

Melkior Resources Inc.

Management's Discussion and Analysis

For the three months ended November 30, 2016

Melkior Resources Inc.

Management's Discussion and Analysis

For the three ended November 30, 2016

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Management has prepared the following discussion and analysis (MD&A) dated December 12, 2016, which constitutes management's review of financial and operating factors affecting Melkior Resources Inc. ("Melkior" or the "Company") for the three months ended November 30, 2016 and 2015. This MD&A should be read in conjunction with the Company's annual financial statements and related notes for the years ended August 31, 2016 and 2015. All figures are in Canadian dollars unless otherwise noted.

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 company with exploration projects in Timmins and holds several other exploration properties including its 50% owned Launay gold property in West Quebec.

Overall performance

1) Working capital position at November 30, 2016

As at November 30, 2016, Melkior has working capital of \$546,873 (\$789,578 as of August 31, 2016) which will allow the Company to maintain its operations for at least the next 12 months.

2) Exploration and evaluation expenditure summary for the three months ended November 30, 2016

During the three ended November 30, 2016, the Company incurred mining properties costs of \$30 (August 2016 - \$22,332) and exploration and evaluation expenses of \$21,279 (August 31, 2016 - \$292,492). The Company also had write-offs and impairments of \$Nil (August 31, 2016 - \$2,988).

Selected financial information

	Year ended		
	August 31, 2016	August 31, 2015	August 31, 2014
	\$	\$	\$
Operating loss	(316,442)	(463,152)	(3,728,362)
Loss before income taxes	(93,360)	(568,541)	(3,661,244)
Net loss and comprehensive loss for the year	(93,360)	(568,541)	(3,641,544)
Basic and diluted net loss per share	(0.001)	(0.004)	(0.030)

	November 30, 2016	August 31, 2016	August 31, 2015
	\$	\$	\$
Current assets	591,050	818,975	260,045
Exploration assets	7,522,425	7,501,116	7,579,280
Total assets	8,113,475	8,320,091	7,839,325
Current liabilities	44,177	29,397	22,591
Total shareholders' equity	8,069,298	8,290,694	7,816,734

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Results of operations

Total expenses increased by \$15,793 in 2016 (\$46,121) compared to 2015 (\$30,328). The significant variances from last year are as follows:

- During the three months ended November 30, 2016, the Company incurred professional and consulting fees of \$22,495 compared to \$12,076 in 2015. During 2016 the amounts of the audit fee accrual was increased as well as increased consulting fees.
- During the three months ended November 30, 2016, the Company incurred \$175,844 decrease in value of listed shares (\$21,057 increase in 2015). The Company did not dispose of any listed shares in fiscal 2016 or 2015. In 2016 the Company received 3,000,000 Beaufield shares as part of consideration for the sale of an additional 40% interest in the Launay property. As well there was an overall increase in the price of active junior exploration company shares in the summer of 2016 compared to a decrease in the value of the same company shares in 2015.

Summary of quarterly results

	November 30, 2016	August 31, 2016	May 31, 2016	February 29, 2016
	\$	\$	\$	\$
Other income	569	2,833	872	-
Net loss for the quarter	(221,396)	(533)	(21,552)	(62,573)
Net loss per share (basic and diluted)	0.01	0.00	(0.00)	(0.00)
Total assets	8,113,475	8,320,091	8,385,726	7,759,153

	November 30, 2015	August 31, 2015	May 31, 2015	February 28, 2015
	\$	\$	\$	\$
Other income	-	6,134	1,258	2,131
Net loss for the quarter	(8,702)	(319,706)	(61,829)	(93,672)
Net loss per share (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	7,814,266	7,839,325	8,155,072	8,205,067

Financing activities

There were no financing activities in the three months ended November 30, 2016.

Working capital

As at November 30, 2016, Melkior has working capital of \$546,873 (\$789,578 as of August 31, 2016) which will allow the Company to maintain its operations for at least the next 12 months.

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 favorable to the Company. The Company may also elect to advance the exploration and development of mineral properties through joint-venture participation. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

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Going Concern

The annual financial statements of the Company have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities in the normal course of business. Due to continuing operating losses and current working capital levels, the application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations or in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These factors may cast significant doubt on the entity's ability to continue as a going concern. The annual financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. If management is unsuccessful in securing capital, the Company's assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material. Changes in future conditions could require material write-downs of the carrying amounts of mineral resource interests.

The Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable and has not yet generated income or cash flows from its operations. As at November 30, 2016, the Company has an accumulated deficit of \$39,840,673 (August 31, 2015 - \$39,512,277). These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and continued support of suppliers and creditors. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

Critical accounting estimates, judgments and assumptions

When preparing the financial statements, management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

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Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Bifurcation of units

The Company uses the residual value method when valuing equity components and other liabilities related to flow-through shares. Management's judgment is used in the method used to established fair value of the components.

Impairment of E&E assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or cash-generating units must be estimated.

In assessing impairment, the Company must make estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expense will be recovered from either future exploration or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves and the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

No impairment was assessed on the Vaillant (Raglan), Launay and Tiblemont properties. No impairment was assessed on the Carscallen property as the Company continues significant fieldwork on this property.

Management judged that there was no impairment during the three months ended November 30, 2016 on these properties. Despite unfavorable changes in the overall climate of the sector as well as the general situation of the economy that have had an impact on the Company's capacity to raise additional capital in order to pursue its exploration activities, coupled with a decrease in share price, the Company has sufficient funds to meet its short-term obligations and has both the intention and capacity to keep these properties until the economic context improves and the Company can thus pursue exploration activities on these properties after raising additional capital.

Share-based payments, warrants and warrants extension

The estimation of value requires the selection of an appropriate valuation model, data and consideration as to the volatility of the Company's shares, the probable life of share options and warrants granted, issued and modified and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

Tax credits receivable

The calculation of the Company's refundable tax credit on qualifying exploration expenditures incurred and refundable credits involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Difference arising between the actual results following

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final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit, exploration and evaluation assets, and income tax expense in future periods.

Outstanding share data

	December 12, 2016	November 30, 2016	August 31, 2016
Common shares	141,409,537	141,409,537	141,409,537
Options	7,400,000	7,400,000	7,400,000
Broker's warrants	840,000	840,000	1,395,750
Warrants	20,610,000	20,610,000	20,610,000
	170,259,537	170,259,537	170,815,287

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 to the TSX Venture 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;
- 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

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.

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.

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Qualified Person

Technical information contained in this MD&A has been prepared by or under the supervision of Wade Kornik, P. Geo. Exploration Manager of Melkior, who is a "Qualified Person" for the purpose of National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). He has verified the data comprising such technical information, including sampling, analytical and test data underlying the information or opinions contained herein.

Exploration and evaluation expenditures by property

E&E expenses	August 31, 2016	Expenditures	Option payment	Write-off	November 30, 2016
	\$	\$	\$	\$	\$
Quebec					
Launay	514,547	-	-	-	514,547
Kenty Lake	-	-	-	-	-
Tiblemont	4,743	-	-	-	4,743
Ontario					
Carscallen (Timmins) ⁽¹⁾	6,806,049	21,279	-	-	6,827,328
	<u>7,325,339</u>	<u>21,279</u>	<u>-</u>	<u>-</u>	<u>7,346,618</u>

(1) The Carscallen opening balance is shown net of \$100,000 Junior Exploration Assistance Grant applied to by the Company.

Exploration and evaluation expenditures by province and category

Quebec	Launay	Tiblemont	Total
	\$	\$	\$
Balance August 31, 2016	514,547	4,743	519,290
Additions			
Geology – prospecting	-	-	-
Balance November 30, 2016	<u>514,547</u>	<u>4,743</u>	<u>519,290</u>

Ontario	Carscallen
	\$
Balance August 31, 2016	6,806,049
Additions	
Geology – prospecting	21,279
Balance November 30, 2016	<u>6,827,328</u>

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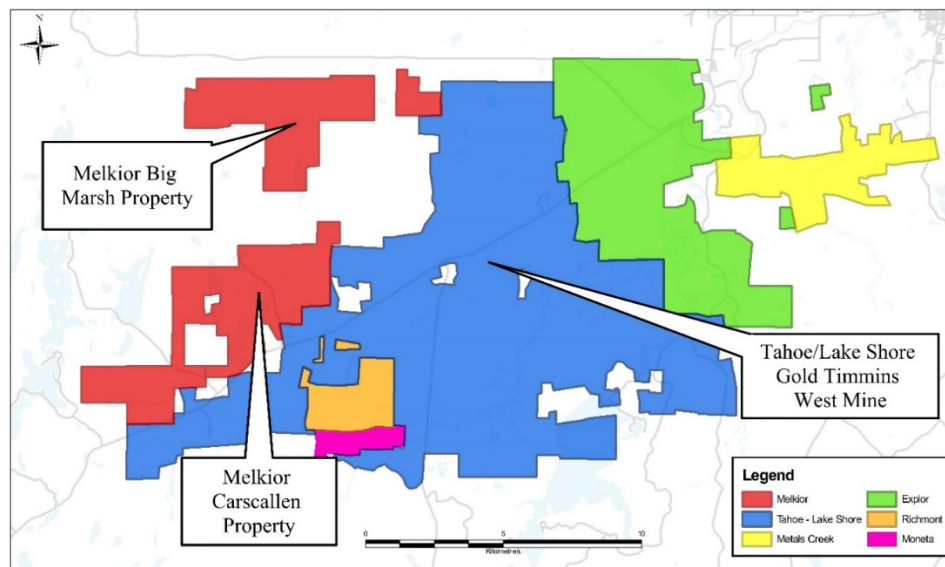
Carscallen Gold, Timmins, Ontario (100% owned)

The Carscallen property covers 23.04 square-kilometres for a total of 144 claim units and is located 25 kilometres due west of the City of Timmins, Ontario. Access to the property is excellent, via a series of roads and trails which connect to Highway 101.

The Company holds a 100% interest in the property. Some claims are subject to a 1.5% net smelter return ("NSR") royalty while another group of claims are subject to a 2% NSR of which the company has the right to buyout half (1%) of the NSR for \$1,000,000.

The Carscallen gold project is located approximately 25 kilometres west of the centre of Timmins Ontario and immediately west and northwest of the Lake Shore Gold Corp., Timmins Mine and the important, new 144 and 144 Gap discoveries. The Carscallen property shares a roughly 8 km long border with Lakeshore's Timmins West property. Lake Shore Gold Corp. has recently entered into an agreement with Tahoe Resources Inc. whereby Tahoe will acquire all of the issued and outstanding shares of Lake Shore Gold. Tahoe has announced that they expect to achieve commercial production of the 144 Gap Zone by 2017.

The Carscallen Project covers, as previously announced, at least eight gold zones. A significant portion of the property is underlain by the Carlton Lake Pluton, a granitic unit that hosts the majority of the gold bearing zones on the property. Drilling has determined that the granitic unit is locally in the order of 200 to 300 metres thick, thinning to the north where topography transitions into a low lying, swampy area north of previous drilling. Drilling has identified that volcanic rocks are locally beneath the marginal areas of the pluton. The volcanic rocks that extend from beneath the pluton have intersected mineralized areas that appear to have the significant potential (NR January 22, 2016). Induced Polarization surveys have outlined chargeability anomalies north of the existing drilling in this swampy area that are generally along strike of identified gold bearing corridors in the Carlton Lake Pluton. These IP anomalies merit evaluation.



Location of Carscallen and Big Marsh Claims

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2016 Exploration Program – Carscallen Project

2016 Diamond Drill Holes

Hole	East	North	Azimuth	Dip	Depth
CAR-16-100	451579	5358740	240	-45	438
CAR-16-101	452034	5358222	240	-60	678
CAR-16-32X	451549	5358396	240	-50	304
CAR-16-34X	451467	5358402	240	-50	328
JW-16-01	451627	5358406	270	-45	18
JW-16-02	451627	5358406	270	-60	27
ZZ-16-01	451502	5358314	240	-45	29
ZZ-16-02	451502	5358314	240	-60	33
ZZ-16-03	451488	5358332	240	-45	21
ZZ-16-04	451488	5358332	240	-60	27
ZZ-16-05	451477	5358365	240	-45	21
ZZ-16-06	451477	5358365	240	-60	21
ZZ-16-07	451470	5358373	240	-45	18
ZZ-16-08	451470	5358373	240	-60	18
ZZ-16-09	451464	5358384	240	-45	21
ZZ-16-10	451464	5358384	240	-60	18
ZZ-16-11	451452	5358395	240	-45	21
ZZ-16-12	451452	5358395	240	-60	15
ZZ-16-13	451447	5358415	240	-45	51
ZZ-16-14	451447	5358415	240	-60	57
ZZ-16-15	451450	5358427	260	-45	18
ZZ-16-16	451450	5358427	260	-60	21
				Total	2203

A total of 2,203 metres of diamond drilling was done in 2016 with two objectives. The first objective was to further define the depth and strike extension of the Zam Zam-Shenkman beneath the granitic cover. To achieve this objective a total of 1,746 metres were drilled. Two holes were drilled from surface and two hole extensions of previous drilling were drilled. The second objective was to define near surface gold mineralization on the Zam Zam Zone in preparation for a potential bulk sample. Eighteen short holes were drilled for a total of 455 metres.

Drill hole CAR-16-101 intersected **6.5 g/t gold over 3.12 metres** at a depth of at a down-hole depth of 435 metres (true width not known at this time). CAR-16-101 was drilled 100 metres north of previous drilled hole CAR-80-2012. CAR-80-2012 intersected 51.92 g/t over 3.70 metres (Melkior press release April 12th 2012). CAR-16-101 intersected granitic rocks to about 291 metres down hole and then entered mafic volcanic rocks and ended at 678 metres.

Hole CAR-16-100 was drilled approximately 790 metres northwest of CAR-16-101 to intersect an IP chargeability anomaly on strike with the northern extension of the Zam Zam Zone. The hole was drilled approximately 170 metres north of any previous drilling on the property. CAR-16-100 was drilled totally in mafic volcanic rocks and intersected a mineralized zone at a down-hole depth of 274.5 metres that analyzed **1.93 g/t gold over 1.55 metres including 3.84 g/t over 0.55 metres**

Two holes CAR-16-34X and CAR-16-32X were extensions of existing holes drilled in 2010 to determine if more mineralization was present at depth and to the west of the known zones of mineralization. These

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holes successfully intersected three previously unidentified zones of gold mineralization between the Zam Zam Zone and the 1010 Zone approximately 500 metres to the southwest.

Hole-16-34X was an extension of a hole originally drilled in 2010 to 518 metres. The hole was extended an additional 326 metres for a total of 844 metres. Original hole 34 intersected a mineralized zone interpreted to be part of the Zam Zam-Shenkman system that analyzed 3.26 g/t over 2.25 metres including 8.58 g/t over 0.7 metres. The extension of Hole 34 produced the following new or previously unknown mineralized intersections:

CAR-16-34X Gold Intersections

	Hole	From (m)	To (m)	Width (m)	Gold (g/t)
	CAR-16-34x	509.5	510.2	0.7	1.47
	CAR-16-34x	526.54	527.5	0.96	0.63
	CAR-16-34x	542	543	1	0.52
	CAR-16-34x	563.45	568.52	5.07	0.55
including	CAR-16-34x	563.45	564	0.55	3.03
	CAR-16-34x	575	576	1	0.58
	CAR-16-34x	577.63	578.57	0.94	4.95
	CAR-16-34x	611.86	612.65	0.79	0.81
	CAR-16-34x	797.58	798.43	0.85	0.75

Hole-16-32X was an extension of hole CAR-32-2010. CAR-32 ended at 500 metres depth and was extended an additional 304 metres for a total of 804 metres in the present drill program. Previous reported mineralized intersections included 4.73 g/t over 2.5 metres including 10.2 g/t over 0.6 metres and is interpreted to be part of the Zam Zam Shenkman zone. This mineralization was located in the mafic volcanics at a down hole depth of 451 metres. New zones intersected in the extension of hole 32 are listed below:

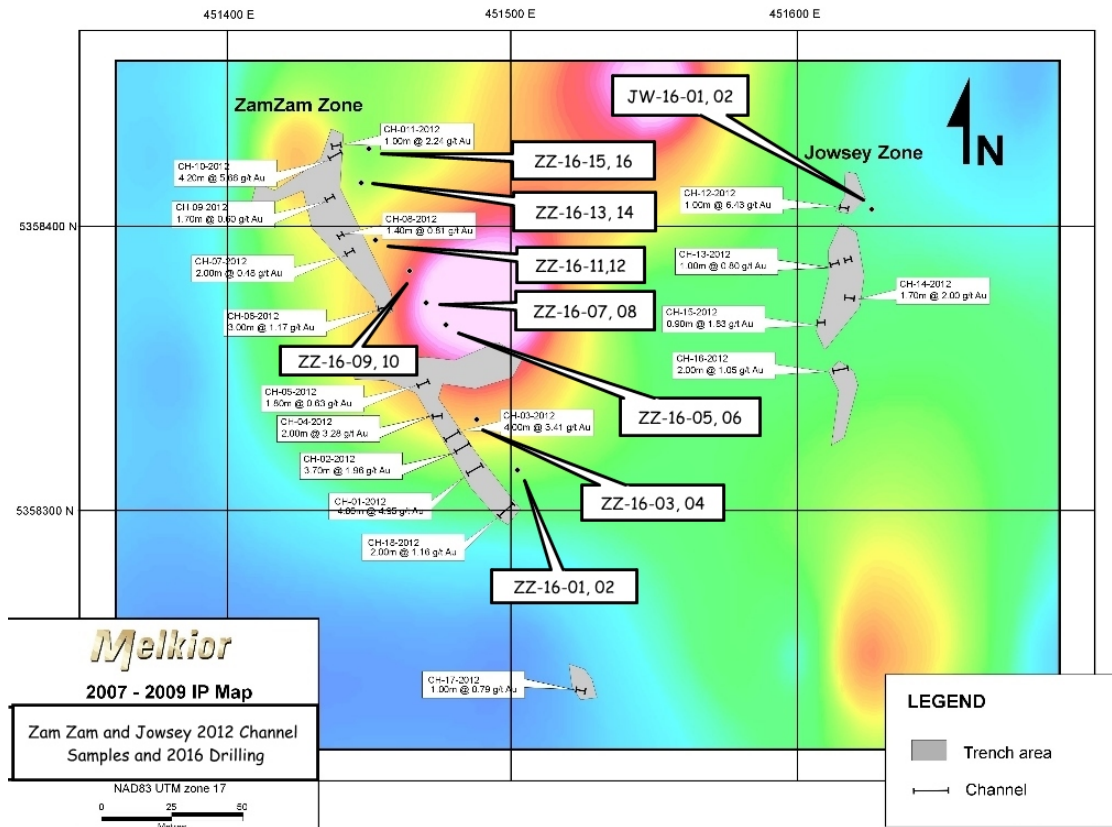
CAR-16-32X Gold Intersections

	Hole	From (m)	To (m)	Width (m)	Gold (g/t)
	CAR-16-32x	529	529.97	0.97	1.06
	CAR-16-32x	629.4	630	0.6	2.98
	CAR-16-32x	632	632.7	0.7	0.74
	CAR-16-32x	645.65	646.45	0.8	1.34

The Zam Zam Shenkman Zone has now been interpreted as being traced by diamond drilling for a distance of approximately 780 metres along strike

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Results Bulk Sample Drilling

Drill holes ZZ-16-01 to ZZ-16-16 were drilled on the Zam Zam Gold Zone. In addition 2 holes were drilled on the Jowsey Gold Zone (JW-16-01 to JW-16-02). The detailed drilling covered approximately 125 metres of the Zam Zam Shenkman mineralized structure. Below is a figure showing the locations of the drill holes in relation to channel sampling gold results completed in 2012.



Diamond Drill Plan showing locations of ZZ series and JW series holes.

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ZZ and JW Series Gold Intersections

Hole	From	To	Width (m)	Gold (g/t)
ZZ-16-01	11.65	12.83	1.18	33.13
ZZ-16-02	13.75	14.85	1.1	1.76
ZZ-16-03	6.53	7.92	1.39	16.89
ZZ-16-04	5.5	7.83	2.33	4.61
ZZ-16-05	7.77	8.4	0.63	1.28
ZZ-16-05	9.94	10.6	0.66	4.38
ZZ-16-05	12.84	13.34	0.5	1.04
ZZ-16-06	9.5	11.35	1.85	6.59
ZZ-16-07	6.94	7.12	0.18	1.69
ZZ-16-07	8.04	8.85	0.81	3.93
ZZ-16-08	6.2	6.46	0.26	2.09
ZZ-16-08	6.77	8.18	1.41	1.34
ZZ-16-08	9.2	9.93	0.73	3.53
ZZ-16-09	10.53	11.28	0.75	4.35
ZZ-16-10	8.76	9.63	0.87	6.52
ZZ-16-11	9	9.2	0.2	2.51
ZZ-16-12	3.18	3.88	0.7	1.29
ZZ-16-12	9.7	10	0.3	1.18
ZZ-16-13	No significant intersections			
ZZ-16-14	No significant intersections			
ZZ-16-15	10.37	12.08	1.71	3.43
ZZ-16-16	4.9	5.65	0.75	8.05
ZZ-16-16	9.92	10.42	0.5	1.59
ZZ-16-16	11.54	11.85	0.31	12.10

Hole	From	To	Width (m)	Gold (g/t)
JW-16-01	13.22	13.5	0.28	10.3 
JW-16-02	17.8	18.15	0.35	0.491
JW-16-02	19	19.68	0.68	0.673

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Claim status for Carscallen

Township	Claim Number	Claim Due Date	Claim Units	Hectares
DENTON	4227649	2018-Jan-04	4	64
CARSCALLEN	4227650	2018-Jul-27	13	208
DENTON	4257811	2018-Sep-08	1	16
DENTON	4256427	2018-Sep-08	1	16
DENTON	4257828	2018-Sep-08	1	16
CARSCALLEN	1213580	2018-Sep-14	1	16
DENTON	3006573	2018-Sep-24	1	16
CARSCALLEN	4202150	2018-Sep-24	1	16
CARSCALLEN	4215559	2018-Nov-10	6	96
CARSCALLEN	4215560	2018-Jun-02	14	224
DENTON	4218099	2018-Jun-11	3	48
CARSCALLEN	3019118	2018-Jun-11	1	16
DENTON	4258956	2018-Mar-18	5	80
DENTON	4259405	2017-Jul-14	2	32
DENTON	4259406	2017-Jul-14	2	32
CARSCALLEN	3019020	2017-Nov-19	10	160
CARSCALLEN	3019021	2017-Nov-10	10	160
CARSCALLEN	3019022	2017-Nov-25	8	128
CARSCALLEN	3019114	2018-Oct-12	6	96
CARSCALLEN	3019115	2018-Oct-26	12	192
CARSCALLEN	3019116	2018-Oct-26	2	32

2017 Exploration Plans - Carscallen Project

In 2017 the Carscallen Project will retain the focus of Melkior's exploration plans and budget. Building on the historical success Melkior has achieved it is anticipated that a budget will be allocated for a diamond drill program to commence early in 2017. This drilling program will follow up on positive results Melkior has historically achieved. The implementation of the 2017 exploration budget is contingent on the Melkior Board accepting the exploration plan, the associated budget and the required permits being issued by the Ontario Government. The anticipated budget for 2017 is anticipated to be on the order of \$250,000 for the first quarter 2017. Results of the drill program combined with changing opportunities in the exploration landscape will guide future exploration efforts.

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Big Marsh Property (100% owned)

The Big Marsh property covers 14.56 square kilometres for a total of 91 claim units in Carscallen Township. It is located 25 kilometres due west-northwest of the City of Timmins, Ontario and 2 kilometres due north of Melkior's Carscallen Gold property.

The Company purchased a 100% interest in the property. Portions of the property are subject to 2% NSR royalty of which the Company has the right to buy out half (1%) of the NSR for \$1,000,000 each.

Exploration on the Big Marsh property in 2016

In the 2016 exploration program one drill hole was drilled for a total of 411 metres. The objective was to test a coincident IP chargeability, airborne electromagnetic and soil gas hydrocarbon anomaly on the Big Marsh property located approximately 4.7 km north of the Carscallen Property.

Hole	East	North	Azimuth	Dip	Depth
BM-16-03	453097	5363252	235	-45	411

Hole BM-16-03 drilled on the Big Marsh Property intersected a series of sediments, porphyry and intrusive rocks under 72 metres of overburden. Sections of the rock were mineralized with graphite and pyrite which could possibly explain the electromagnetic and induced polarization chargeability anomaly, however, the depth of the overburden and the depth of the mineralization does not exclude other explanations for these anomalies. The soil gas anomaly remains unexplained by this drilling program.

Maximum values encountered in the drill hole sampling were 0.43 g/t gold, 2.3 g/t silver, 0.37% zinc.

Claim status for Big Marsh

Township	Claim Number	Claim Due Date	Claim Units	Hectares
CARSCALLEN	4202649	2017-Feb-14	8	128
CARSCALLEN	4212369	2017-Feb-28	16	256
CARSCALLEN	4212370	2017-Feb-28	16	256
CARSCALLEN	4212371	2017-Feb-28	16	256
CARSCALLEN	4212372	2017-Feb-28	15	240
CARSCALLEN	4213967	2017-Jan-25	12	192
CARSCALLEN	4213969	2017-Jan-25	8	128

2017 Exploration – Big Marsh Project

There are currently no plans or budget associated with this project

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Launay (50% interest)

Property description

The Launay property covers 55.59 square kilometres for a total of 136 claims. 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.

In November 2013, Melkior entered into an option and joint venture agreement on the Launay Gold Project with Beaufield. Under the terms of the agreement, Beaufield can earn an interest of up to 50% in the project by incurring expenditures aggregating \$1.25 million over 5 years, with a minimum \$250,000 of exploration expenditures in the first year.

On March 22, 2016, the Company announced that Beaufield has purchased an undivided 50% interest in the Launay gold property, so that each party now has an undivided 50% interest in the property and will become equal joint venture partners with Beaufield being the operator.

Under the terms of the purchase agreement, Beaufield has purchased a 50% interest in the Property by paying \$150,000 cash and issuing 3,000,000 of its common shares to Melkior.

Exploration on Launay

No significant exploration was carried out in 2016.

Beaufield will be funding any future exploration on the Launay project.

Claim status for Launay

NTS Sheet	Claim Number	Claim Due Date	Required Renewal Fees	Hectares
NTS 32D10	2403041	4/24/2018 23:59	\$55.25	55.36
NTS 32D10	2403042	4/24/2018 23:59	\$55.25	34.25
NTS 32D10	2403043	4/24/2018 23:59	\$55.25	56.91
NTS 32D10	2403044	4/24/2018 23:59	\$55.25	56.91
NTS 32D10	2403045	4/24/2018 23:59	\$55.25	56.92
NTS 32D10	2403046	4/24/2018 23:59	\$55.25	56.92
NTS 32D10	2403047	4/24/2018 23:59	\$55.25	42.87
NTS 32D10	2403048	4/24/2018 23:59	\$55.25	56.91
NTS 32D10	2403049	4/18/2018 23:59	\$55.25	56.91
NTS 32D10	2403050	4/18/2018 23:59	\$55.25	56.91
NTS 32D10	2403051	4/18/2018 23:59	\$55.25	56.9
NTS 32D10	2403052	4/18/2018 23:59	\$55.25	56.9
NTS 32D10	2403053	4/18/2018 23:59	\$55.25	56.9
NTS 32D10	2403054	4/18/2018 23:59	\$55.25	56.9
NTS 32D10	2403055	4/18/2018 23:59	\$55.25	56.89
NTS 32D10	2403056	11/13/2018 23:59	\$55.25	56.89
NTS 32D10	2403057	11/13/2018 23:59	\$55.25	56.89

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NTS 32D10	2403058	11/13/2018 23:59	\$55.25	56.89
NTS 32D10	2403059	11/13/2018 23:59	\$55.25	29.81
NTS 32D10	2403060	11/13/2018 23:59	\$55.25	56.88
NTS 32D10	2403061	11/13/2018 23:59	\$55.25	56.88
NTS 32D10	2403062	11/13/2018 23:59	\$55.25	56.88
NTS 32D10	2403063	11/13/2018 23:59	\$55.25	56.88
NTS 32D10	2403064	11/13/2018 23:59	\$28.25	12.92
NTS 32D10	2403065	11/13/2018 23:59	\$55.25	56.87
NTS 32D10	2403066	11/13/2018 23:59	\$55.25	56.87
NTS 32D10	2403067	11/13/2018 23:59	\$55.25	56.87
NTS 32D10	2403068	11/14/2018 23:59	\$55.25	25.71
NTS 32D10	2403069	11/14/2018 23:59	\$55.25	56.86
NTS 32D10	2403070	11/14/2018 23:59	\$55.25	56.86
NTS 32D10	2403071	11/14/2018 23:59	\$55.25	56.86
NTS 32D10	2403072	10/28/2018 23:59	\$28.25	21.11
NTS 32D10	2403073	10/28/2018 23:59	\$55.25	56.85
NTS 32D10	2403074	10/28/2018 23:59	\$55.25	56.85
NTS 32D10	2403075	10/28/2018 23:59	\$55.25	56.85
NTS 32D10	2403076	10/28/2018 23:59	\$55.25	56.85
NTS 32D10	2403077	10/28/2018 23:59	\$55.25	56.85
NTS 32D10	2403078	10/29/2018 23:59	\$55.25	56.85
NTS 32D10	2403079	10/29/2018 23:59	\$28.25	21.3
NTS 32D10	2403080	10/29/2018 23:59	\$55.25	42.48
NTS 32D10	2403081	10/29/2018 23:59	\$55.25	42.48
NTS 32D10	2403082	10/29/2018 23:59	\$55.25	42.56
NTS 32D10	2403083	10/29/2018 23:59	\$55.25	42.56
NTS 32D10	2403084	10/29/2018 23:59	\$55.25	42.12
NTS 32D10	2403085	10/29/2018 23:59	\$28.25	2.43
NTS 32D10	2403086	10/28/2018 23:59	\$28.25	3.15
NTS 32D10	2403087	10/28/2018 23:59	\$28.25	3.14
NTS 32D10	2403088	10/28/2018 23:59	\$28.25	3.13
NTS 32D10	2403089	10/28/2018 23:59	\$28.25	3.13
NTS 32D10	2403090	10/28/2018 23:59	\$28.25	3
NTS 32D10	2403763	10/28/2018 23:59	\$28.25	24.97
NTS 32D10	2403764	10/29/2018 23:59	\$28.25	14.96
NTS 32D10	2403765	10/29/2018 23:59	\$28.25	14.98
NTS 32D10	3725051	10/29/2018 23:59	\$55.25	40
NTS 32D10	3725055	10/29/2018 23:59	\$55.25	40
NTS 32D10	3725081	10/28/2018 23:59	\$55.25	40
NTS 32D10	3725082	10/28/2018 23:59	\$55.25	40
NTS 32D10	3725092	10/28/2018 23:59	\$55.25	40

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NTS 32D10	3725093	10/28/2018 23:59	\$55.25	40
NTS 32D10	3725101	10/28/2018 23:59	\$55.25	40
NTS 32D10	3725102	10/28/2018 23:59	\$55.25	40
NTS 32D10	3725231	10/29/2018 23:59	\$55.25	40
NTS 32D10	3725232	10/29/2018 23:59	\$55.25	40
NTS 32D10	3734521	10/29/2018 23:59	\$55.25	28
NTS 32D10	3734522	10/29/2018 23:59	\$55.25	40
NTS 32D10	3734531	10/29/2018 23:59	\$55.25	40
NTS 32D10	3734532	10/29/2018 23:59	\$55.25	40
NTS 32D10	3734541	10/29/2018 23:59	\$55.25	40
NTS 32D10	3734542	10/29/2018 23:59	\$55.25	40
NTS 32D10	4118561	10/30/2018 23:59	\$55.25	40
NTS 32D10	4118562	10/30/2018 23:59	\$55.25	40
NTS 32D10	4118571	10/30/2018 23:59	\$55.25	40
NTS 32D10	4118572	10/30/2018 23:59	\$55.25	40
NTS 32D10	4118581	2/7/2017 23:59	\$55.25	40
NTS 32D10	4118582	2/7/2017 23:59	\$55.25	40
NTS 32D10	4118591	2/7/2017 23:59	\$55.25	40
NTS 32D10	4118592	2/7/2017 23:59	\$55.25	40
NTS 32D10	4118601	2/7/2017 23:59	\$55.25	40
NTS 32D10	4118602	2/7/2017 23:59	\$55.25	40
NTS 32D10	4118611	2/7/2017 23:59	\$55.25	40
NTS 32D10	4118612	2/7/2017 23:59	\$55.25	40
NTS 32D10	4118621	2/7/2017 23:59	\$55.25	40
NTS 32D10	4118622	2/7/2017 23:59	\$55.25	40
NTS 32D10	4118631	2/8/2017 23:59	\$55.25	40
NTS 32D10	4118632	2/8/2017 23:59	\$55.25	40
NTS 32D10	4118641	2/8/2017 23:59	\$55.25	40
NTS 32D10	4118642	2/8/2017 23:59	\$55.25	40
NTS 32D10	4118651	2/8/2017 23:59	\$55.25	40
NTS 32D10	4118652	2/8/2017 23:59	\$55.25	32
NTS 32D10	4118691	2/8/2017 23:59	\$55.25	40
NTS 32D10	4118692	2/8/2017 23:59	\$55.25	40
NTS 32D10	4118701	11/16/2018 23:59	\$55.25	40
NTS 32D10	4118702	11/16/2018 23:59	\$55.25	40
NTS 32D10	4118711	11/16/2018 23:59	\$55.25	40
NTS 32D10	4118712	11/16/2018 23:59	\$55.25	40
NTS 32D10	4118721	11/16/2018 23:59	\$55.25	40
NTS 32D10	4118722	11/16/2018 23:59	\$55.25	40
NTS 32D10	4118731	11/16/2018 23:59	\$55.25	40
NTS 32D10	4118732	4/24/2018 23:59	\$55.25	40

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NTS 32D10	4118801	4/24/2018 23:59	\$55.25	39
NTS 32D10	4118802	4/24/2018 23:59	\$55.25	40
NTS 32D10	4118811	4/24/2018 23:59	\$55.25	39
NTS 32D10	4118812	4/24/2018 23:59	\$55.25	40
NTS 32D10	4118821	4/24/2018 23:59	\$55.25	40
NTS 32D10	4118822	4/24/2018 23:59	\$55.25	40
NTS 32D10	4118831	4/24/2018 23:59	\$55.25	40
NTS 32D10	4118832	4/18/2018 23:59	\$55.25	40
NTS 32D10	4118841	4/18/2018 23:59	\$55.25	40
NTS 32D10	4118842	4/18/2018 23:59	\$55.25	40
NTS 32D10	4118851	4/18/2018 23:59	\$55.25	40
NTS 32D10	4118852	4/18/2018 23:59	\$55.25	40
NTS 32D10	4286531	4/18/2018 23:59	\$55.25	32
NTS 32D10	4286532	4/18/2018 23:59	\$55.25	40
NTS 32D10	4286541	11/13/2018 23:59	\$55.25	40
NTS 32D10	4286542	07/02/2017 23:59	\$55.25	40
NTS 32D10	4286551	07/02/2017 23:59	\$55.25	40
NTS 32D10	4286552	07/02/2017 23:59	\$55.25	40
NTS 32D10	4286561	07/02/2017 23:59	\$55.25	40
NTS 32D10	4286562	07/02/2017 23:59	\$55.25	32
NTS 32D10	4286571	07/02/2017 23:59	\$55.25	40
NTS 32D10	4286572	07/02/2017 23:59	\$55.25	40
NTS 32D10	4286581	08/02/2017 23:59	\$55.25	40
NTS 32D10	4286582	08/02/2017 23:59	\$55.25	40
NTS 32D10	4286591	08/02/2017 23:59	\$55.25	40
NTS 32D10	4286592	08/02/2017 23:59	\$55.25	40
NTS 32D10	4286601	08/02/2017 23:59	\$55.25	40
NTS 32D10	4286602	08/02/2017 23:59	\$55.25	40
NTS 32D10	4286611	08/02/2017 23:59	\$55.25	32
NTS 32D10	4286612	08/02/2017 23:59	\$55.25	40
NTS 32D10	5225012	16/11/2016 23:59	\$55.25	30.8
NTS 32D10	5225013	16/11/2016 23:59	\$55.25	40.4
NTS 32D10	5225014	16/11/2016 23:59	\$55.25	40.4
NTS 32D10	5225015	16/11/2016 23:59	\$55.25	40.4
NTS 32D10	5225016	16/11/2016 23:59	\$55.25	40.4
NTS 32D10	5225017	16/11/2016 23:59	\$55.25	40.4
NTS 32D10	5225018	16/11/2016 23:59	\$55.25	40.4

The Launay project has \$642,028 in reserved work credits.

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Ungava Delta - Kenty Quebec

(49% interest - copper-nickel-platinum group)

Property description

Melkior owns 49% of this project with Glencore Xstrata (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 was not a 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.

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 in 2009. The Company does minimal work on the property and continues to write them off.

This is considered a significant asset with a high probability of future development.

Exploration on Delta-Kenty

No work is planned for fiscal 2016 on this property. When economic conditions improve Melkior will look to raise funding for an exploration project or find a joint venture partner to further explore this property.

The Delta-Kenty project has \$1,219,318 in reserved work credits.

Claim status for Delta-Kenty

NTS Sheet	Claim Number	Claim Due Date	Required Renewal Fees	Hectares
NTS 35G08	2331658	6/19/2017 23:59	\$102.00	41.2
NTS 35G08	2331659	6/19/2017 23:59	\$102.00	41.2
NTS 35G08	2331660	6/19/2017 23:59	\$102.00	41.2
NTS 35G08	2331661	6/19/2017 23:59	\$102.00	41.2
NTS 35G07	2331662	6/19/2017 23:59	\$28.25	15.97
NTS 35G07	2331663	6/19/2017 23:59	\$102.00	40.78
NTS 35G07	2331664	6/19/2017 23:59	\$28.25	0.27
NTS 35G07	2331665	6/19/2017 23:59	\$28.25	10.66
NTS 35G08	2331666	6/19/2017 23:59	\$102.00	40.65
NTS 35G08	2331667	6/19/2017 23:59	\$102.00	40.38
NTS 35G08	2331668	6/19/2017 23:59	\$102.00	39.87
NTS 35G08	2331669	6/19/2017 23:59	\$102.00	39.66
NTS 35G08	2331670	6/19/2017 23:59	\$102.00	40.15
NTS 35G08	2331671	6/19/2017 23:59	\$102.00	40.26
NTS 35G08	2331672	6/19/2017 23:59	\$102.00	40.43
NTS 35G08	2331673	6/19/2017 23:59	\$28.25	21.97
NTS 35G08	2331674	6/19/2017 23:59	\$28.25	15.18
NTS 35G08	2331675	6/19/2017 23:59	\$28.25	16.51

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NTS 35G08	2331676	6/19/2017 23:59	\$28.25	16.01
NTS 35G08	2331677	6/19/2017 23:59	\$102.00	39.88
NTS 35G08	2331678	6/19/2017 23:59	\$28.25	8.47
NTS 35G08	2331679	6/19/2017 23:59	\$28.25	6
NTS 35G08	2331680	6/19/2017 23:59	\$28.25	3.19
NTS 35G08	2331681	6/19/2017 23:59	\$28.25	4.19
NTS 35G08	2331682	6/19/2017 23:59	\$28.25	5.55
NTS 35G08	2331683	6/19/2017 23:59	\$28.25	1.9

Other properties in Ontario and Quebec

The Henderson property consists of 20 claim units, covering 3.2 square kilometres in Raglan Township. During the summer 2010, First Nickel Inc. earned 50% interest.

Claim Status Henderson Project

Township	Claim Number	Claim Due Date	Claim Units	Hectares
Raglan	3006547	2017-Feb-12	12	192
Raglan	3006548	2017-Feb-12	8	128

The Keefer-Sewell property is a new claim group acquired by staking in 2016 and consists of 32 claim units covering 5.1 square kilometres in Sewel and Keefer Townships. No work has been conducted on these claims yet. No work is planned or budgeted for 2017 at present time.

Claim Status Keefer- Sewell Project

Township	Claim Number	Claim Due Date	Claim Units	Hectares
Keefer	4278403	2018-Apr-15	4	64
Keefer	4278562	2018-Apr-15	12	192
Sewell	4278670	2018-Jun-24	16	256

The Bristol property and consists of 12 claim units, covering 1.9 square kilometres in Bristol Township. No work was conducted on these claims in 2016. A limited amount of work is planned in the summer of 2017 to maintain the claims in good standing.

Claim Status Bristol Project

Township	Claim Number	Claim Due Date	Claim Units	Hectares
Bristol	4224651	2017-Jan-04	4	64
Bristol	4224652	2017-Oct-04	4	64
Bristol	4224653	2017-Jan-04	4	64

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The Company owns 35 claims in Vauquelin Township and 36 claims in Tiblemont Township located approximately 50km east of Val-d'Or, Quebec. Melkior acquired 3 claims in Tiblemont on May 12th, 2014, thereby increasing the Tiblemont property from 30 claims to 33. The three new claims were purchased for 200,000 common shares of Melkior and the vendor retained a 2% Net Smelter Return Royalty (NSR). Melkior can buy back 1% of the NSR for \$1,000,000. The vendor also retained the right to exploit, at his cost, surface gold (above bedrock) in overburden and residual rock from historical mining. Melkior holds a 2% NSR on this material. The Vaquelin 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.

Melkior is not planning work on these properties in 2017 due to current economic conditions in the junior exploration industry.

Joubi Gold Property Royalty

Melkior currently holds a 1% gold royalty on the Joubi Gold Property ("Joubi") currently owned by Wesdome Gold Mines Ltd. ("Wesdome"). Joubi is located in Dubuisson County, province of Quebec, immediately southeast of the Goldex Mine. The 1% royalty was earned following the agreement signed between Messeguy Mines Inc. and Valmag Inc. on November 13, 1984. The royalty covers 6 claims that are part of the Joubi Gold property and cover a total of 830 acres.

In January 1994, Messeguy Mines Inc. became Melkior Resources Inc. The interests of Valmag Inc. were subsequently transferred to Wesdome.

The Joubi property adjoins Agnico Eagle Mines Limited Goldex property where Probe Metals Inc. sold a 5% royalty for \$18,000,000 in November 2012.

Related party transactions

In the normal course of operations for the three months ended November 2016 and 2015:

- a) A company controlled by Jens E. Hansen (a former CEO and former director) charged professional fees relating to qualified exploration work amounting to \$Nil for the three months ended November 30, 2016 (2015 - \$7,675) and are capitalized in exploration and evaluation expenses;
- b) Sabino Di Paola, former Chief Executive Officer, and Chief Financial Officer charged professional fees \$12,000 (2015 - \$7,123) for the three months ended November 30, 2016;
- c) Laina Maclean, former Chief Financial Officer charged professional fees of \$4,445 (2015 - \$Nil) for the three months ended November 30, 2016;
- d) A close family member of a former director provided secretarial services of \$Nil (2015 - \$6,600) for the three months ended November 30, 2016.

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Financial Instruments

a) Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the statement of financial position are as follows:

	November 30, 2016		August 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	\$	\$	\$	\$
<i>At amortized cost</i>				
Cash and cash equivalents	107,165	107,165	154,225	154,225
Other receivables ⁽¹⁾	101,896	101,896	101,327	101,327
	209,061	209,061	255,552	255,552
<i>At FVTPL</i>				
Listed shares	359,394	359,394	535,238	535,238
Preferred shares	-	-	-	-
	359,394	359,394	535,238	535,238
Financial liabilities				
<i>At amortized cost</i>				
Accounts payable and accrued liabilities	44,177	44,177	29,397	29,397

(1) Other receivables does not include sales tax receivable.

The carrying value of cash, other receivables, accounts payable and accrued liabilities are considered to be a reasonable approximation of fair value due to the short-term maturity of these instruments.

b) Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. Listed common shares of companies in quoted mining exploration companies measured at fair value as at November 30, 2016 and August 31, 2016, are classified as Level 1. Preferred shares of mining exploration companies measured at fair value as at November 30, 2016 and August 31, 2016, are classified as Level 2.

c) Financial instrument risk

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities are summarized in section (a) above.

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The most significant financial risks to which the Company is exposed are described below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Company is exposed to other price risk. The Company's exposure to foreign currency risk and interest rate risk is not material.

The Company does not actively engage in the trading of financial instruments for speculative purposes.

Other price risk sensitivity

The Company is exposed to fluctuations in the market prices of its listed shares in quoted mining exploration companies. The fair value of the listed shares represents the maximum exposure to price risk. If the quoted stock price for these securities had increased or decreased by 20% as at November 30, 2016 and August 31, 2016, net loss and equity would have changed by \$71,878 and \$107,048, respectively.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. As at November 30, 2016 and August 31, 2016, the Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	November 30, 2016	August 31, 2016
	\$	\$
Cash and cash equivalents	107,165	154,225
Other receivables (excluding sales tax receivable)	101,896	1,327
Total	<u>209,061</u>	<u>255,552</u>

The other receivables include dividends receivable from the preferred shares acquired from Zara and JEAG receivable. The exposure to credit risk for the Company's receivables has to be monitored continuously. In 2016 and 2015, the Company did not record any impairment loss on its other receivables.

As at November 30, 2016, the Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount. Over the past period, the Company has financed its E&E programs, its working capital requirements and acquisitions of mining properties through private and flow-through financings.

The following table presents contractual maturities (including interest payments where applicable) of the Company's liabilities:

November 30, 2016	August 31, 2016
<u>Carrying amount</u>	<u>Carrying amount</u>

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	\$	\$
Within three months:		
Accounts payable and accrued liabilities	<u>44,177</u>	<u>29,397</u>

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash, tax credits receivable and listed shares. These financial assets exceed the current cash outflow requirements.

Off-balance sheet arrangements

During the three months ended November 30, 2016 and year ended August 31, 2016, the Company did not set up any off-balance sheet arrangements.

Proposed Transactions

In the normal course of business, the Company evaluates property acquisition transactions and, in some cases, makes proposals to acquire such properties. These proposals, which are usually subject to Board and sometimes regulatory and shareholder approvals, may involve future payments, share issuances and property work commitments. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction.

Investor Relations Activities

The Company is not using an outside consultant to perform its investor relations activities. The tasks performed by an investor relations consultant are currently being performed by the management of the Company. There are no external contracts or commitments for Investor Relations as at November 30, 2016.

Changes in Accounting Policies

There were no changes in the Company's significant accounting policies during the three months ended November 30, 2016 that had a material effect on the Company's financial statements. The Company's significant accounting policies are disclosed in Note 2 to its audited annual financial statements for the years ended August 31, 2016 and 2015.

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.

Titles to Property

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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 Nations traditional or treaty lands. Should a First Nations make such a claim in respect of Melkior's properties and should such claim be resolved by government or the courts in favor of the First Nations, 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.

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

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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 employees some of whom are officers of the Company, 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.

Events after the reporting date

There were no significant events after the reporting date.

Forward looking information

Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. Readers are encouraged to consult Company's annual financial

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statements and corresponding notes to the financial statements for the years ended August 31, 2016 and 2015 for additional details.

Melkior's disclosures are available on the Company's website at www.melkior.com. The annual financial statements and MD&A are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the three months ended November 30, 2016.

This MD&A contains forward-looking statements and should be read in conjunction with the risk factors described in "Risks and Uncertainties" and the "Cautionary Note Regarding Forward-Looking Statements" at the end of this MD&A.

December 12, 2016

(s) Sabino Di Paola
Sabino Di Paola
Chief Financial Officer

(s) Jim Deluce
Jim Deluce
Chief Executive Officer