Melkior Resources Inc.

Management's Discussion and Analysis

For the nine-month period ended May 31, 2012

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

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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 nine-month period ended May 31, 2012. This MD&A should be read in conjunction with the Company's financial statements and related notes for the nine-month period ended May 31, 2012 with the Company's MD&A included in the 2011 Annual Report. All figures are in Canadian dollars unless otherwise noted.

The Company's financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in the interim financial statements for the three-month period ended November 30, 2011. The term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

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 Quebec and Ontario.

Overall performance

Exploration for the nine-month period ended May 31, 2012 ("Q3-12") totalled $501,599 versus $1,976,241 for the nine-month period ended May 31, 2011 ("Q3-11"). The main exploration expenditures in Q3-12 were on the West Timmins Carscallen property.

On December, 7, 2011, the Company closed a flow-through private placement for $569,000 consisting of the issuance of 5,690,000 units at a price of $0.10 per unit. Additionally, in June and July 2012, the Company closed flow-through private placements for $607,500 consisting of the issuance of 2,262,500 units at a price of $0.20 per unit and 620,000 units at a price of $0.25 per unit.

Results of operations

The net loss for Q3-12 was $684,649 versus $1,051,429 for Q3-11.

Total expenses were $599,514 in Q3-12 versus $1,091,820 in Q3-11 and this decrease is due mainly to the following:

- Salaries and employee benefits expenses decreased to $12,916 from $52,261 in Q3-11. A full time employee is working since May 2011 on a consulting basis.
- Professional and consulting fees increased in Q3-12:

	Q3-12	**Q3-11**
	$	**$**
Legal	18,701	21,273
Accounting	78,895	77,748
Audit	6,293	6,125
Management	60,000	50,100
Consulting	10,700	1,800
	174,589	**157,046**

Results of operations (Cont'd)

- A $91,046 stock-based compensation expense was recorded mainly following the grant of 2,400,000 options while in December 2010. In Q3-11, the stock-based compensation expense is $213,760.
- A $128,685 loss on sale of mining properties was recorded in April 2012 following the sale of the Launay Trojan property.
- A $472,247 write-offs in Q3-11 of exploration and evaluation assets relating to Rim Nickel West-McFaulds.

The Company incurred a $124,375 fair value variation loss on listed shares in Q3-12 (fair value loss of $45,948 in Q3-11). These variations were mainly generated by the 1,025,000 shares (4,100,000 consolidated 4 to 1) received from Arrowhead Gold Crop. (previously known as Otish Energy Inc.) following the sale of the properties in the Mont Otish area, by the 2,000,000 shares and 1,000,000 warrants received from Green Swan Capital Corp. ("Green Swan") for a 51% (up to 70%) option on the Brokeback and Riverbank properties and by the 750,000 shares received from Lakeside Minerals Inc. ("Lakeside") following the sale of 21 claims of the Launay property.

Investing activities

Exploration and evaluation expenses Q3-2012	Launay	Troilus	Timmins	Eldorado	Rim Nickel McFaulds	Others	Total
	$	$	$	$	$	$	$
Balance beginning	459,958	394,829	5,550,052	336,649	3,000,669	322,660	10,064,817
Additions							
Drilling	17,626	-	260,967	50,842	40,069	-	369,504
Geology – prospecting	6,133	-	33,376	1,992	7,000	4,174	52,675
Geophysics geochem.	400	-	23,188	-	176	55,656	79,420
Line cutting	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-
	24,159	-	317,531	52,834	47,245	59,830	501,599
Options	-	-	44,779	-	3,111	-	47,890
Recharge	-	-	-	-	-	-	-
	24,159	-	362,310	52,834	50,356	59,830	549,489
Deductions							
Tax credits	(10,470)	-	-	-	-	-	(10,470)
Disposal	(35,975)	-	-	-	(86,089)	-	(122,064)
Write-off	-	-	-	-	-	(1,139)	(1,139)
Balance, end	437,672	394,829	5,912,362	389,483	2,964,936	381,351	10,480,633

Deferred exploration expenses Q3-2011	Ungava	Launay	Troilus	Timmins	Eldorado	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	-	1,153	-	1,057,744	124,271	4,478	21,982	1,209,628
Geology – prospecting	800	7,640	-	48,414	1,088	11,169	5,302	74,413
Geophysics geochemistry	-	47,516	-	290,181	4,099	267,787	62,989	672,572
Line cutting	-	18,655	-	-	-	973	-	19,628
	800	74,964	-	1,396,339	129,458	284,407	90,273	1,976,241
Options	-	-	-	45,912	-	7,534	-	53,446
Recharge	-	-	-	(17,048)	-	-	(1,483)	(18,531)
	800	74,964	-	1,425,203	129,458	291,941	88,790	2,011,156
Deductions								
Tax credits	-	(29,850)	-	-	-	-	-	(29,850)
Write-off	(800)	-	-	-	-	(101,222)	-	(102,022)
Balance, end	-	458,686	394,341	5,278,833	336,649	1,803,351	322,260	8,594,120

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.

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

Recent exploration
The Company started a diamond drill program in February 2012.The first phase of drilling focused on the Shenkman zone at depth. Two holes were designed based on the 3D model to intersect below the granite-mafic volcanic contact. Previous holes drilled on the Shenkman zone in 2010 and 2011 intersected 13.25 metres @ 5.10 g/t Au (CAR-71-2011); 13.30 metres @ 4.84 g/t Au (CAR-61-2010); 12.00 metres @ 1.86 g/t Au (CAR-51-2010) and 5.80 metres @ 2.87 g/t Au (CAR-47-2010). All of the above intersections were hosted in granite. As demonstrated by holes drilled on the ZamZam zone (located ~ 500 metres north of the Shenkman zone), mineralization is also encountered underneath the granite and is hosted in mafic volcanic rocks. Analyses of data from the previous drill campaigns suggest that intersections hosted in mafic volcanics are wider than those hosted within the granite. It is interpreted that mineralization intersected by holes CAR-47-2010, CAR-51-2010, CAR-61-2010 and CAR-71-2011 continues at depth and may be hosted within the mafic volcanic units.

The two holes totalled 1270 metres with CAR-79-2012 drilled to a final depth of 602 metres and CAR-80-2012 drilled to a final depth of 668 metres. CAR-79-2012 revealed several mineralized zones and new insights on geology on the Carscallen property. Hole CAR-80-2012 was drilled 100 metres north of CAR-79-2012 and 180 metres underneath CAR-51-2010 (12.00m @ 1.87 g/t gold, see press release July 23, 2010) and 250 metres under CAR-71-2011 (13.25m @ 5.10g/t gold, see press release July 28, 2011).

The holes expanded the Shenkman gold system with two significant observations:

1. Gold extends past the granite-volcanic contact and deeper than any previous drilling.
2. Anomalous copper and silver are present providing further evidence for a possible gold bearing copper VMS system at depth (Volcanogenic Massive Sulphide). A gold system appears to be present independently of the possible VMS target.
3. Gold grade appears to be improving at depth.
4. Down hole geophysics suggest a massive sulphide.

CAR-79-2012 was drilled at an azimuth of 265^{o} and a dip of -65^{o} with a final depth of 602 metres which corresponds to a vertical depth of 545 m. Several mineralized zones were intersected:

VMS Zone:			
-528.00 – 529.35 m	1.35 m	@	3.55% Copper
-528.00 – 538.00 m	10.00 m	@	2.54 g/t Gold
Gold Zones:			
-377.00 – 382.00 m	5.00 m	@	1.18 g/t Gold
-457.30 – 481.00 m	23.70 m	@	1.55 g/t Gold
including	7.85 m	@	3.72 g/t Gold
including anomalous copper up to 3770 ppm			
528.00 – 538.00 m	10.00 m	@	2.54 g/t Gold
including 1.35 m @ 3.55% Copper			

The hole was drilled about 80 m under hole CAR-61-2010 which returned 13.30 m @ 4.84 g/t Au and about 120 m under hole CAR-51-2010 which returned 12.00 m @ 1.87 g/t Au. CAR-79-2012 confirmed the extension at depth of gold mineralization on Shenkman. Mineralization was encountered up to about 500 m vertical and still open at depth. The zones consist of pyrite and carbonate veinlets with minor amount of chalcopyrite. Carbonate alteration is associated with the mineralization and is typical of the gold mineralization encountered on the Carscallen property.

Investing activities (Cont'd)

Chalcopyrite mineralization was encountered between 528.00 m and 529.35 m grading 3.55% Cu. The mineralization consists of stringers of copper sulphide mineralization within a chlorite-rich alteration zone. The texture of the sulphides and the chloritic alteration suggest a VMS origin (volcanogenic massive sulphides). This intersection is considered significant and may represent indications for a volcanogenic massive sulphide ("VMS") deposit underneath the granite body. This is a new discovery on the Carscallen property. Significant massive sulphide deposits occur in the Timmins District with the most important being Kidd Creek.

Hole CAR-79-2012 encountered several granite and mafic volcanic units beyond the main granite body (contact at 380 m). Granite dykes were encountered between 474.18 m and 501.10 m, between 522.70 m and 524.50 m, between 526.60 m and 528.00 m and between 539.00 m and 556.20 m, which most likely represent local roots of the major granite intrusion. Gold seems to be spatially related to some of these granite "roots", especially at the contact with associated mafic volcanic wedges . Three of the mineralized intersections are related to or in the vicinity of mafic volcanic – granite contacts.

The chalcopyrite occurrence is the first of this kind to be encountered on the Carscallen property and represents a whole new potential for the occurrence of primary VMS deposit. A DHEM (Down Hole Electromagnetic) survey was completed on hole CAR-79-2012 and hole CAR-80-2012 by Abitibi Geophysics. Preliminary results have identified conductive zones. Such conductive zones are strong, positive indicators for massive sulphides. Exploration will focus on a new, primary VMS deposit. Follow-up is a priority. Gold is most likely a later phase hosted in the chalcopyrite zone encountered at 528.00 – 529.35 m and could be expected in area or rocks which haven't been considered based on previous models. Gold also occurs as wide zones under the granite cap and these intersections offer the potential for significant enlargement of the gold zones on the Carscallen property.

CAR-80-2012 was drilled at an azimuth of 265^{o} and a dip of -65^{o} with a final depth of 668 metres.

	-437.60 – 439.50 m	1.90 m	@	7.12 g/t Gold
incl.	-437.60 – 438.80 m	1.20 m	@	1.25 g/t Silver
incl.	-438.20 – 439.50 m	1.30 m	@	0.73 % Copper
	-533.00 – 536.70 m	3.70 m	@	51.92 g/t Gold
incl.	-533.70 – 535.70 m	2.00 m	@	6.40 g/t Silver and 2871 ppm Copper
	-601.70 – 603.00 m	1.30 m	@	5.09 g/t Gold
	-618.00 – 619.00 m	1.00 m	@	1.08 g/t Gold
	-625.65 – 626.35 m	0.70 m	@	1.98 g/t Gold
	-642.25 – 642.75 m	0.50 m	@	5.19 g/t Gold
incl.	-642.25 – 642.75 m	0.50 m	@	1.5 g/t Silver and 2490 ppm Copper

Hole CAR-80-2012 confirmed the extension of gold mineralization at depth and also laterally on the Shenkman zone. Several gold zones have been encountered up to a vertical depth of 580 metres. These zones have been systematically drilled from surface and are open at depth and along strike. The true width of the above intersections has not yet been determined. Down hole electromagnetic surveying demonstrated the very likely presence of a VMS copper-gold situation in the vicinity of hole CAR-79-2012.

Investing activities (Cont'd)

In June 2012, a major forest fire in the Timmins area was burning south of the property for several days and fire restrictions forced Melkior to put its current drilling program on hold. The fire finally stopped less than 5 km away from the property and core storage area. The fire did not affect Melkior's Carscallen property and the fire restriction was lifted.

Melkior completed 1566 metres of drilling on Carscallen in July 2012. The program included two deep holes and the extension of an already existing hole. Partial assays have been received for extended hole CAR-61X-2012. The assays for CAR-81-2012, CAR-82-2012 and remainder of CAR-61X-2012 will be reported once they are available.

CAR-61X-2012 was drilled at an azimuth of 240o and a dip of -75o extended from a depth of 350 metres to the final depth of 625 metres. The contact between the granite and the mafic volcanic rocks occurs between 360.80 and 367 metres and consisted of alternating small granite injections and hematized mafic volcanic rocks. Ankerite alteration and disseminated pyrite and quartz veins are present in the volcanics between 429.00 and 439.70 metres; a quartz feldspar porphyry dyke was also encountered between 400.10 and 413.33 metres. Hole 61 was originally terminated in granite at 350 metres after intersecting the Shenkman gold zone assaying 13.3 metres of 4.84 g/t gold from 272 to 285.3 metres (see Press Release January 11th, 2011). At the time of the original drilling, Melkior was not aware that the granite – mafic volcanic contact was a target for gold mineralization. The hole was extended to investigate the thickness of the granite and the nature of the underlying volcanics. The granite – volcanic contact intersected gold from 364 to 366 metres grading 5.87 g/t Au. A number of anomalous background gold values were also encountered from 399 to 409 metres grading 0.27 g/t (on 10 metres, which consist of a quartz porphyry dyke); from 511 to 514.7 metres grading 0.66 g/t Au (on 3.7 metres, which consist of mafic volcanic rocks with 1% disseminated pyrite); and from 538 to 540.5 metres grading 0.7 g/t Au (2.5 metres, consisting of local pyrite stringers). Thirty three assays are still pending. Results reported in this press release are from intersections between 350 metres to 566 metres core length.

Holes CAR-81-2012 and CAR-82-2012 were drilled to intersect and expand the newly discovered gold zones in volcanics underlying the Shenkman zone encountered by hole CAR-79-2012 and CAR-80-2012, grading respectively 2.54 g/t Au over 10 metres and 51.92 g/t Au over 3.70 metres (see Press Release March 26th, 2012 and April 12th, 2012).

CAR-81-2012 was drilled at an azimuth of 240o and a dip of -80o with a final depth of 602 metres. Several fault zones were intersected below 200 metres. The contact between the granite and the mafic volcanic was encountered at 390.80 metres. Mineralization was also encountered between 409 and 417 metres consisting of pyrite veinlets and stringers as well as zones of semi-massive pyrite (results are pending).

CAR-82-2012 was drilled at an azimuth of 265o and a dip of -75o with a final depth of 689 metres. The granite – mafic volcanic contact was encountered at 378.50 metres. No Mineralization was encountered at the contact; however previous holes in the area have revealed gold concentration at or near the contact zone. Mineralized zones were encountered from 408.30 to 426.60 metres; from 501.33 to 540.90; and from 554.15 and 562.55 metres. These zones consist of pyrite mineralization in form of veins, veinlets and stringers along with carbonate (results are pending).

Investing activities (Cont'd)

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

East Rim
Recent exploration

Eight holes totalling 1768.8 metres were drilled in 2011 to test a series of electromagnetic and magnetic anomalies. The eight holes were widely spaced ranging from 3 km up to 12 km apart.

Although Melkior's drill program did not encounter economic mineralization, the eight holes were the first phase of drilling ever conducted by any exploration company on the property and the program provided valuable information to assist Melkior in prioritizing anomalies for a future drill program. Elevated zinc and copper values were detected in holes MMF-02-2011 and MER-01-2011. The values were not in an economic range (~1000 ppm) however the presence of base metals is considered significant for future work. In addition hole MER-01-2011 indicated wide intersections of Scandium (~30 ppm) and Arsenic (> 1000 ppm) due to the presence of arsenopyrite, which could be a good indicator for gold.

The East Rim property is a large area which contains several gravity highs, as well as conductive and magnetic anomalies. The eight holes drilled were scattered and represent a very small proportion of the gravity high that was targeted. A number of areas and targets remain to be tested. Nevertheless, these eight holes provided important information on geology, especially on lithological units (which are hidden by at least ~ 30 metres of Paleozoic rocks) and geochemistry which could be used for future drill programs.

Drilling revealed thick units of mafic volcanic rock (breccia flow and hyaloclastic) which represent favourable porous and permeable units for syn-volcanic and/or syn-tectonic fluid circulation. Locally, such hyaloclastic rocks are pervasively altered into sericite with anomalous Arsenic values (hole MER-01-2011). Sulphides (mainly pyrrhotite, pyrite and locally chalcopyrite) are found in every hole. Such occurrence of sulphides is a crucial ingredient for base metal mineralization. Gabbro was also encountered in hole MMF-02-2011 and MMF-08-2011; this gabbro is associated with a gravity high and could be related to ultramafic rocks, hence the potential for PGE, chromite and possible Ni-Cu. At the district scale, several showings/deposit types occur involving either ultramafic/mafic intrusions or mafic volcanic rocks. The presence of mafic volcanic hyaloclastite locally altered and the gabbro with horizons containing high proportions of sulphides are all favourable elements.

The initial drilling represents one hole per 20 square kilometres. Several holes encountered geological formations that could be indicator of a layered intrusion. If confirmed, this is a highly promising environment.

All drill core from the 2011 drill program at McFaulds was logged, split and sampled at Billiken McFaulds camp. The samples were sent to Actlabs in Thunder Bay, Ontario and were assayed using Aqua Regia - Inductively Coupled Plasma Mass Spectroscopy (ICP-MS) on 25 g sub-samples. Standards, which were inserted randomly within the sample sequence, were also assayed; the assay technique selected was appropriate for assaying low base metal values, however it was not designed to detect gold. Some samples were re-assayed using a Fire Assay technique for gold however did not encounter economic mineralization.

The East Rim property comprises 90 claims totalling 164 square kilometres, located in the Ring of Fire, McFaulds, James Bay Lowlands in northern Ontario. It covers a large gravity anomaly similar to the anomaly coincident with the nearby nickel and chromite deposits.

Investing activities (Cont'd)

Broke Back and Riverbank
Property description
In December 2011, The Company closed the transaction with Green Swan Capital Corp. ("Green Swan") which consists of granting Green Swan the option to acquire up to an undivided 70% interest in the Riverbank and Brokeback properties and constitutes Green Swan's qualifying transaction. Following the execution of a letter of intent on July 14, 2011, the parties subsequently executed a formal option agreement on August 18, 2011, as amended on December 16, 2011 (collectively, the "Option Agreement"). Under the Option Agreement, Green Swan can acquire an initial 51% undivided interest in the Riverbank and Brokeback properties by paying the Company the sum of $25,000, issuing 2,000,000 common shares of Green Swan and 1,000,000 share purchase warrants and by incurring $1,600,000 in work expenditures on the properties by no later than December 2014.

Following the exercise of the first option, should the Company not elect to form a joint venture on the Riverbank and Brokeback properties, Green Swan will have the option to acquire an additional 19% interest (for a total 70% undivided interest in the Riverbank and Brokeback properties) by incurring an additional $1,000,000 in work expenditures within a delay of twenty-four months.

Following the issuance of the Exchange's final bulletin approving the qualifying transaction on January 13, 2012, Green Swan issued to the Company 2,000,000 common shares at a price of $0.10 per share (the fair value being $200,000) and 1,000,000 share purchase warrants as per the Option Agreement in addition to pay the $25,000 in cash. Each warrant entitles the Company to acquire an additional common share of Green Swan at a price of $0.15 for a twelve month period and at a price of $0.25 per share for the following twelve month period. In accordance with Exchange policies, the securities are subject to an escrow and will be released to the Company over a period of thirty-six months.

On January 13, 2012, the 1,000,000 warrants have been valued with the Black-Scholes model with the following average assumptions: weighted risk-free interest rate of 0.86%, projected volatility of 100%, predicted average life of warrants of 2 years and no dividend yield. As of May 31, 2012, these warrants were revaluated to $28,000 with the Black-Scholes model with the following average assumptions: weighted risk-free interest rate of 1.06%, projected volatility of 100%, predicted average life of warrants of 1.625 years and no dividend yield.

Recent exploration

This project is managed by Green Swan and the reader is referred to their web site.

Launay - Quebec
(100%; gold)

Property description
On April 27, 2012, the Company signed a letter agreement were it sold to Lakeside Minerals Corp. (the "Acquirer"), a subsidiary of Lakeside, 6 claims from the Launay property and the 15 claims composing the Launay-Trojan block. The Acquirer will assume the NSR royalties of those claims. The Company received 750,000 shares of Lakeside valued at $52,500 according to the value of Lakeside shares at the closing on April 27, 2012. Of the $52,500, $15,000 was attributed to Launay and $37,500 was attributed to the Launay-Trojan block. A loss on disposal of exploration and evaluation assets was recorded for $128,685 on the Launay-Trojan block.

Recent exploration
In July 2012, Melkior has begun a diamond drill program on Launay. Ten (10) holes for a total of 1000 metres are planned. The objective is to test the continuity of known mineralized zones.

Financing activities

On December, 7, 2011, the Company closed a non-brokered private placement for aggregate proceeds of $569,000 consisting of the issuance of 5,690,000 units at a price of $0.10 per unit. Each unit is comprised of one flow-through common share and one-half a common share purchase warrant. Each full warrant entitles its holder to purchase one additional common share at a price of $0.25 for a period of 12 months following the closing. The Company paid cash commissions totalling $10,200. In conjunction with the private placement, one insider of the Company has subscribed for aggregate proceeds of $40,000.

Working capital

The Company has a working capital of $1,440,382 as at May 31, 2012 as compared to $1,630,652 as of August 31, 2011. 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.

	May 31 2012	**February 28 2012**	**November 30 2011**	**August 31 2011**
	IFRS	*IFRS*	*IFRS*	*IFRS*
	$	**$**	**$**	**$**
Income	2,650	989	3,737	6,581
Net loss for the period	(460,652)	(28,164)	(195,833)	(194,665)
Net loss per share	-	-	-	-

	May 31 2011	**February 28 2011**	**November 30 2010**	**August 31 2010**
	IFRS	*IFRS*	*IFRS*	*Canadian GAAP*
	$	**$**	**$**	**$**
Income	13,446	11,183	14,403	23,420
Net profit (loss) for the period	(333,481)	(724,931)	6,983	(285,204)
Net loss per share	-	(0,01)	-	-

Change in accounting policies

See IFRS convergence section.

Critical accounting estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that effects amounts reported in the financial statements and accompanying notes. There is a full disclosure and description of the Company's critical accounting policies estimates, judgments and assumptions in the condensed interim financial statements for Q3-12.

IFRS Convergence

Effective January 1, 2011 Canadian publicly listed entities are required to prepare their financial statements in accordance with IFRS for interim and annual periods. Due to the requirement to present comparative financial information, the effective transition date is September 1, 2010. The three months ended November 30, 2011 is the Company's first reporting period under IFRS.

The IFRS project team has completed the conversion implementation. Post-implementation will continue in future periods. A detailed discussion of accounting policies under IFRS is included in Note 2 of the condensed interim financial statements for November 30, 2011 and the quantitative impact of adopting IFRS is further discussed in Note 8 and 10 of the condensed interim financial statements for November 30, 2011 and for February 29, 2012 respectively.

As a result of the accounting policy differences on conversion from Canadian GAAP to IFRS, the Company has recorded changes in capital stock and deficit for year ended August 31, 2011 and the nine-month period ended May 31, 2011 discussed in Note 10 of the condensed interim financial statements for May 31, 2012.

Financial statements presentation changes
The transition to IFRS has resulted in financial statement presentation changes in the financial statements, most significantly the creation of a statement of change in equity. There were no significant changes to the Company's cash flow statement as a result of the implementation of IFRS. Some reclassications were done to comply with the IFRS presentation especially in the comprehensive income statement.

Controls and procedures
The conversion to IFRS does not have a significant impact on the Company's internal controls (including information technology systems), and accounting processes.

Business activities and key performance measures
The Company is not subject to any financial covenants or key ratios, therefore the transition had no impact in this regard.

Information technology and systems
The IFRS transition project did not have a significant impact on the Company's information systems for the convergence periods. Significant changes are also not expected in the post-convergence periods.

Ongoing activities
The completion of the implementation and commencement of post-implementation phases will involve continuous monitoring of the changes implemented to date to ensure completeness and accuracy of IFRS financial reporting. In particular, there may be additional new or revised IFRS or IFRIC in relation to consolidation, joint ventures, financial instruments, discontinued operations, leases, employee benefits and revenue recognition. The Company also notes that the International Accounting Standards Board is currently working on an extractive industries project, which could significantly impact the Company's financial statements primarily in the areas of capitalization of exploration costs and disclosures. There are processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRS and IFRIC Interpretations will be evaluated as they are drafted and published.

Outstanding share data

	As at July 26, 2012
	Number
Common shares	119,522,870
Options	8,300,000
Warrants	15,348,999
	143,171,869

Financial instruments

See note 2 of the condensed interim financial statements of Q1-12 for a detail explanation on the classifications of financial instruments.

Off-balance sheet arrangements

During Q3-12, the Company did not set up any off-balance sheet arrangements.

Subsequent event

In June and July 2012, the Company closed private placements for aggregate proceeds of $607,500 consisting of the issuance of 2,262,500 units at a price of $0.20 per unit ("Unit A") and 620,000 units at a price of $0.25 per unit ("Unit B").

Of the 2,262,500 Unit A, 1,550,000 were issued on June 28, 2012 and 712,500 were issued on July 9, 2012. Each Unit A is comprised of one flow-through common share and one common share purchase warrant. Each Unit A warrant entitles its holder to purchase one additional common share at a price of $0.25 for a period of 12 months following the closing.

The 620,000 Unit B were issued on june 28, 2012. Each Unit B is comprised of one flow-through common share and one common share purchase warrant. Each Unit B warrant entitles its holder to purchase one additional common share at a price of $0.30 for a period of 18 months following the closing. If at any time after 4 months and one (1) day after the closing date, the trading price on the TSX Venture Exchange of the common share of the Company is equal or exceeds $0.35 for a period of 20 consecutive trading days, the Company shall be entitled to notify the holders of the warrants of its intention to force the exercise of the warrants of the Unit B. Upon receipt of such notice, the holders of the warrants shall have 30 days to exercise the warrants.

In conjunction with the private placements, insiders have subscribed for aggregate proceeds of $130,000 of which a subscription in the amount of $50,000 of the Unit A offering has closed in trust pending the satisfactory review by the TSX Venture Exchange of the insider's Personal Information Form. The Company paid cash commissions totalling $15,450 in relation to the private placement.

Risk factors

There is no significant change relating to the risk factors since the annual MD&A of August 31, 2011.

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.

July 26, 2012

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

(S) Ingrid Martin
Ingrid Martin
Chief Financial Officer