

# **Melkior Resources Inc.**

## Management's Discussion and Analysis

For the three-month period ended November 30, 2010

*The attached Management's Discussion and Analysis has been prepared by Management of Melkior Resources Inc. and has not been reviewed by an auditor.*

### **Melkior Resources Inc.**

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# Melkior Resources Inc.

(an exploration company)

## Management's Discussion and Analysis

Three-month period ended November 30, 2010

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# Melkior Resources Inc.

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The following Management's Discussion and Analysis (the "MD&A") of the financial condition and results of the operations of Melkior Resources Inc. ("Melkior" or "the Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three-month period ended November 30, 2010. This MD&A should be read in conjunction with the Company's financial statements and related notes for the three-month period ended November 30, 2010 with the Company's MD&A included in the 2010 Annual Report. 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](http://www.sedar.com).

### Nature of activities

Melkior is an exploration stage company engaged in the acquisition and exploration of mining properties located in Quebec and Ontario.

### Overall performance

Exploration for the three-month period ended November 30, 2010 ("Q1-2011") totalled \$768,352 versus \$324,231 for the three-month period ended November 30, 2009 ("Q1-2010"). The main exploration expenditures in Q1-2011 were on the West Timmins Carscallen property.

### Results of operations

The net loss for Q1-2011 was \$40,324 versus a net loss for Q1-2010 of \$150,504.

Total expenses were \$54,727 in Q1-2011 versus \$160,544 in Q1-2010, due to the following:

- A \$62,373 fair value gain on financial instruments held for trading was recorded in Q1-2011 (fair value loss of \$14,142 in Q1-2010). These variations were mainly generated by the 1,025,000 shares (4,100,000 consolidated 4 to 1) received from Otish Energy Inc. ("Otish Energy") following the sale of the properties in the Mont Otish area and by the 1,000,000 shares received from Big Red Diamond Corporation ("Big Red") for a 50% interest in the Bristol property.
- Write-offs for \$6,920 in Q1-2010 of mining assets relating to Ungava.
- Professional and consulting fees decreased in Q1-2011:

|            | <u>Q1-2011</u> | <u>Q1-2010</u> |
|------------|----------------|----------------|
|            | \$             | \$             |
| Legal      | 1,815          | 2,608          |
| Accounting | 28,881         | 27,412         |
| Audit      | -              | 2,800          |
| Management | 12,300         | 13,200         |
|            | <u>42,996</u>  | <u>46,020</u>  |

- During Q1-2011, Melkior incurred a cost of \$23,615 in investors and shareholders relations compared to \$35,484 in Q1-2010. Melkior signed an agreement in October 2009 with an investor relations firm whereby Melkior disbursed a monthly fee of \$3,000. Melkior terminated this contract in May 2010.

Interest income was \$11,998 in Q1-2011 versus \$6,840 in Q1-2010 due higher interest rates available.

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### Investing activities

| Deferred exploration expenses Q1-2011 | Launay   | Troilus | Timmins   | Eldorado | Rim Nickel<br>McFaulds | Others  | Total     |
|---------------------------------------|----------|---------|-----------|----------|------------------------|---------|-----------|
|                                       | \$       |         | \$        |          | \$                     | \$      | \$        |
| Balance beginning                     | 413,572  | 394,341 | 3,853,630 | 207,191  | 1,612,632              | 233,470 | 6,714,836 |
| Additions                             |          |         |           |          |                        |         |           |
| Drilling                              | -        | -       | 226,563   | -        | 480                    | 26,007  | 253,050   |
| Geology – prospecting                 | 1,200    | -       | 36,784    | 435      | 3,698                  | 3,030   | 45,147    |
| Geophysics geochemistry               | 19,180   | -       | 236,409   | -        | 164,434                | 31,477  | 451,500   |
| Line cutting                          | 18,655   | -       | -         | -        | -                      | -       | 18,655    |
| Management fees                       | -        | -       | -         | -        | -                      | -       | -         |
|                                       | 39,035   | -       | 499,756   | 435      | 168,612                | 60,514  | 768,352   |
| Options                               | -        | -       | 9,626     | -        | -                      | -       | 9,626     |
| Recharge                              | -        | -       | (17,047)  | -        | -                      | (1,483) | (18,530)  |
|                                       | 39,035   | -       | 492,335   | 435      | 168,612                | 59,031  | 759,448   |
| Deductions                            |          |         |           |          |                        |         |           |
| Tax credits                           | (15,438) | -       | -         | -        | -                      | -       | (15,438)  |
| Disposal                              | -        | -       | -         | -        | -                      | -       | -         |
| Write-off                             | -        | -       | -         | -        | -                      | -       | -         |
| Balance, end                          | 437,169  | 394,341 | 4,345,965 | 207,626  | 1,781,244              | 292,501 | 7,458,846 |

| Deferred exploration expenses Q1-2010 | Ungava  | Launay  | Otish  | Troilus | Timmins   | Rim Nickel | Others  | Total     |
|---------------------------------------|---------|---------|--------|---------|-----------|------------|---------|-----------|
|                                       | \$      | \$      | \$     | \$      | \$        | \$         | \$      | \$        |
| Balance beginning                     | -       | 404,989 | 78,068 | 394,341 | 2,185,704 | 622,915    | 117,392 | 3,803,409 |
| Additions                             |         |         |        |         |           |            |         |           |
| Drilling                              | -       | -       | -      | -       | 169,231   | -          | -       | 169,231   |
| Geology – prospecting                 | 5,800   | 11,188  | -      | -       | 9,581     | 325        | 6,955   | 33,849    |
| Geophysics geochemistry               | 7,040   | -       | -      | -       | 85,400    | -          | 9,375   | 101,815   |
| Line cutting                          | -       | -       | -      | -       | 19,336    | -          | -       | 19,336    |
| Management                            | -       | -       | -      | -       | -         | -          | -       | -         |
|                                       | 12,840  | 11,188  | -      | -       | 283,548   | 325        | 16,330  | 324,231   |
| Options                               | -       | -       | -      | -       | -         | -          | -       | -         |
| Recharge                              | -       | -       | -      | -       | -         | (4,500)    | -       | (4,500)   |
|                                       | 12,840  | 11,188  | -      | -       | 283,548   | (4,175)    | 16,330  | 319,731   |
| Deductions                            |         |         |        |         |           |            |         |           |
| Tax credits                           | (5,920) | (4,789) | -      | -       | -         | -          | -       | (10,709)  |
| Write-off                             | (6,920) | -       | -      | -       | -         | -          | -       | (6,920)   |
| Balance, end                          | -       | 411,388 | 78,068 | 394,341 | 2,469,252 | 618,740    | 133,722 | 4,105,511 |

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### Investing activities (Cont'd)

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

#### McFaulds

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

##### *East Rim*

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

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

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

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

##### *West Rim*

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

The West Rim claims will expire during 2011 due to lack of work. Melkior is considering abandoning these claims due to poor results from airborne surveys.

##### *Broke Back and Riverbank*

On January 18, 2010, the Company signed an agreement to acquire 100% interest in the Broke Back and Riverbank properties, located in McFaulds region in Ontario. The Company acquired the 100% interest from two of the original vendors of East and West Rim Nickel by reimbursing out of pocket staking costs of \$167,400 and by undertaking approximately \$400,000 of assessment work. The vendors of the original East Rim property will retain a 2% NSR royalty. The stakers of Broke Back and Riverbank are North American Exploration Limited and Geotest Corporation. Jens Hansen, president of the Company, is a principal of Geotest Corporation.

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

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### Investing activities (Cont'd)

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

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.

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

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

### Timmins West (Carscallen Gold)

(100% owned – gold)

The Melkior property is located 5km west of the Lake Shore Gold Corp. developing West Timmins gold mine. The property is composed of 102 claim units covering 1603 hectares.

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

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

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

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

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

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### Investing activities (Cont'd)

#### Timmins Loveland

(100% owned - or copper nickel)

On November 27, 2009, the Company signed a letter of intent with Bold Venture Inc. ("Bold") whereby Bold can acquire a 10% interest in the Loveland property by undertaking \$125,000 of exploration work. The Company is the operator. Once the 10% interest is earned, Bold can decide not to pursue the exploration. Bold will therefore return its 10% interest to the Company and the Company will have to pay Bold \$40,000. At any time, the Company has the right to purchase Bold's 10% interest by paying twice what Bold has spent to that time in cash. Geophysics was carried out and one hole drilled without positive results. Bold completed \$120,158 of exploration work under the agreement.

The Company has no exploration budget for Fiscal 2011.

#### Timmins Eldorado

(100% owned - nickel)

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

A detailed VTEM survey by Geotech was completed in 2009. This led to the discovery of a series of conductors with the potential for locating massive sulphide nickel bearing deposits. Melkior plans to drill those conductors which have massive sulphide characteristics. It is anticipated 3000 metres of drilling will be required. The ground is swampy and requires winter drilling. A drill was mobilized to the property in January 2011.

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

#### Shaw Gold

(100% - gold)

The property is located approximately 13 kilometres south-east of the City of Timmins and is subject to two 1% NSR royalty of which 0.5% can be repurchased for \$1,000,000 each. This property is contiguous with the Timmins Eldorado property.

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<sup>2</sup>, located in the Timmins district of Ontario, approximately 13 kilometers south-east of the city of Timmins, in an area actively being explored by others. The objectives of the field work were to determine the best access to the property and to sample known outcrops in the northern part. Three old exploration pits and a number of old trenches were located and sampled. 40 samples were collected. The best assay obtained, was from material hosted in an ankeritized magnetic basalt and graded 2.7 g/t Silver. A second sample returned assays of 1.3% Zinc and 0.6% Lead 236 ppb Au in a pyrite rich basalt.

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

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

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### Investing activities (Cont'd)

#### Big Marsh

(100% owned – base metals)

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 gold and base metals by a subsidiary of San Gold Corp.

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

#### Fripp

(100% owned – gold)

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

#### Bristol

(100% owned - gold)

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

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

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

#### Long Lac -Geraldton

(100% owned – gold copper)

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

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



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### Investing activities (Cont'd)

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

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

### Launay

(100% owned - gold)

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

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

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

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

### Troilus

(50% earn-in - copper zinc gold)

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

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

As of November 30, 2010, \$461,547 has been spent on Troilus.

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

### Ungava Quebec

(49% owned copper-nickel-platinum group)

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

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### Investing activities (Cont'd)

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

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

There is no exploration budget for Fiscal 2011.

### Mont Otish

(100% Molybdenum – Diamond exploration rights)

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

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

### Henderson

(100% – Uranium, nickel)

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

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

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

### Other properties in Quebec

The Company owns 35 claims in Vauquelin Township and 30 claims in Tiblemont Township located approximately 50km east of Val-d'Or, Quebec. The properties and their deferred exploration expenses were written off in Fiscal 2005 since the exploration work for gold was not successful. Nevertheless, there is activity by others in the area hence the properties will be maintained in good standing. Together the Vauquelin and Tiblemont properties have approximately \$770,000 in excess work credits.

### Project generation

Melkior is examining other grass roots opportunities which could be assigned budgets if these projects are undertaken.

### Financing activities

In October 2010, 1,200,000 options were exercised for a consideration of \$120,000.

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### Working capital

The Company has a working capital of \$4,795,010 as at November 30, 2010 as compared to \$4 826 747 plus \$638,342 as of August 31, 2010. 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.

|                                  | <u>November 30<br/>2010</u> | <u>August 31<br/>2010</u> | <u>May 31<br/>2010</u> | <u>February 28<br/>2010</u> |
|----------------------------------|-----------------------------|---------------------------|------------------------|-----------------------------|
|                                  | \$                          | \$                        |                        | \$                          |
| Income                           | 14,403                      | 23,420                    | 14,969                 | 20,498                      |
| Net profit (loss) for the period | (40,324)                    | (285,204)                 | (143,415)              | 449,089                     |
| Net loss per share               | -                           | -                         | -                      | -                           |

  

|                                  | <u>November 30<br/>2009</u> | <u>August 31<br/>2009</u> | <u>May 31<br/>2009</u> | <u>February 28<br/>2009</u> |
|----------------------------------|-----------------------------|---------------------------|------------------------|-----------------------------|
|                                  | \$                          | \$                        |                        | \$                          |
| Income                           | 10,040                      | 58,027                    | 9,574                  | 12,318                      |
| Net profit (loss) for the period | (150,504)                   | (4,025,831)               | (73,612)               | (1,582,614)                 |
| Net loss per share               | -                           | (0.05)                    | -                      | (0.02)                      |

Three factors influence greatly the variation of quarterly results: write-off of mining assets (February 2009 and August 2009), future income taxes when flow-through financing are renounced (February 2010).

### Related party transactions

*In the normal course of operations:*

- a) For Q1-2011, a company controlled by Jens E. Hansen (president and director) charged:
  - i) Professional fees relating to geology amounting to \$24,270 (\$9,120 for Q1-2010) capitalised in deferred exploration expenses;
  - ii) Management fees amounting to \$11,400 (\$13,200 for Q1-2010) expensed in professional and consulting fees;
  - iii) Rent totalling \$9,000 (\$9,000 for Q1-2010) expensed in general and administrative;
- b) For Q1-2011, a company controlled by Ingrid Martin (chief financial officer and secretary) charged professional fees of \$22,252 (\$24,088 for Q1-2010);
- c) For Q1-2010, Nathalie Hansen charged \$17,680 of exploration work capitalised in deferred exploration expenses and \$11,040 of administration work expensed in general and administrative;
- d) As at November 30, 2010, the balance due to the related parties amounted to \$28,134 (November 30, 2010 – \$74,099) 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.

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### Change in accounting policies

No change in accounting policies to report for Q1-2011.

### IFRS Convergence

No change in the IFRS convergence to report for Q1-2011.

### Outstanding share data

|               | <b>As at<br/>January 19,<br/>2011</b> |
|---------------|---------------------------------------|
|               | <u>Number</u>                         |
| Common shares | 110,950,370                           |
| Options       | 9,700,000                             |
| Warrants      | <u>22,915,766</u>                     |
|               | 143,566,136                           |

### Financial instruments

There is no significant change relating to the financial instruments since the annual MD&A of August 31, 2010.

### Subsequent event

On December 23, 2010, the Company granted 2,200,000 new incentive stock options to directors, officers and consultants of the Company at \$0.27 valid for 5 years and their fair value was estimated at \$396,000 (\$0.18 per option)

### Special note regarding forward-looking statements

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

January 19, 2011

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

(S) Ingrid Martin  
Ingrid Martin  
Chief Financial Officer