# Melkior Resources Inc.

## Management's Discussion and Analysis

For the three-month period ended November 30, 2011

*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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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, 2011. 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, 2011 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 three-month period ended November 30, 2011 ("Q1-12") totalled $83,149 versus $768,352 for the three-month period ended November 30, 2010 ("Q1-11"). The main exploration expenditures in Q1-2012 were on the West Timmins Carscallen property.

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.

**Results of operations**

The net loss for Q1-12 was $195,833 versus a net profit for Q1-11 of $6,983. Total expenses were $199,570 in Q1-12 versus $54,727 in Q1-11, due to the following:

- A $37,140 fair value loss on financial instruments held for trading was recorded in Q1-12 (fair value gain of $62,373 in Q1-11). 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.
- Professional and consulting fees increased in Q1-12:

| | Q1-12 | Q1-11 |
|---|---|---|
| | $ | $ |
| Legal | 2,533 | 1,815 |
| Accounting | 31,287 | 28,881 |
| Audit | 793 | - |
| Consulting | 2,200 | - |
| Management | 18,700 | 12,300 |
| | **55,513** | **42,996** |

**Results of operations** (Cont'd)

- During Q1-12, the stock-based compensation expense of $47,166 was recorded mainly following the grant of 2,400,000 options while in December 2010. In Q1-11, the stock-based compensation expense is lower ($4,526) since le previous grants were vested immediately in previous periods (except for the expense relating to consultants which was recorded through the length of their contracts).

**Investing activities**

| **Exploration and evaluation expenses Q1-2012** | **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 | - | - | 32,310 | - | 6,704 | - | 39,014 |
| Geology – prospecting | 4,016 | - | 29,931 | - | 3,600 | 1,635 | 39,182 |
| Geophysics geochemistry | 400 | - | 850 | - | 123 | 3,580 | 4,953 |
| Line cutting | - | - | - | - | - | - | - |
| Management fees | - | - | - | - | - | - | - |
| | 4,416 | - | 63,091 | - | 10,427 | 5,215 | 83,149 |
| Options | - | - | 17,231 | - | 1,605 | - | 18,836 |
| Recharge | - | - | - | - | - | - | - |
| | 4,416 | - | 80,322 | - | 12,032 | 5,215 | 101,985 |
| Deductions | | | | | | | |
| Tax credits | (1,760) | - | - | - | - | - | - |
| Disposal | - | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - | - |
| Balance, end | 462,614 | 394,829 | 5,630,374 | 336,649 | 3,012,701 | 327,875 | 10,165,042 |

| **Exploration and evaluation expenses Q1-2011** | **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 | - | - | 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 | - | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - | - |
| Balance, end | 437,169 | 394,341 | 4,345,965 | 207,626 | 1,781,244 | 292,501 | 7,458,846 |

**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 stated in February 2012 its 2012 diamond drill program.The first stage of drilling involves two holes on the Shenkman zone, each approximately 600 metres long., designed to test targets below the 500 metre level. Previous holes drilled on the Shenkman zone in 2010 and 2011 intersected the best results to date on the Carscallen property, these included 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 are 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 planned holes will test these mafic volcanic-hosted targets. A second stage of drilling will be designed based on the results of the first two holes. An increase in gold grades and widths of mineralized zones at depth is typical of gold deposits in the West Timmins mining camp.

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

*East Rim*
Recent exploration

Eight holes totalling 1768.8 metres were drilled to test a series of electromagnetic and magnetic anomalies, which were accessible during the summer months. The eight holes were widely spaced ranging from 3 km up to 12 km apart. Maps showing the location of the drill holes are available on Melkior's website. Samples are being submitted for gold assays.

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.

**Investing activities** (cont'd)

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 will be re-assayed using a Fire Assay technique for gold since positive geology and mineral indicators for gold, including arsenopyrite were revealed.

The East Rim property comprises 101 claims totalling 192 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.

*Broke Back and Riverbank*
*Property description*
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 (the fair value being $200,000) and 1,000,000 share purchase warrants (the fair value being $30,000) and by incurring $1,600,000 in work expenditures on the properties by no later than December 2014. 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.

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.

**Investing activities** (cont'd)

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 and 1,000,000 share purchase warrants as per the Option Agreement. 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 escrow and will be released to the Company over a period of thirty-six months.

Recent exploration

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

**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 $1,398,096 as at November 30, 2011 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.

| | **November 30 2011** | **August 31 2011** | **May 31 2011** | **February 28 2011** |
|---|---|---|---|---|
| | *IFRS* | *IFRS* | *IFRS* | *IFRS* |
| | **$** | **$** | **$** | **$** |
| Income | 3,737 | 6,581 | 8,549 | 12,554 |
| Net loss for the period | (195,833) | (194,665) | (333,481) | (724,931) |
| Net loss per share | - | - | - | (0,01) |

| | **November 30 2010** | **August 31 2010** | **May 31 2010** | **February 28 2010** |
|---|---|---|---|---|
| | *IFRS* | *Canadian GAAP* | *Canadian GAAP* | *Canadian GAAP* |
| | **$** | **$** | **$** | **$** |
| Income | 14,403 | 23,420 | 14,969 | 20,498 |
| Net profit (loss) for the period | 6,983 | (285,204) | (143,415) | 449,089 |
| Net loss per share | - | - | - | - |

**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 Q1-12.

**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 and the quantitative impact of adopting IFRS is further discussed in Note 8 of the condensed interim financial statements for November 30, 2011.

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 three-month period ended November 30, 2010 discussed in Note 8 of the condensed interim financial statements for November 30, 2011.

*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.

**IFRS Convergence** (cont'd)

*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 February 24, 2012 |
|---|---|
| | Number |
| Common shares | 116,640,370 |
| Options | 8,300,000 |
| Warrants | 21,054,373 |
| | 145,994,743 |

**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 Q1-12, the Company did not set up any off-balance sheet arrangements.

**Subsequent event**

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. The transaction is described in detail in the in the investing activities section.

Also, see financing activities section for a detailed description of a 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.

February 24, 2012

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

(S) Ingrid Martin
Ingrid Martin
Chief Financial Officer