Melkior Resources Inc.

Management's Discussion and Analysis

For the year ended August 31, 2011

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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, 2011.

This MD&A should be read in conjunction with the Company's financial statements and related notes as at August 31, 2011. 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 $1,630,652 working capital as of August 31, 2011 ($4,826,747 plus $638,342 exploration funds as of August 31, 2010) which will allow the Company to undertake its exploration program for at least the next year.

In Fiscal 2011, Melkior raised $153,750 following the exercise of options ($6,059,502 in Fiscal 2010 through private placements and $50,860 via the exercise of warrants and options).

Exploration for Fiscal 2011 totalled $3,436,401 versus $3,092,121 in Fiscal 2010. The main exploration expenditures in Fiscal 2011 were on Carscallen (Timmins West) and Rim Nickel (McFaulds). Mining properties at a total cost of $73,558 were acquired in Fiscal 2011 mainly in Timmins ($205,273 in Fiscal 2010).

Selected annual information

	Fiscal year ended August 31		
	2011	**2010**	**2009**
	$	**$**	**$**
Income	42,087	68,927	113,966
Net loss	(1,293,401)	(130,034)	(6,309,850)
Net Loss per share, basic and diluted	(0.01)	-	(0.07)

	As at August 31		
	2011	**2010**	**2009**
	$	**$**	**$**
Total assets	14 372 441	14,751,498	9,107,526

Results of operations

Total expenses increased to $1,335,488 in Fiscal 2011 versus $1,082,961 in Fiscal 2010, due to the following:

- Write-offs for $486,650 in Fiscal 2011 ($119,352 in Fiscal 2010) of mining assets mainly relating to Rim Nickel McFaulds west (Ungava and Monts Otish in Fiscal 2010) (see investing activities).
- A $283,712 stock-based compensation expense was recorded in Fiscal 2011 following the grant of 2,400,000 options while in Fiscal 2010 the stock-based compensation expenses was $398,404 following the grant of 3,225,000 options.

Results of operations (Cont'd)

- A $60,698 fair value loss was recorded in Fiscal 2011 ($76,625 gain in Fiscal 2010) on the shares received following the sale of the properties Mont Otish and Bristol.
- Professional and consulting fees increased slightly in Fiscal 2011:

	2011	**2010**
	$	**$**
Legal	21,967	16,599
Accounting	93,305	89,020
Audit	33,125	33,300
Consulting	1,800	5,300
Management	58,200	57,450
Professional and consulting fees	**208,397**	**201,669**

- General and administrative decreased to $166,891 in Fiscal 2011 ($294,554 in Fiscal 2010) due to:
  - A bonus of $100,000 was paid to the president of the Company, Jens E. Hansen in Fiscal 2010 which was not repeated in Fiscal 2011.
  - A $34,000 Part XII.6 tax (relating to flow-through shares) in Fiscal 2010 that did not repeat in Fiscal 2011.

The management fees income decreased to $4,944 in Fiscal 2011 ($28,260 in Fiscal 2010) since these fees were mainly earned as the operator of Loveland property and less exploration expenses were incurred in Fiscal 2011 on that property.

Melkior recorded a $884,000 recovery of future income taxes in Fiscal 2010 (nil in Fiscal 2011) to reflect the tax impact of the flow-through shares issued.

Investing activities

The main mining assets of the Company are Carscallen West Timmins, East Rim Nickel – McFaulds and Ungava.

Deferred exploration expenses 2011	**Ungava**	**Launay**	**Troilus**	**Timmins**	**Eldora-do**	**Rim Nickel McFaulds**	**Others**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance beginning	-	413 572	394 341	3 853 630	207 191	1 612 632	233 470	6 714 836
Additions								
Drilling	-	1 953	-	1 279 081	124 271	1 190 262	21 982	2 617 549
Geology – prospecting	800	8 840	1 590	60 810	1 088	16 169	5 302	96 062
Geophysics geochemistry	-	46 836	-	308 116	4 099	279 442	63 389	703 162
Line cutting	-	18 655	-	62 273	-	973	-	19 628
	800	77 564	1 590	1 649 470	129 458	1 486 846	90 673	3 436 401
Options	-	-	-	64 000	-	9 996	-	73 996
Recharge	-	-	-	(17 048)	-	-	(1 483)	(18 531)
	800	77 564	1 590	1 696 422	129 458	1 496 842	89 190	3 417 870
Deductions								
Tax credits	-	(31 178)	(1 102)	-	-	-	-	(32 280)
Disposal	-	-	-	-	-	-	-	-
Write-off	(800)	-	-	-	-	(108 805)	-	(109 605)
Balance, end	0	459 958	394 829	5 550 052	336 649	3 000 669	322 660	10 064 817

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
	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

Investing activities (Cont'd)

Deferred exploration expenses	Partner	Budget 2011	Actual 2011	Budget 2012
		$	$	$
Québec				
Ungava		-	800	-
Launay		25,000	77,564	100,000
Troilus		50,000	1,590	-
Ontario				
Timmins				
Carscallen		1,300,000	1,482,274	360,000
Shaw		150,000	68,178	100,000
Big Marsh		50,000	39,155	-
Fripp		10,000	14,282	-
Bristol	Northcore Resources inc.	-	45,581	-
Sub total		**1,510,000**	**1,649,470**	**460,000**
Eldorado		300,000	129,458	-
Rim Nickel McFaulds				
East		1,000,000	1,263,698	50,000
Brokeback	Green Swan		85,923	-
Riverbank	Green Swan		137,225	-
Sub total		**1,000,000**	**1,486,846**	**50,000**
Henderson – Ontario	First Nickel Inc.	40,000	20,499	40,000
Long Lac		120,000	68,691	50,000
Loveland		-	1,483	-
Total		**3,045,000**	**3,436,401**	**700,000**

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

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

Property description
Melkior holds a 100% interest in the Carscallen property, located 25 kilometres west of the city of Timmins, Ontario and accessible via highway 101. The infrastructure and access are superior and accessible year round. On February 22 2006, Melkior acquired a 100% interest in 65 claim units, covering 10.4 square kilometres located in Carscallen and Denton townships from North American Exploration Inc. for $10,000 cash, 600,000 common shares and 1.5% net smelter returns royalty in favour of the vendor. The original claims purchased from North American Exploration Inc. are subject to a 1.5% NSR royalty while another groups of claims is subject to a 2% NSR of which the Company has the right to buy out half (1%) of the NSR for $1,000,000. In October and November, 2010, the Company signed three agreements to acquire 100% interests in additional mining claims in consideration of $10,000 cash and two 2% NSR royalties of which 1% can be repurchased for $500,000 each. Over time, Melkior further increased its land position through staking and as of August 31, 2011, the property totals 104 claim units, covering 16.64 square-kilometres.

Investing activities (Cont'd)

Recent exploration

On November 9th 2010, Melkior resumed drilling on the Carscallen property. The objective of the program was to test a conceptual target based on a recent geological compilation of all drilling results, which had enabled the demarcation of several mineralized zones along the strike of the structures, as well as the inference of the location of the critical contact between the granite and mafic volcanics. This involved drilling 4 holes. In December 2010, Melkior reported highlights from the first two holes that drilled tested the conceptual target at the ZamZam zone: 13.5 m @ 2.64 g/t Au in CAR-58-2010 and 12.4 m @ 3.19 g/t Au in CAR-59-2010.

Hole CAR-58-2010 was drilled at an azimuth of 240º and a dip of -50º, with a final depth of 332 m. It intersected a 13.50 m thick zone between 248.25 and 261.75 m grading 2.64 g/t Au (Table 1). The zone contains several quartz and pyrite veins surrounded by a network of pyrite stringers within a mafic volcanic rock.

Hole CAR-59-2010 was drilled at an azimuth of 240º and a dip of -60º, with a final depth of 299 m. It intersected a 12.40 m thick zone between 250 m and 262.4 m grading 3.19 g/t Au (Table 1). The zone contains several quartz and pyrite veins surrounded by a network of pyrite stringers within a mafic volcanic rock near its contact with the granite.

In January 2011, Melkior reported highlights from the final 2 holes that tested the conceptual target: 14.3 m @ 0.79 g/t Au in CAR-60-2010 and 13.3 m @ 4.84 g/t Au in CAR-61-2010.

Hole CAR-60-2010 was drilled at an azimuth of 240º and a dip of -60º, with a final depth of 362 m. It intersected a 14.3 m thick zone between 291 and 305.3 m grading 0.79 g/t Au (Table 1). The zone contains several pyrite stringers and veins hosted within a mafic volcanic rock.

Hole CAR-61-2010 was drilled at an azimuth of 240º and a dip of -75º, with a final depth of 350 m. This hole is the only one that was drilled on the Shenkman zone during this November-December drilling program, just south of the ZamZam zone. It intersected a 13.3 m thick zone between 272 m and 285.3 m grading 4.84 g/t Au (Table 1). The zone consists of mafic xenoliths including pyrite veins and stringers. However, the zone is away from the granite-mafic volcanic rock contact. The Shenkman zone is very similar to the ZamZam zone, except the presence of QFP dykes and locally mineralized mafic xenoliths near the granite-mafic volcanic rock contact.

Based on geology and data provided by the drilling campaign, the targets are at an approximate vertical depth of 200 m, proximal to the contact between granite and mafic volcanics. This contact is considered to be prospective. All four holes achieved their objective. The thickness of the mineralized gold system in the last two holes was consistent with the first two holes and is about 12 to 15 m, with gold grades on the order of 0.75 to 5 g/t.

Part of the November/December 2010 drilling program on the Carscallen project also involved initial testing of targets generated by a downhole hole-to-hole three dimensional (3D) Induced Polarization (IP) survey conducted during the summer of 2010 by Abitibi Geophysique. The main area of interest was a large, diffuse chargeability anomaly with its center at a vertical depth of approximately 575 m. To initially test the IP, two previously drilled Melkior holes were extended by about 200 m each, and another hole was drilled from surface. These holes improved access for more geophysics in the region hosting the anomaly and for a second round of borehole IP surveying, which was completed in January 2011.

Investing activities (Cont'd)
Results from the three drill holes include: 10.45 m @ 2.1 g/t Au in CAR-38X-2010 (approximate vertical depth: 560 m); 11.95 m @ 1.04 g/t Au in CAR-42X-2010 (approximate vertical depth: 540 m); 4.25 m @ 3.5 g/t Au in CAR-62-2010 (approximate vertical depth: 70 m). CAR-42X-2010 and CAR-38X-2010 encountered mineralization zones that were deeper than the 500 m depth level (vertical), thus opening the potential for more mineralization at depth along the approximate 1200 metre strike of the ZamZam Shenkman system. The gold occurrences in these two extended holes correspond well to the projection of the downhole IP target. However, the mineralization style between the two extended holes and hole CAR-62-2010 differs. CAR-62-2010 is the only hole encountered to date in which gold is associated with pyrrhotite rather than pyrite. Gold-bearing pyrite may also be present deeper as the surrounded holes suggested, but further work is required and these three deep holes will provide access to the area with the IP anomaly. A downhole IP survey at depth will provide the information to define more precisely the IP anomaly size and shape. The field portion of the IP survey was completed in January 2011.

Hole CAR-38X-2010 was extended from 638 m to 929 m at an azimuth of 240º and a dip of -50º. The projection of the IP anomaly corresponds to a depth of 700 m to 750 m along the hole. It intersected a 10.45 m thick zone between 730.80 m and 741.25 m grading 2.1 g/t Au (Table 1). The mineralized zone consists of several pyrite stringers and quartz-pyrite veins hosted within a mafic volcanic rock.

Hole CAR-42X-2010 was extended from 701 m to 899 m at an azimuth of 240º and a dip of -50º. The projection of the IP anomaly corresponds to a depth of 700 m to 750 m along the hole. The hole intersected a 11.95 m thick mineralized zone between 704.80 m and 716.75 m grading 1.04 g/t Au (Table 1). The mineralization consists of several quartz and pyrite veins and stringers hosted in mafic volcanic rocks.

Hole CAR-62-2010 was drilled at an azimuth of 240º and a dip of -75º with a final depth of 656 m (corresponding to a vertical depth of 633 m). Mineralization was encountered near the surface, which corresponds to the ZamZam-Shenkman gold mineralized system. The 4.25 metre intersection is the shallowest intersection drilled on ZamZam. This indicates near surface continuity of the zone. A short zone of gold mineralization was found at the expected depth which corresponds to the downhole IP anomaly (i.e. between 555 m and 605 m vertical depth). A 0.6 m long interval grading 3.57 g/t Au was intersected between 582.7 and 583.3 m (Table 1). This mineralization consists of disseminated pyrrhotite (5%) and disseminated chalcopyrite (1%) which could explain the chargeable target. However, the mineralization style differs from the gold zones found in the two extended holes (CAR-38X-2010 and CAR-42X-2010) which consists mostly of pyrite.

An 11.1 line kilometre Induced Polarization survey was completed in March 2011. The survey covered Carlton Lake and extended to the boundary between Melkior and Zinccorp Resources Inc.

In March 2011, three holes tested the northern extension of the ZamZam zone. All three holes encountered mineralized sections consisting of quartz and pyrite veins. Two holes were designed to target where the ZamZam and Jowsey zones intersect at depth. CAR-66-2011 encountered a 9 metre thick intersection of pyrite stringers and veins. CAR-67-2011 intersected within altered mafic volcanic rock, ankerite, sericite, and pyrite alteration.

In April 2011, Melkior reported 4 new holes meant to test the northern extension of the ZamZam-Jowsey gold zones. Based on previous drilling, where CAR-58-2010 and CAR-59-2010 intersected 2.64 g/t gold over 13.5 metres and 3.19 g/t gold over 12.4 metres (see Press Release December 20th, 2010), the intersection of the ZamZam and Jowsey zones was projected to occur at an approximate vertical depth of 150 metres in the area of the present drilling. Only hole CAR-65-2011 hit the point of intersection of the two major zones. The remaining three holes encountered mineralization above the anticipated point of intersection between the two zones, which occurs at greater depths. Results include: 4.15 m @ 0.88 g/t Au in CAR-63-2011; 0.50 m @ 10.15 g/t Au in CAR-63-2011; 7.25 m @ 4.41 g/t Au in CAR-65-2011; 8.60 m @ 2.19 g/t Au in CAR-66-2011; 1.90 m @ 2.67 g/t Au in CAR-66-2011.

Investing activities (Cont'd)

Diamond drill hole CAR-63-2011 was drilled at an azimuth of 240º and a dip of -50º with a final depth of 206 m. The Jowsey Zone was intersected between 155.35 and 159.50 m and the ZamZam Zone between 179.25 and 179.75 m (Table 1). Mineralization consists of pyrite veins/stringers along with quartz, carbonate and chlorite, all hosted in mafic volcanic rock.

Diamond drill hole CAR-64-2011 was drilled at an azimuth of 240º and a dip of -50º with a final depth of 212 m. Three mineralized veins/stringers zone (including pyrite, quartz and carbonate) were encountered, all hosted in a granite. Because these mineralized zones are thin, it is difficult to identify their corresponding zones (Jowsey and ZamZam). However, the veinlet intersected at 100 – 100.5 m was not encountered in previous holes and could only be a local feature.

Diamond drill hole CAR-65-2011 was drilled at an azimuth of 240º and a dip of -70º with a final depth of 209 m. A narrow mineralized zone containing 0.8 m @ 1.98 g/t Au was hit near the surface. This intersection does not correspond with either of the known zones (i.e. Jowsey or ZamZam). A 7.25 m wide zone grades 4.41 g/t Au and consists of pyrite and quartz veins/stringers at a 1 or 2 metre interval (Table 1). In that interval, there are clearly two distinct major vein systems (at 165.15 – 166.15 m and at 171 – 171.9 m). This entire mineralized zone corresponds to the point of intersection between the Jowsey Zone and the ZamZam Zone.

Diamond drill hole CAR-66-2011 was drilled at an azimuth of 240º and a dip of -50º with a final depth of 227 m. The Jowsey Zone occurs between 147 m and 155.6 m, grading 2.19 g/t Au (Table 1). This intersection consists of quartz and pyrite veinlets. The ZamZam Zone was hit between 187.25 m and 189.15 m and consists of massive pyrite veinlets and quartz veins. Another zone occurs deeper hosted in hematized granite and consists of thick quartz and pyrite veins, which corresponds to the style of mineralization encountered in the ZamZam Zone.

Melkior commissioned a detailed structural study and 3D model of exploration results on its Carscallen property. The study provided a better understanding on the chronology of deformation and structural control of the mineralization by integrating the different zones/showings of the property as a whole. The showings include the 1010, ZamZam, Shenkman, Mystery, Jowsey and Wire Gold zones. Detailed mapping/prospecting of the Wire Gold zone was also undertaken to better understand the geology of this showing and its economic potential.

In June 2011, Melkior announced assay results from six new holes. All holes intersected multiple intervals of anomalous gold mineralization; the highlight was hole CAR-71-2011, which intersected one of the widest, high-grade gold intercepts to date from the property and returned 13.25 metres at 5.10 g/t gold from the Shenkman Zone at a vertical depth of 200 metres. The current drill program intersected a second mineralized quartz porphyry dyke proximal to the Shenkman Zone which provides an additional target for future testing. Hole CAR-67-2011 tested the ZamZam Zone and the remaining five holes tested the Shenkman Zone.

Drill hole CAR-67-2011 was drilled with a final depth of 422 m. The Jowsey Zone was intersected between 354.15 and 355.00 m and the ZamZam Zone between 376.70 and 377.20 m (Table 1). The mineralized zones are hosted in mafic volcanic rock and consist of disseminated pyrite and veinlets associated with an ankerite alteration.

Drill hole CAR-68-2011 was drilled at an azimuth of 240^{o} and a dip of -55^{o} with a final depth of 554 m. The hole was collared on the Shenkman Zone and designed to explore westerly. Two main mineralized zones are usually encountered on the Shenkman Zone; on this hole, they were intersected between 215.55 and 224 m and between 275.40 and 299.75 m (Table 1). They consist respectively of fine pyrite veins hosted in a quartz porphyry and a series of quartz and pyrite veins (several cm thick) at a 2 or 3 m interval. Several other mineralized zones were intersected, including two new significant zones west of the Shenkman Zone (and deeper than 300 m). One of these new zones is hosted by a quartz porphyry and strongly altered granite between 327.15 and 336 m. The second one occurs between 452.50 and 460.75 m and consists of pyrite veinlets and stringers at a 1 m interval.

Drill hole CAR-69-2011 was drilled with a final depth of 662 m. This hole was a follow-up of CAR-68-2011 designed to hit the two new zones at greater depth, including the second quartz porphyry. The best intersection is hosted in a quartz porphyry between 508.45 and 527 m (Table 1).

Investing activities (Cont'd)

Drill hole CAR-70-2011 was drilled with a final depth of 296 m. This hole was drilled to intersect the new zones but closer to the surface. Mineralization in the second quartz porphyry was hit between 251.50 and 252 m (Table 1).

Drill hole CAR-71-2011 was drilled with a final depth of 433 m. The hole was collared in the north part of Shenkman and was designed to test both the Shenkman Zone and the continuity of the new zones encountered in hole CAR-68-2011. The Shenkman Zone was intersected between 254 and 267.25 m and assayed 13.25 m @ 5.10 g/t Au and 2.01 g/t Ag (Table 1). Several other gold mineralized zones were intersected, with associated silver values.

Drill hole CAR-72-2011 with a final depth of 377 m. The hole was collared to hit mineralized zones near the surface. Several gold mineralized zones were encountered, the most significant of which is between 244 and 251.80 m (Table 1).

The 2011 drill program comprised 16 holes for a total of 5488.07 metres was completed in June 2011. The majority of the drilling concentrated on the Zam-Zam-Shenkman trend, where to date close to 100% of the holes have encountered gold values of greater than 1.0 g/t over widths of up to 18.55 metres. The zone remains open along strike and at depth. The deepest holes drilled to date have the widest gold intersections. Holes from systematic drilling to a vertical depth of approximately 350 metres are being entered into a 3D model. The results will provide details of the nature of the gold zones and along with the January 2011 downhole IP survey will be used to plan a future drill program below the 350 metre level.

Ongoing geological analysis suggests that three features are important in the localization of gold: i) the intersection between the steeply east-dipping ZamZam zone and the subvertical to west-dipping Jowsey zone; ii) the granite/mafic volcanic contact, the contact appears to have been an important fluid pathway, and zones of granite with mafic xenoliths are especially prospective; and iii) the presence of quartz feldspar porphyry dikes. In these three geological circumstances, longer intervals of low to moderate grade material have been encountered. These scenarios are being pursued by drilling.

There remains the potential for a major wide high grade system at depth on the Shenkman zone resulting from the complexity of the structure; i.e. several shear zones, multi-phase folding and/or the presence of quartz feldspar porphyry that could result in the thickening and/or duplication of mineralized zones. The presence of strong and pervasive alteration (including fuschite, sericite and ankerite) is significant in some areas and could point toward a major system in the vicinity or at depth under the Shenkman zone.

Hole #	From m)	To (m)	Length (m)	Gold (g/t)	Press Release
CAR-58-2010	201.95	202.55	0.6	2.81	December 20 2010
CAR-58-2010	240	240.5	0.5	1.34	
CAR-58-2010	248.25	261.75	13.5	2.64	
Including	261.25	261.75	0.5	26.2	
CAR-59-2010	250	262.4	12.4	3.19	
Including	261.75	262.4	0.65	44.1	
CAR-60-2010	257.5	258.25	0.75	1.13	January 11 2011
CAR-60-2010	291	305.3	14.3	0.79	
Including	291	291.75	0.75	11.75	
CAR-61-2010	272	285.3	13.3	4.84	
Including	280.8	281.5	0.7	56	

Investing activities (Cont'd)

Hole #	From m)	To (m)	Length (m)	Gold (g/t)	Press Release
CAR-38X-2010	690.75	691.25	0.5	5.67	February 1 2011
CAR-38X-2010	730.8	741.25	10.45	2.1	
Including	737.78	741.25	3.47	4.35	
CAR-38X-2010	810	819	9	0.73	
Including	818.5	819	0.5	7.61	
CAR-42X-2010	704.8	716.75	11.95	1.04	
CAR-42X-2010	761.7	762.3	0.6	7.88	
CAR-62-2010	23.25	24	0.75	4.6	
CAR-62-2010	72	76.25	4.25	3.5	
Including	73.5	74	0.5	22.7	
CAR-62-2010	300.7	301.35	0.65	1.49	
CAR-62-2010	430.5	431	0.5	2.2	
CAR-62-2010	582.7	583.3	0.6	3.57	
CAR-63-2011	155.35	159.5	4.15	0.88	April 18 2011
CAR-63-2011	179.25	179.75	0.5	10.15	
CAR-64-2011	68	68.5	0.5	1.05	
CAR-64-2011	100	100.5	0.5	1.27	
CAR-64-2011	167.75	168.75	1	0.69	
CAR-65-2011	41.6	42.4	0.8	1.98	
CAR-65-2011	165.15	172.4	7.25	4.41	
CAR-66-2011	147	155.6	8.6	2.19	
Including	155.1	155.6	0.5	23.4	
CAR-67-2011	354.15	355	0.85	1.2	June 28 2011
CAR-67-2011	376.7	377.2	0.5	1.16	
CAR-68-2011	130.1	130.7	0.6	1.44	
CAR-68-2011	177.4	177.9	0.5	1.17	
CAR-68-2011	215.55	224	8.45	0.34	
CAR-68-2011	231	233.3	2.3	0.63	
CAR-68-2011	275.4	299.75	24.35	0.66	
CAR-68-2011	327.15	336	8.85	1.66	
including	334.85	335.35	0.5	22.7	
CAR-68-2011	452.5	460.75	8.25	0.78	
CAR-69-2011	119.4	120	0.6	1.99	
CAR-69-2011	178.75	179.25	0.5	2.08	
CAR-69-2011	376	395	19	0.82	
CAR-69-2011	470	470.5	0.5	39.4	
CAR-69-2011	508.45	527	18.55	1.94	
including	509.35	510.1	0.75	28.6	
CAR-69-2011	638.15	638.75	0.6	7.9	
CAR-70-2011	66	70.5	4.5	0.82	
CAR-70-2011	138.5	139	0.5	4.11	
CAR-70-2011	146.45	147	0.55	1.8	
CAR-70-2011	161.5	166	4.5	0.53	

Investing activities (Cont'd)

Hole #	From m)	To (m)	Length (m)	Gold (g/t)	Press Release
CAR-70-2011	230.5	231.5	1	8.16	June 28 2011
CAR-70-2011	251.5	252	0.5	0.93	
CAR-71-2011	181.4	184.5	3.1	0.79	
CAR-71-2011	208.7	209.5	0.8	4.06	
CAR-71-2011	231.5	236.5	5	1.27	
CAR-71-2011	254	267.25	13.25	5.1	
including	254	254.5	0.5	97.3	
including	266.7	267.25	0.55	30	
CAR-71-2011	306.5	307	0.5	2.11	
CAR-71-2011	387.5	388	0.5	13	
CAR-72-2011	205.5	206	0.5	8.05	
CAR-72-2011	219	219.55	0.55	13.95	
CAR-72-2011	244	251.8	7.8	2.99	
including	246.15	247	0.85	21.4	

Table 1: September 2010 to August 2011 Drill Results. Please note insufficient drilling has been completed at this time to determine true thickness of the intercepts.

As of August 2011, three exploration holes and four in-fill holes from the summer program comprising 2377 metres remain to be reported. Once all assays are received and compiled into the model, the results will be released.

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.

The exploration budget for Fiscal 2012 is dependent on the interpretation of the 3D model under preparation. The budget for the modelling is $75,000. Drilling is planned to follow and the budget is estimated for now at $285,000 and will be revisited based on the completed interpretation.

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

East Rim
Property description
Melkior owns 100% interest in 1,200 claim units or 19,200 hectares in the East Rim Property in the "Ring of Fire" discovery area of North Central Ontario. The property is subject to a 2% NSR royalty half (1%) of which can be repurchased by the Company for $2,000,000.

Investing activities (Cont'd)

The property covers a large, significant regional gravity feature. The property is interpreted to be 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.

Recent exploration

In March 2011, Melkior completed a 681-line kilometre airborne gradient gravity survey of its 100% owned 192 square-kilometres McFaulds East. The survey was flown using the Falcon Airborne Gravity Gradiometer (AGG) system offered exclusively from Fugro Airborne Surveys. The Falcon AGG technology is the only gravity gradiometer specifically designed for airborne survey use and as such provides the lowest-noise, highest-resolution airborne gravity data available. The dataset will be invaluable in helping Melkior define and delineate nickel-copper sulphide targets in the McFaulds region. Data from this survey will be combined with other geophysical data for interpretation. Gravity data is considered highly useful in the exploration of Nickel-Copper sulphide deposits, as several of these types of deposits are known to produce positive gravity anomalies. Previously completed airborne and ground surveys identified a number of high priority targets for massive sulphides. The AGG survey will define these targets to reduce ground exploration costs.

In September 2011, an 8 hole, 1644 metre drill program was completed. Melkior is very pleased with the efficiency of the program. Several excellent geophysical targets were tested in areas not previously drilled. The McFaulds area is destined to become a major new mining district and management believes Melkior's holdings represent a key long term asset. The planned targets were encountered and explained by the presence of pyrrhotite, pyrite and graphite. Melkior is awaiting the completed assays. When received, these will be compiled, interpreted and released.

Melkior anticipates a budget which will cover the interpretation of data once assays have been received. The estimated cost is $50,000.

Riverside
Property description
Adjoining the Rim Nickel East, the Company staked in June 2008, jointly with MacDonald Mines Exploration Ltd ("MacDonald"), the Riverside property. The Company owned 50% and MacDonald the other 50%. Those claims were dropped in 2011 and restaked without the participation of MacDonald and consequently the expenses before 2011 were written off for $14,403. Those claims will be integrated into the East Rim property.

West Rim
Property description
The Company held 100% of the Rim Nickel West property located in the McFaulds Lake area. Bold Ventures Inc. ("Bold") had acquired 50% of the West Rim Nickel property, following the completing of $125,000 in exploration work, as per the agreement signed on April 9, 2008 and amended on June 2, 2008. In March 2011, the Company has opted to relinquish its interest in the property. Bold, the partner on this property has also opted out of the project. The Company wrote off the mining property and deferred exploration expenses for $458,796.

Broke Back and Riverbank
Property description
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. The Company acquired the 100% interest by reimbursing out of pocket staking costs of $167,400 and by undertaking the assessment work needed to renew the claims. The property is subject to a 2% NSR royalty. Melkior can repurchase 1% NSR for $1,000,000 within one year of presenting a scoping study. One of the stakers of Broke Back and Riverbank is Geotest Corporation. Jens Hansen, president of the Company, is an officer of Geotest Corporation. Geotest received reimbursement of staking costs without profit or markup. Costs are expected to be recovered in the agreement with Green Swan.

Investing activities (Cont'd)

On August 10, 2011, the Company signed a formal option agreement, which allows Green Swan Capital Corp. ("Green Swan") to earn up to a 70% interest in Broke Back and Riverbank, subject to a NSR not to exceed 2.5%. The option agreement replaces the September 1, 2010 letter of intent that had been modified on July 7, 2011. Green Swan is a capital pool company and intents to have this option constitute its qualifying transaction.

Green Swan may earn an initial 51% interest ("Option 1") by making cash payments of $25,000, issuing 1,500,000 common shares, issuing 750,000 warrants and incurring $1,000,000 expenditures before December 31, 2014. The warrants are exercisable for a period of 12 months at a price of 15 cents per common share and for a further 12 month period at a price of 25 cents per common share, and have an acceleration clause should Green Swan's shares trade above 30 cents for 20 consecutive trading days.

If Melkior carries out any exploration activity on the properties before the closing of the qualifying transaction, then by December 31, 2011 Green Swan must reimburse the Company for the costs of such activity, plus management fee, which reimbursement and management fee will be deducted against the $1,000,000 work program.

Upon exercise of Option 1, Green Swan will have the right to elect to proceed with Option 2, under which Green Swan would have the right to earn an additional 19% interest in the properties by incurring additional exploration expenditures totalling a further $1,000,000 over an additional 24 month time frame. Green Swan may terminate either Option 1 or Option 2 at any time by giving 120 days advance notice to that effect to the Company. Green Swan's failure to give such notice will trigger a payment from Green Swan to the Company in the amount of $25,000.

On the completion of Option 2, Green Swan will own 70% of the properties and an industry standard joint venture will immediately be created. A joint venture may also be created on the occurrence of certain other joint venture events, as defined in the agreement.

Melkior had the right, following the completion of Option 1, but prior to Green Swan making any expenditure to complete Option 2, to advise that it wishes to immediately form a Joint Venture on a 51% Green Swan / 49% Melkior basis. The exercise of this right by Melkior is considered a joint venture event in the agreement.

From the date of the qualifying transaction, Green Swan shall be the operator. As of the date of this MD&A, the qualifying transaction was still not completed.

The Broke Back property has 837 claim units over 133.92 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.

Recent exploration

In September 2011, three holes comprising 416 metres were completed on the Broke Back and Riverside properties. Melkior is waiting for the complete results and interpretation.

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 2012 is the responsibility of Green Swan.

Investing activities (Cont'd)

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

Property description
The Beardmore property is located in northern Ontario, approximately 20 km east of the town of Longlac. It consists of 146 unpatented claims, covering 28.16 km². 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.

Recent exploration
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 property consists of two blocks LL-1 where an IP survey will be completed fall 2011 on a gold bearing trend where Melkior has identified significantly anomalous gold values and LL-3 where an IP survey was completed in 2010.

The exploration budget for Fiscal 2012 is $50,000.

Launay
(100% owned - gold)

Property description
Melkior holds 155 claims or 67.4 square kilometres. The property is located 80 kilometres north west of Val-D'Or, Quebec. Certain claims are subject to a 1% Net Smelter Return ("NSR") royalty that can be repurchased for a $1,000,000 cash payment while other claims are subject to a 2% NSR royalty half (1%) of which may be repurchased for $1,000,000.

Recent exploration
Previous work has identified two gold zones with large tonnage low grade potential. Historical assays reported by the previous operator 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.

An induced polarization survey of approximately 30 kilometres was completed in 2010 over the central portion of the property which hosts the known gold zones. The initial plan is to re-survey existing drill collars to integrate into a 3D model. Melkior will contract a surveyor to survey the previous diamond drill holes in order to construct a model and plan more drilling with the hopes of defining a gold resource.

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

The exploration budget for Fiscal 2012 is $100,000.

Investing activities (Cont'd)

Timmins Eldorado
(100% owned - nickel)

Property description
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 20 kilometres southeast of Timmins. The property is road accessible and adjoins Liberty Mines Inc (TSX: LBE) which, following a recent financing by Jilin Jien Nickel Industry Co., Ltd, which according to reports plans to resume nickel production at its Redstone, Hart and McWatters Mines. Redstone is approximately one kilometre south of Melkior's claims.

Recent exploration
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.

The property is situated within a geological entity known as the Shaw Dome, a southeast-trending anticline with a shallow southeast plunge. The Shaw Dome is recognized as having potential for komatiite-hosted nickel, VMS style mineralization, and mesothermal gold mineralization.

In January 2011, Melkior drilled six diamond holes totalling 910.8 metres to test three discrete electromagnetic anomalies and fulfill assessment requirements to keep the claims in good standing. Most of the holes encountered mafic to intermediate flows and volcaniclastics presumably of the Deloro Assemblage. Locally interbedded sediments with minor sulphides likely account for at least two of the VTEM anomalies. Ultramafic rocks were intersected in one area. Anomalous base metals were encountered in two target areas (best values of 1 metres of 2200 ppm Zinc, Ni up to 863 ppm and Cu up to 440ppm) associated with an intermixed volcanic/sedimentary stratigraphy. Anomalous gold (best value 3 metres of 650 ppb Gold) occurs in two holes in one target area. The initial values encountered are low; however, they are indicative of mineralization in the system and confirm exploration potential in an area of limited previous exploration.

At this stage Melkior has not planned any exploration for 2012.

Shaw Gold
(100% - gold - nickel)

Property description
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% 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. This property is contiguous with Eldorado.

Recent exploration
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 km^2, 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.

An airborne geophysical survey has been completed on the property in 2011.

The exploration budget for Fiscal 2012 is $100,000, principally intended to maintain the claims in good standing.

Investing activities (Cont'd)

Big Marsh
(100% owned – base metals)

Property description
The Company holds claims in the Carscallen Township near Timmins, subject to two 2% NSR of which the Company has the right to buy out half (1%) of the NSR for $1,000,000 each. 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 a subsidiary of 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.

Melkior has not planned a budget for 2012.

Timmins Loveland
(100% owned - or copper nickel)

Property description
The Company holds a 100% interest in the Loveland property located in the Loveland Township. On October 26, 2010, the Company signed an agreement to acquire 100% interest in additional mining claims in consideration of $1,000 cash and a 2% NSR royalty of which 1% can be repurchased for $500,000. 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 was the operator. In January 2011, Bold earned its 10% interest in the Loveland property. According to the terms of the contract, Bold decided in February 2011 not to pursue the exploration and returned the 10% interest in the Loveland property to the Company in exchange of a $40,000 payment.

Recent exploration
Geophysics was carried out and one hole was drilled in 2010 without positive results. Bold completed $120,158 of exploration work under the agreement.

The Company has no exploration budget planned for Fiscal 2011.

Fripp
(100% owned – gold)

Property description
The Fripp property is located 25 kilometres south southwest of the City of Timmins.

Recent exploration
Prospecting has been completed in 2011 and Melkior is awaiting assay results.

The exploration budget for Fiscal 2012 is dependent on the awaited assay results. The property is in good standing and therefore work is not required.

Investing activities (Cont'd)

Bristol
(100% owned - gold)

Property description
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 Northcore Resources Inc. ("Northcore") (previously Big Red Diamond Corporation) whereby Northcore can acquire a 50% interest in the Bristol property. Northcore issued 1,000,000 of its common share to the Company (valued at $60,000 as per the value on the stock exchange of Northcore 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. The Company is the operator. As at August 31, 2011, $24,458 of work was completed for Northcore on the property.

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

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

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

Property description
As per an agreement signed on October 20, 2008 and amended August 24, 2011, the Company has the option to earn a 50% interest in some claims located north of Chibougamau in Quebec from Beaufield Resources Inc. ("Beaufield") by spending $500,000 on exploration over a four year period. Of the above amount, $250,000 had to be spent before June 30, 2009. The President of the Company is also the President of Beaufield. The Boards of Directors of both companies have approved this transaction. Beaufield is the operator and the Company spent an amount of $463,137 since the beginning of the agreement.

Recent exploration
A drill program was completed on January 20, 2009. This 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.

No exploration was undertaken in 2011. No budget is planned for 2012 as the claims are in good standing.

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

Property description
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 is considered highly promising for expanding a resource on the property.

Recent exploration
Melkior undertook a detailed evaluation of previous airborn geophysics and related this to drilling. The work was carried out by professional geologists familiar with the Raglan nickel camp. The updated interpretation suggests the strong potential to locate new mineralization zones to complement the previous calculations.

Investing activities (Cont'd)

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.

Melkior intends to discuss future exploration plans for the property with Xstrata.

Mont Otish
(100% Molybdenum – Diamond exploration rights)

Property description
In April 2007, the Company acquired claims located 30 kilometres northwest from the Otish basin. 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 in 2009. Even though the Company maintains certain claims in good standing, the Company wrote-off the residual value of the Mont Otish properties for $12,651 in 2011 and $110,883 in 2010 since no work is schedule in the near future.

The property adjoins the McLeod Lake copper molybdenum deposit of Western Troy Capital Resources where a 43-101 report has been completed.

Henderson
(100% – Uranium, nickel)

Property description
The Henderson property consists of 20 claim units, covering 3.2 km^2. 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 2012 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.

Financing activities

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.

In Fiscal 2011, 1,470,000 options were exercised for a net proceed of $153,750. 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 $1,630,652 of at August 31, 2011 compared to $4,826,747 as at August 31, 2010 plus $638,342 exploration funds. 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 2011	**May 31 2011**	**February 28 2011**	**November 30 2010**
	$	**$**	**$**	**$**
Income	6,581	8,549	12,554	14,403
Net profit (loss) for the period	(194,665)	(333,481)	(724,931)	(40,324)
Net loss per share	-	-	(0.01)	-
Total assets	14,273,441	13,733,520	13,823,019	14,582,453
	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

Fourth quarter

The Company reported a net loss of $194,665 for the quarter ended August 31, 2011 (“Q4 2011”) compared to $285,204 for the quarter ended August 31, 2010 (“Q4 2010”).

Total expenses were lower in Q4 2011 at $201,246 compared to $308,624 in Q4 2010 mainly due to following:

- Write-offs for $14,403 in Q4 2011 of mining assets relating to Riverside ($110,883 relating to Mont Otish in Q4 2010);
- A $69,952 stock-based compensation expense was recorded in Q4 2011 ($194,028 in Q4 2010). This expenses is recorded over the vesting period for employers and over the performance period fro consultants. In Fiscal 2011, 2,400,000 options were granted while there was 3,225,000 granted in Fiscal 2010;
- A $14,750 fair value loss was recorded in Q4 2011 ($107,250 gain in Q4 2010) on the shares received from the Mont Otish and Bristol property sale.

The Company expensed $1,460,160 in exploration in Q4 2011 mostly in Rim Nickel East - McFaulds ($1,444,504 in Q4 2010 mostly on Timmins West).

Related party transactions

In the normal course of operations for fiscal 2011:

a) A company controlled by Jens E. Hansen (president and director) charged:
   i) Professional fees relating to qualified exploration work amounting to $48,270 ($53,765 for fiscal year 2010) capitalised in deferred exploration expenses;
   ii) Management fees amounting to $56,400 ($57,450 for fiscal year 2010) expensed in professional and consulting fees;
   iii) Rent totalling $36,000 ($36,000 for fiscal year 2010) expensed in general and administrative;
b) A company controlled by Ingrid Martin (CFO and secretary) charged professional fees of $75,823 was expensed ($82,075 for fiscal year 2010 of which $76,200 was expenses and $5,875 was recorded as share issue expenses);
c) Nathalie Hansen (director) (nominated November 7, 2008) charged:
   i) $10,000 ($20,640 in 2010) of exploration work capitalized in deferred exploration expenses and $2,000 ($17,040 in 2010) of administration work expensed in general and administrative.
   ii) Nathalie Hansen was on the payroll from January 1, 2010 to April 2011.
d) As at August 31, 2011, the balance due to the related parties amounted to $22,051 (August 31, 2010 – $27,410) 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 for fiscal 2010:

e) As part of the acquisition of the Broke Back and Riverbank properties, Geotest Corporation, 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, without profit or markup. These claims have been optioned to Green Swan Capital Corp.

This transaction was measured at book value.

Subsequent event

On November 17, the Company announced the extension for two years the term of the 4,496,499 warrants expiring December 15, 2011 and the 125,000 warrants expiring December 17, 2011.

Outstanding share data

	As of November 29, 2011
	Number
Common shares	110,950,370
Options	9,700,000
Warrants	22,769,204
	143,419,574

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.

The Board of Directors has approved the conversion of its rolling stock option plan to a fix stock option plan (the "Plan") and received the TSX Venture approval on January 19, 2011. The reason for this change is to simplify the administration of the Plan and also to incorporate the numerous amendments brought recently to the TSX Venture Exchange's policy relating to stock options. The following are the major changes to the Plan:

- The number of shares to be delivered upon the exercise of all options granted under the plan shall not exceed 10,948,000, being slightly less than 10% of the Company's issued and outstanding shares at the time;
- Unless indicated otherwise by the Board at the time of grant, 1/6 of options granted shall vest every three months from the date of the grant;
- In the event that an optionee ceases to be an eligible person prior to the expiry date of his options, the options shall expire 12 months after the termination date or on the expiry date, whichever comes first (except for persons providing investor relations activities who will remain subject to a 30 day expiry period). In the event of termination with cause, the options of an eligible person shall expire on the date of the notice of termination; and
- Options shall no longer be subject to a 4 month hold period from the date of grant.

The purchase price of the common shares, upon exercise of each option granted under the Plan, shall be a price fixed for such option by the Board of Directors upon grant of each such option, but such price shall not be less than the market price at closing of transactions the day prior to the grant. Each option, unless sooner terminated in accordance with the terms, conditions and limitations thereof, or unless sooner exercised, shall expire on the date determined by the Board of Directors when the option is granted or, failing such determination, not later than upon the fifth anniversary of the grant of the option.

The total number of options granted to any one individual in any 12 month period, will not exceed 5% of the issued common shares. The total number of options granted to a consultant, in any 12 month period, will not exceed 2% of the issued common shares at the time of grant.

Stock option plan (Cont'd)

The total number of options granted to persons providing investor relations activities, in any 12 month period, will not exceed 2% of the issued common shares at the time of grant. These options must vest in stages over a 12 month period from the date of grant with no more than 25% of the options vesting in any three month period.

Off-balance sheet arrangements

During Fiscal 2011, the Company did not set up any off-balance sheet arrangements.

Critical accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. Significant estimates include the carrying value of mining properties, deferred exploration expenses, stock-based compensation and future income taxes. Actual results may differ from those estimates.

Accounting changes

Beginning on September 1, 2011, the Company will cease to prepare its financial statements in accordance with Canadian GAAP. For periods beginning on September 1, 2011, the Company will apply International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as the Company's primary basis of accounting. Consequently, future accounting changes to Canadian GAAP are not discussed in this MD&A as they will never be applied by the Company. We discuss the IFRS convergence in the following point.

IFRS Convergence

The Company has 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 by February 2012. 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. 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.

IFRS Convergence (Cont'd)

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.

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.

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.

IFRS Convergence (Cont'd)

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.

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.

IFRS Convergence (Cont'd)

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 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.

IFRS Convergence (Cont'd)

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 that 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.

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.

Income taxes (IAS 12)

The principles of accounting for income taxes are the same under both IFRS and pre-change accounting standards.

Under IFRS, future income tax assets are recognized to the extent that it is probable that the benefit will be realized. In pre-change accounting standards, there is the notion of more likely than not. Under the convergence project between the IASB and the Financial Accounting Standards Board ("FASB") in the USA, it has been tentatively concluded that probable will be defined as more likely than not, eliminating any future tax asset recognition difference.

Taxes credits (IAS 12, IAS 20)

The Company can benefit from several tax credits for its exploration expenses.

The Quebec 35% (up to 38,75%) resources credit can be reimbursed even if the company is in a loss position (refundable credit). Under IAS 20.20 and 20.24, since it's linked to assets that are capitalized in the statement of financial position, the credit must be record in reduction of the asset. This is consistent with the pre-change accounting standard.

The mining right credit (12% which will gradually go down to 8%) has a nature of refundable rights for losses. But since it is relating to assets that are capitalized and since the Company does not intend to realise the value of the asset through the exploitation of a mine (the Company intends to realise the value of the asset through the sale of the asset), again the IAS 20.20 and 20.24 is used to make the credit recorded in reduction of the asset. This is consistent with the pre-change accounting standard.

The Federal government has a 10% non refundable tax credit on investment in exploration. Under pre-change accounting standard, no entry were recorded until the credits were actually realized when the Company can apply it against tax paid. Under IFRS, there is no specific guidance and discussions are ongoing by the accounting authorities. The same conclusion is reached for a non refundable Quebec exploration credit that used to be available on expenses incurred before 2008.

IFRS Convergence (Cont'd)

Flow-through shares

Under pre-change accounting standards, the accounting treatment of flow-through shares is addressed by Emerging Issues Committee (EIC) 146, *Flow Through Shares*. Under IFRS, IAS 12 contains no specific guidance on the appropriate accounting for flow-through shares. The Company's initial review suggest that an approach similar to that applied under U.S. GAAP may be more appropriate.

Under pre-change accounting standards, proceeds received from the issue of flow-through shares are included in the value of the share capital. The subsequent renunciation of tax deductions by the Company results in the recognition of a future tax liability and an equivalent charge is applied to reduce common share capital (as share issue expenses). Under U.S. GAAP, the fair value of the common shares issued is added to share capital with any excess of proceeds over the market value of the common shares being recorded as a liability (a benefit related to flow-though shares renunciation), under a residual value method. When the renounced expenses are incurred, the benefit related to flow-through shares renunciation is gradually recognized through a reversal of the tax provision and future income tax liabilities are adjusted by the same amount through a charge to the statement of operations. As a result, the renunciation of tax deductions to holders of flow-through shares is treated as a future tax expense rather than as a cost of issuing equity as required by pre-change accounting standards.

The Company has a pre-change accounting policies whereby proceeds from unit placements are allocated between shares and warrants issued using the residual method to determine the fair value of warrants issued. Proceeds are first allocated to shares according to their market value at the time of issuance and any residual in the proceeds is allocated to warrants. With the approach adopted for flow-though shares using also a residual value, the Company decided that when a private placement involves a unit composed of a flow though share with a warrant, the residual method is first used to determine the fair value of the warrant issued and therefore no residual value would be left for the benefit related to flow-through shares renunciation.

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

STEP 2.2: FINANCIAL STATEMENTS PREPARATION

By the end of February 2012, 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 the end of 2011.

A communication plan beyond the mandatory disclosure required in the MD&A will be developed by February 2012 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.

IFRS Convergence (Cont'd)

STEP 2.5: INTERNAL CONTROLS:

By the end of February 2012, 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 by February 2012.

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. Other receivables and 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.

Financial instruments (Cont'd)

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

Fair value variation - gain (loss):	**2011**	**2010**
	$	$
Listed shares	(60,698)	76,625
Guaranteed investment certificates	6,891	(9,968)
	(53,807)	66,657

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 $17,078 as of August 31, 2011. Since the interest rates are lower than 1%, a decrease of interest down to 0% would increase de fair value of these by $16,372 as of August 31, 2011. 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 substantially are 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.

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.

Other price risk
The other price 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 the other 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 Arrowhead Gold Corp (previously Otish Energy Inc.) for an original value of $1,312,000. As of August 31, 2011, the value of these listed shares is $126,750.
- A 50% interest in the Bristol property to Northcore for an original value of $60,000. As of August 31, 2011, the value of these listed shares is $20,000.

Financial instruments (Cont'd)

As of August 31, 2011, a 10% decrease (increase) in the closing price on the stock market would result in an estimated increase (decrease) in net loss before income taxes of approximately $14,675.

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:

	2011		2010	
	Carrying amount	Fair Value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Held for trading				
Cash	50,092	50,092	117,421	117,421
Short-term investments	2,226,396	2,226,396	5,056,988	5,056,988
Listed share	146,750	146,750	218,625	218,625
Exploration funds	-	-	638,342	638,342
Loans and receivables				
Due from partners	29,794	29,794	8,337	8,337
Financial liabilities				
Other liabilities				
Accounts payable and accrued liabilities	1,057,635	1,057,635	738,643	738,643
Due to partners	4,894	4,894	20,000	20,000

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, labor disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labor 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.

Risk factors (Cont'd)

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.

First Nations
First Nations are increasingly making lands and rights claims in respect of existing and prospective resource projects on lands asserted to be First Nation traditional or treaty lands. Should a First Nation make such a claim in respect of Melkior's properties and should such claim be resolved by government or the courts in favour of the First Nation, it could materially adversely affect the business of the Company.

Many of Melkior's contractors and suppliers live and work in the local communities. The Company regularly consults with communities proximal to the Company's exploration activities to advise them of plans and answer any questions they may have about the activities.

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. Access to future financing is not a certainty. The ongoing international financial crisis could have an impact.

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.

Cost Increases
Costs for purchased services are constantly increasing and new regulations can represent an unanticipated cost increase.

Risk factors (Cont'd)

Proposed Bill 14
On May 12, 2011, the Quebec Government introduced Bill 14 which seeks to amend Quebec's Mining Act. The most important change that could impact significantly the Company relates to areas within urbanization perimeter and areas dedicated to recreation. While Bill 14 has not been adopted yet, section 91 is already in force and allows any municipality to withdraw from staking any area within an urbanization perimeter and any area dedicated to vacationing. In order to perform work, the holders of claims in an area that has been so withdrawn must obtain the consent of the local municipality concerned. No compensation is paid by the State for the consequences of an inability to perform work because of failure to obtain such an authorization.

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 29, 2011

(s) Jens E. Hansen
Jens E. Hansen
President

(s) Ingrid Martin
Ingrid Martin
CFO