneration plans for its directors, officers, employees and consultants. The plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at grant date, using the Black-Scholes option pricing model.

IFRS Convergence (Cont'd)

For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period and hence the fair value of each instalment will differ. However, pre-change accounting standards allow an entity the option of either using the graded vesting method or the straight-line method which recognizes expenses equally over the average life of the grant. The Company is currently using the straight-line method for its grants. The use of the graded vesting model will not result in a material impact over the complete vesting period. The use of the graded vesting model will result in the recognition of greater expenses in the first quarters of the vesting period and fewer expenses in the last quarters compared to the model currently in use by the Company. When the vesting occurs over a limited number of quarters not over several years, the volatility that the Company will use in the Black-Scholes calculation will be the same for all the vesting period. At the date of transition, there was no material adjustment needed relating to the adoption of the graded vesting model.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (including directors and officers) or provides services similar to those performed by an employee. This definition of an employee is broader than that currently applied by the Company and will result in certain contractors and consultants being classified as employees under IFRS. During the convergence, certain consultants were reclassified as employees but it did not create a material adjustment.

For option granted to non-employees, IFRS requires that stock-based compensation be measured at the fair value of the services received unless the fair value of the services cannot be reliably measured.

Per IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Company at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur. A forfeiture occurs when an option is granted with a vesting period, but the person who received the option leaves before all the option is vested. Each quarter, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. There was no forfeiture for options granted except for investor relations firms since de adoption of section 3870 and consequently we have considered the forfeiture rate to be nil based on our past experience for grants other than to investor relations firms. At the date of transition, there was no material adjustment needed relating to forfeiture.

According to IFRS 1 transition rules, the Company adopts IFRS 2 on all options granted after November 7, 2002 there were not yet vested on the transition date. The Company has no option issued between November 7, 2002 and the 3870 adoption date, that were not vested on transition date.

Exploration and evaluation ("E&E") assets (IFRS 6)

Under IFRS, the Company must identify and account for pre-E&E, E&E and development expenditure separately. There was no such obligation under pre-change accounting standards. The E&E phase begins when the Company obtains the legal rights to explore a specific area and ends when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Pre-E&E costs are and must be expensed.

E&E costs may be expensed as incurred or capitalised. Indeed according to IFRS, an entity must determine an accounting method determining which expenses are accounted for as an E&E asset considering the level the expense can be associated with a mineral resources.

Unlike IFRS, pre-change accounting standards indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment. Amongst Canadian exploration companies that have announced their IFRS treatment, part are capitalising and the other part are expensing the E&E costs. In Australia, most of the exploration companies that we have reviewed capitalize their E&E costs.

IFRS Convergence (Cont'd)

The management believes that it's important and relevant to display on the face of the statement of financial position that mining assets are one of its most valuable assets and the essence of the Company's business. Consequently the Company will continue to capitalize E&E costs. There is no transition impact on the statement of financial position and the statement of comprehensive loss.

E&E costs for each separate area of interest are recognized as an E&E asset where the following conditions are satisfied:

- The rights to explore the area of interest are current; and
- At least one of the following conditions is met:
    - The E&E costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
    - E&E activities in the area interest have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

E&E assets include: the acquisition of rights to explore; research and analysis of existing exploration data; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching; sampling; activities in relation to evaluating the technical feasibility and commercially viability of extracting a mineral resource. General and administrative costs are only allocated to the extent that they can be related directly to operational activities in the relevant area of interest.

In terms of presentation, we intend to use the IFRS terminology of E&E expenses on the face of the statement of financial position..

E&E assets shall be classified as either tangible property plant and equipment or intangible asset according to the nature of the assets acquired. The Company will present them as intangible assets under the description exploration and evaluation assets on the face of the statement of financial position.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the costs capitalised in E&E assets are transferred to mining assets in development. Following this transfer, all construction, installation and infrastructure costs will be capitalized in the mining assets in development category or property plant and equipment under construction. At the end of the development phase, all assets in the mining assets in development will be transferred to mining assets and will be amortized according to the unit of production mode.

Under IFRS, initial measurement of E&E is at cost. Subsequently the Company can elect to measure exploration and evaluation assets using either the cost model or the revaluation model. Under pre-change accounting standards, E&E are measured at cost and the revaluation of E&E is not allowed other than during business combination and assets acquisition. Based on our review, the revaluation model has not been widely selected as an accounting policy due to the difficulty and the effort required to continually monitoring fair values. Since it believes the cost is more reliable, the Company will continue to use the cost for initial and subsequent measurement and therefore there is no transition impact on the statement of financial position and statement of comprehensive loss.

No depreciation charge is recognized during the E&E phase. In circumstances where a property is abandoned or it is established that the E&E costs capitalized cannot be recovered, the cumulative capitalised costs relating to the property are written down to their recoverable amounts.

IFRS Convergence (Cont'd)

IFRS 6's requirements for impairment are different to IAS 36 for: considering what are the triggering events and the level at which impairment testing is performed. E&E assets are assessed for impairment annually if facts and circumstances indicate that impairment may exist. Following is a non exhaustive list of trigger events examples: the right to explore has, or will in the near future, expire, and renewal is not expected; further E&E expenses are not budgeted nor planned; the decision to discontinue activities had been made due to lack of discovery; the development is likely but the E&E asset is unlikely to be recovered in full. Concerning the level at which impairment testing is performed, IFRS 6 allows E&E assets to be grouped with producing assets. Since the Company has no producing asset at the moment, impairment testing will be done on an area of interest basis. Finally, under pre-change accounting standards, there is a presumption that a write-down is necessary when there has been a delay in development activity that extends beyond three years; there is no such presumption under IFRS.

Impairment of assets (IAS 36)
At least once a year, the carrying amount of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. The impairment loss is the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, management estimates the future cash flows for each asset or cash generating unit and than it determines an appropriate interest rate to calculated the present value of the cash flows. The actualisation factors are established individually for each assets or cash generating unit and reflect their risk profile determined by management. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of comprehensive loss for the period. For an asset that does not generate largely independent cash flow, the recoverable amount is determined for the cash generating unit to which the asset belongs. For E&E asset, the cash generating unit will be the area of interest.

In the event that the Company has insufficient information about its mining assets to estimate future cash flows to test the recoverability of capitalized costs, the Company will test for impairment by comparing the fair value to the carrying amount, without first performing a test for recoverability.

IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under pre-change accounting standards (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under pre-change accounting standards. The Company believes that the changes of this policy should not have an impact on the financial statements on the changeover date. Nevertheless, in the subsequent years, this policy could generate more volatility in the statement of comprehensive loss.

When an impairment loss subsequently reverses when it is justified by a change of circumstances, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in the statement of comprehensive loss.

The Company assessed the its assets by reviewing the trigger events and found that no impairment losses were required to be recognized as at the transition date.

Financial instruments (IAS 39)
Under IFRS, all financial assets must be classified into "loans and receivables", held-to-maturity", "fair value through profit or loss" or "available-for-sale" categories. Like IFRS, all financial assets under Canadian GAAP must be classified into "loans and receivables", 'held-to-maturity", "held-for-trading" (far value through profit or loss) or "available-for-sale" categories. However, there are certain differences from IFRS with respect to the types of assets that may be classified into each of these categories.

IFRS Convergence (Cont'd)

Financial instruments may be designated on initial recognition as measured at fair value through profit or loss only if certain criteria are met. Like IFRS, financial instruments may be designated on initial recognition as held for trading (and measured at fair value through profit and loss) only if certain criteria are met. However, these criteria are less restrictive than under IFRS.

The Company is presently evaluating the impact of these potential modifications.

STEP 2.2: FINANCIAL STATEMENTS PREPARATION

By the end of May 2011, we will prepare the financial statement model and we will identify the IFRS convergence adjustments.

STEP 2.3: TRAINING AND COMMUNICATION

The CFO participated to several courses organized by the Ordre des comptables agrees du Quebec and also courses specific to the mining industry given by CA firms. Now, the CFO must keep updated as IFRS is expected to change before 2011.

A communication plan beyond the mandatory disclosure required in the MD&A will be developed in the summer 2011 if the changes on the financial statements are important.

STEP 2.4: IT SYSTEMS

The accounting processes of the Company are simple since it is still at the exploration stage and no major challenges are expect at this point to operate the accounting system under the IFRS. Nevertheless, some supporting documents will probably have to be adapted to support the changes made in accounting policies.

The Company has yet to establish if historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1.

STEP 2.5: INTERNAL CONTROLS:

By the end of May 2011, Management will review existing internal control process and procedures to address significant changes to existing accounting policies and practices.

STEP 2.6: IMPACT ON THE BUSINESS:

The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS.

STEP 3: IMPLEMENTATION

In this stage the Company will implement the changes that have been developed including changes to the accounting processes and policies. The Company will also quantify the IFRS impacts.

Management will prepare the structure of the first quarterly financial statements as of November 30, 2011 with the opening balance as of September 1st, 2010 and the comparables as of November 30, 2010 with the disclosure notes.

Management plans to complete this step in the summer 2011.

IFRS Convergence (Cont'd)

STEP 4: POST IMPLEMENTATION

Management will prepare the interim and annual financial statements in compliance with IFRS for the year ending August 31, 2012.

Financial instruments

Description
On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Subsequently, financial assets and liabilities are measured and recognized as follows:

- Held for trading financial assets are measured at their fair value and changes in fair value are recognized in earnings. Changes in fair value that are recognized in earnings exclude interest income and are presented under fair value variation on financial instruments held for trading. Cash and listed shares are classified as held for trading; the short-term investments are designated as held for trading because the Company intends to redeem them, partly or entirely, before their maturity dates.
- Loans and receivable are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. Due from partners is classified as loans and receivable;
- Other financial liabilities are measured at amortized cost using the effective interest method. Interest calculated using the effective interest method is presented in general and administrative expenses. Accounts payable and accrued liabilities and due to partners are classified as other financial liabilities.

Impact on the statement of earnings
Melkior recorded a fair value variation for financial instruments held for trading as follows:

Fair value variation on:	**2010**	**2009**
		$
Listed shares	76,625	(533,000)
Treasury bills	-	269
Guaranteed investment certificates	(9,968)	(9,760)
	66,657	(542,491)

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 exploration funds 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. Interest rates 1% higher would have decreased the fair value of these by $54,960 as of August 31, 2010. Since the interest rates are lower that 1%, a decrease of interest down to 0% would increase de fair value of these by $54,193 as of August 31, 2010. 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, short-term investments and exploration funds which are substantially all held in financial instruments guaranteed by major Canadian financial institutions. The maximum credit risk is equivalent to the carrying value. The Company aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on due from partners.

Financial Instrument (Cont'd)

Liquidity risk
Management serves to maintain a sufficient amount of cash and to ensure that the Company has at his disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even tough the Company was successful in the past, there is no guarantee that it will succeed in the future.

Market risk
Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to price risk relating to its investments in listed shares.

The listed shares held by the Company are exclusively shares from Venture issuers who's activities are in the mineral exploration field. Those shares were obtained following the sale of:

- Mining assets in the Otish Basin in December 2007 to Otish Energy Inc. and the original value based on the closing price on the stock market was $1,312,000. As of August 31, 2010, the value of these listed shares is $148,625.
- A 50% interest in the Bristol property to Big Red for 1,000,000 common shares valued at $60,000. As of August 31, 2010, the value of these listed shares is $70,000.

As of August 31, 2010, a 10% decrease (increase) in the closing price on the stock market would result in an estimated increase (decrease) in net after-tax loss of approximately $21,863.

Fair Value
The fair value of the listed shares held for trading is based on the last bid price on the stock market.

The Company defines the fair value hierarchy under which its financial instruments are valued as follows: Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices in level 1 that are observable for assets or liability, either directly or indirectly and level 3 includes inputs for the asset or liability that are not based on observable market data. Cash and listed shares are considered a level 1 and the short-term investments are considered a level 2.

The fair value of financial instruments is summarized as follows:

	2010		2009	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Financial assets				
Held for trading				
Cash	117,421	117,421	585,654	585,654
Short-term investments	5,056,988	5,056,988	2,781,533	2,781,533
Listed share	218,625	218,625	82,000	82,000
Exploration funds	638,342	638,342	-	-
Loans and receivables				
Due from partners	8,337	8,337	60,000	60,000
Financial liabilities				
Other liabilities				
Accounts payable and accrued liabilities	738,643	738,643	159,705	159,705
Due to partners	20,000	20,000	2,596	2,596

Risk factors

The following discussion reviews a number of important risks which management believes could impact the Company's business. There are other risks, not identified below, which currently, or may in the future exist in the Company's operating environment.

Exploration and Mining Risks
The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercial ore on the mineral properties of which the Company intends to acquire an interest and the proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company from time to time augments its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, or any known body of commercial ore.

Titles to Property
While the Company has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

Permits and Licenses
The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Metal Prices
Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metals prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

Competition
The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employee. The current markets put additional pressure on the availability of contract suppliers, equipment and personnel.

Environmental Regulations
The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Risk factors (Cont'd)

Conflicts of Interest
Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Stage of Development
The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or the provision of return on investment, and in future there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

Industry Conditions
Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increase, expropriation of property, pollution controls or changes in conditions under which minerals may be mined. Milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The Company undertakes exploration in areas that are or could be the subject of native land claims. Such claims could delay work or increase exploration costs. The effect of these factors cannot be accurately determined.

Uninsured Hazards
Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits, The Company may become subject to liability for pollution or other hazards, which cannot be insured against or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company assets or the insolvency of the Company.

Future Financing
Completion of future programs may require additional financing, which may dilute the interests of existing shareholders.

Key Employees
Management of the Company rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations.

Canada Revenue Agency and provincial agencies
No assurance can be made that Canada Revenue Agency or provincial agencies will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expense or the eligibility of such expenses as Canadian exploration expense under the Income Tax Act (Canada) or any provincial equivalent.

Forward looking information

This management's discussion and analysis contains forward looking statements reflecting Melkior's objectives, estimates and expectations. These statements are identified by the use of verbs such as ''believe'', ''anticipate'', ''estimate'', and ''expect''. As well as the use of the future or conditional tense. By their very nature, these types of statements involve risk and uncertainty. Consequently, results could differ materially from the Company's projections or expectations.

November 30, 2010

(s) Jens E. Hansen	*(s) Ingrid Martin*
Jens E. Hansen	Ingrid Martin
President	CFO