

**MEDALLION RESOURCES LTD.**

**(An Exploration-Stage Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2010  
(Unaudited)**

**CONSOLIDATED BALANCE SHEETS**

**CONSOLIDATED STATEMENT OF LOSS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Notice of No Auditor Review of Interim Financial Statements**

The accompanying unaudited interim financial statements of the Company have been prepared by, and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements.

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**MEDALLION RESOURCES LTD.**  
**(An Exploration-Stage Company)**  
**CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b> <b>2010</b>	<b>March 31,</b> <b>2010</b>
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 383,049	\$ 230,669
Short-term Investments	3,250,000	-
Prepaid Expenses and Other Receivables	60,113	53,745
	3,693,162	284,414
<b>Mineral Properties (Note 3)</b>	737,884	192,689
<b>Reclamation Bond (Note 4)</b>	11,951	11,951
<b>Equipment (Note 5)</b>	1,565	2,363
	\$ 4,444,562	\$ 491,417
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts Payable and Accrued Liabilities	\$ 36,955	\$ 58,057
Due to Related Parties (Note 7)	32,843	43,850
Promissory Notes (Note 7)	-	51,290
	69,798	153,197
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
<b>Share Capital (Note 6)</b>	\$ 14,973,369	\$ 11,372,638
<b>Warrants (Note 6)</b>	1,353,184	362,979
<b>Contributed Surplus (Note 6)</b>	570,535	544,581
<b>Deficit</b>	(12,522,324)	(11,941,978)
	4,374,764	338,220
	\$ 4,444,562	491,417

**Continuance of Operations (Note 1)**  
**Subsequent Events (Note 11)**

**Approved on behalf of the Board:**

/s/ Donald M. Lay

Donald M. Lay – Director

/s/ William H. Bird

William H. Bird – Director

The accompanying notes are an integral part of these consolidated financial statements

**MEDALLION RESOURCES LTD.**  
**(An Exploration-Stage Company)**  
**CONSOLIDATED STATEMENT OF LOSS**  
**(Unaudited)**

	For the Three Months Ended December 31		For the Nine Months Ended December 31	
	2010	2009	2010	2009
<b>Expenses</b>				
Amortization	\$ 266	\$ 484	\$ 798	\$ 1,450
Consulting Fees (Note 7)	58,229	16,750	102,672	47,108
Investor Relations	40,070	5,192	121,858	9,236
Management Fees (Note 7)	31,800	19,190	77,750	63,290
Office and General	12,186	9,860	33,790	45,510
Professional Fees (Note 7)	9,488	20,936	52,297	49,416
Exploration Expenditures on Written off Properties	3,742	188,396	4,618	216,569
Rent	5,454	4,792	16,590	14,601
Stock-based Compensation	-	71,042	210,925	77,310
Transfer Agent and Filing Fees	24,680	4,350	34,307	9,125
Write off of Deferred Financing Fees	-	-	-	43,694
	185,915	340,992	655,605	577,309
<b>Other Items</b>				
Interest Income	(4,381)	-	(4,421)	-
Gain on Sale of Marketable Securities	-	-	-	(4,854)
Government Assistance	(70,838)	(147,104)	(70,838)	(147,104)
Write Off of Mineral Property (Note 3)	-	-	-	47,149
<b>Net Loss for the Period</b>	<b>\$ (110,696)</b>	<b>\$ (193,888)</b>	<b>\$ (580,346)</b>	<b>\$ (472,500)</b>
<b>Loss per Share</b>				
Basic and Diluted	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.03)
<b>Weighted Average Shares Outstanding</b>	<b>41,576,166</b>	<b>19,122,153</b>	<b>31,498,610</b>	<b>16,044,698</b>

The accompanying notes are an integral part of these consolidated financial statements

**MEDALLION RESOURCES LTD.**  
**(An Exploration-Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	For the Three Months Ended December 31		For the Nine Months Ended December 31	
	2010	2009	2010	2009
<b>Cash Flow Provided By (Used in)</b>				
<b>Operating Activities</b>				
Net Loss for the Period	\$ (110,696)	\$ (193,888)	\$ (580,346)	\$ (472,500)
Adjusted for items not involving cash:				
Amortization	266	484	798	1,450
Stock-based Compensation	-	71,042	210,925	77,310
Gain on Sales of Marketable Securities	-	-	-	(4,854)
Accrued Interest on Promissory Note	(2,713)	1,322	(1,290)	3,965
Foreign Exchange Adjustment	-	-	-	3,196
Write off of Resource Property	-	-	-	47,149
Net change in non-cash working capital items:				
Prepaid Expenses and Other Receivables	(467)	(183,424)	(6,368)	(177,819)
Accounts Payable and Accrued Liabilities	(12,496)	24,908	(21,102)	38,648
Government Assistance	-	147,035	-	147,035
Due to Related Party	26,587	(19,625)	(11,007)	61,532
	(99,519)	(152,146)	(408,390)	(274,888)
<b>Investing Activities</b>				
Mineral Properties	(139,858)	(137,658)	(545,195)	(137,658)
	(139,858)	(137,658)	(545,195)	(137,658)
<b>Financing Activities</b>				
Issuance of Share Capital	3,849,227	751,625	4,739,852	751,625
Share Issue Costs	(238,909)	(79,616)	(333,887)	(79,616)
Deferred Financing Costs	-	-	-	42,694
Repayment of Promissory Note	(50,000)	(13,519)	(50,000)	(13,519)
Share Subscription	-	233,250	-	269,940
	3,560,318	891,740	4,355,965	971,124
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	3,320,941	601,936	3,402,380	558,578
<b>Cash and Cash Equivalents, Beginning of Period</b>	312,108	17,926	230,669	61,284
<b>Cash and Cash Equivalents, End of Period</b>	\$ 3,633,049	\$ 619,862	\$ 3,633,049	\$ 619,862
<b>Made up of:</b>				
Cash	383,049	619,862	383,049	619,862
Short-term Investments	3,250,000	-	3,250,000	-
<b>Cash and Cash Equivalents, End of Period</b>	\$ 3,633,049	\$ 619,862	\$ 3,633,049	\$ 619,862

**MEDALLION RESOURCES LTD.**  
**(An Exploration-Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (cont'd)**  
**(Unaudited)**

	<b>For the Three Months Ended December 31</b>		<b>For the Nine Months Ended December 31</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Supplementary Net Cash-flow Information:</b>				
Net Interest Paid	\$ 2,713	\$ 13,518	\$ 2,713	\$ 13,518
Net Income Taxes Paid	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements

**MEDALLION RESOURCES LTD.**  
**(An Exploration-Stage Company)**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)**  
**For the Year Ended March 31, 2010 and the Period Ended December 31, 2010**  
**(Unaudited)**

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	Number of Common Shares	Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
<b>Balance, March 31, 2009</b>	15,222,153	\$10,799,183	\$ 194,972	\$ 256,415	\$ 5,604	\$(11,359,918)	\$ (103,744)
Shares Issued For:							
Private placement (Note 6a)	3,900,000	241,755	148,245	-	-	-	390,000
Private placement (Note 6b)	2,066,429	361,625	-	-	-	-	361,625
Private placement (Note 6c)	2,150,000	240,310	135,940	-	-	-	376,250
Share Issue Costs (Notes 6a, b and c)	-	(167,172)	20,143	36,826	-	-	(110,203)
Stock-based Compensation	-	-	-	115,019	-	-	115,019
Tax Benefit Renounced to Flow-through Shares	-	(103,063)	-	-	-	-	(103,063)
Expiry of Warrants	-	-	(136,321)	136,321	-	-	-
Change in Fair Market Value of Available- for-sale Marketable Securities:							
Increase in fair value during the year	-	-	-	-	(750)	-	(750)
Realized gain on sale of marketable securities	-	-	-	-	(4,854)	-	(4,854)
Net Loss for the Year	-	-	-	-	-	(582,060)	(582,060)
<b>Balance, March 31, 2010</b>	23,338,583	11,372,638	362,979	544,581	-	(11,941,978)	338,220
Shares Issued On:							
Private placement (Note 6d)	2,999,999	450,000	-	-	-	-	450,000
Private placement (Note 6e)	2,120,000	169,394	95,606	-	-	-	265,000
Private placement (Note 6f)	9,000,000	1,946,858	753,142	-	-	-	2,700,000
Stock options exercised (Note 6g)	475,000	225,598	-	(147,698)	-	-	77,900
Warrants exercised (Note 6h)	5,098,475	1,353,543	(237,329)	-	-	-	1,116,214
Brokers' options exercised (Note 6i)	286,000	54,186	12,526	(38,112)	-	-	28,600
Property acquisition (Note 6j)	200,000	46,000	-	-	-	-	46,000
Finders units (Note 6f)	187,127	40,665	15,473	-	-	-	56,138
Share Issue Costs (Notes 6d , e and f)	-	(685,513)	351,626	-	-	-	(333,887)
Expiry of Warrants	-	-	(839)	839	-	-	-
Stock-based Compensation	-	-	-	210,925	-	-	210,925
Net Loss for the Period						(580,346)	(580,346)
<b>Balance, December 31, 2010</b>	43,705,181	\$ 14,973,369	\$ 1,353,184	\$ 570,535	\$ -	\$ (12,522,324)	\$ 4,374,764

The accompanying notes are an integral part of these consolidated financial statements

**MEDALLION RESOURCES LTD.**  
**(An Exploration-Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010**  
**(Unaudited)**

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**NOTE 1 - NATURE AND CONTINUANCE OF OPERATIONS**

The Company is in the business of acquisition and exploration of mineral properties. The Company's operations consist generally of mineral exploration and evaluation of new property acquisitions. This includes acquiring mineral properties, evaluating the merits of these properties using various techniques such as sampling, trenching geophysical and geochemical methods as well as drilling. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of amounts recorded for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable mineral reserves, confirmation of the Company's interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

These consolidated financial statements have been prepared on a going-concern basis, which implies the Company will continue to realize the carrying value of assets and discharge its liabilities in the normal course of business. The Company has never generated profitable operations and has accumulated losses of \$12,522,324 since inception. As at December 31, 2010, the Company's working capital was \$3,623,364 (March 31, 2010 - working capital deficiency \$131,217). These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's activities have been funded through the sale of assets and equity financings, and the Company expects that it will continue to be able to utilize these sources of financing until it develops cash flow from operations. If such funds are not available or cannot be obtained, the Company will be forced to curtail its activities to a level for which funding is available or can be obtained. The Company has experienced recurring losses since inception and the continuation of the Company as a going concern is dependent upon its ability to obtain financing for the continuing acquisition, exploration and development of mineral properties and to sustain operations. There can be no assurance, however, that the Company will be able to meet the above objectives.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

These interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and follow the same accounting policies and methods of application as the annual financial statements. These interim financial statements do not include in all respects the annual disclosure requirements of GAAP and should be read in conjunction with the most recent annual financial statements. These accounting principles include the following significant policies:

**Principles of Consolidation**

These financial statements have been prepared on a consolidated basis and include the accounts of the Company and its wholly owned subsidiary Medallion Resources (USA) Inc.

In June 2006, the Company incorporated Medallion Resources (USA) Inc., in the State of Nevada, USA, as a wholly-owned subsidiary. The purpose of the new subsidiary was to hold the Company's USA properties and to carry on such business in the USA as is necessary to maintain, explore and develop the Company's properties. However, the subsidiary currently has no material assets, liabilities or operations.

**Estimates, Assumptions and Measurement Uncertainty**

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant estimates and assumptions include those related to the recoverability of capitalized mineral property expenditures, assessment of asset retirement obligations, valuation allowance on future income taxes and stock-based compensation valuations. Actual results could differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

**Foreign Currency Translation**

The consolidated financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian-dollar equivalents using foreign exchange rates that prevailed at the balance sheet date. Non-monetary items

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010**  
**(Unaudited)**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

are translated at historical exchange rates, except for items carried at their market value, which are translated at the rate of exchange in effect at the balance-sheet date. Revenue and expense items are translated at average rates of exchange during the period. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the period..

**Cash and Cash Equivalents**

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired.

**Equipment**

Equipment is initially recorded at cost. The Company provides for amortization of its computer equipment at 45% on a declining balance (one-half of the rate is taken in the year of acquisition and disposition).

**Mineral Properties**

The Company capitalizes the acquisition costs of mineral properties and related exploration and development costs. The amounts shown for mineral properties represent costs incurred to date, less write-downs, and do not necessarily reflect present or future values. These costs will be amortized over the estimated productive lives of the properties upon commencement of commercial production using the unit-of-production method. Costs relating to mineral properties that are sold or abandoned are written off when such events occur or are written down to a nominal amount when management decides not to commit any further exploration or development of the property. Interests acquired under option agreements, whereby option payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is included in earnings for the period. Although the Company has taken steps to verify title to mineral properties in which it has or is acquiring an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected title defects.

**Government Assistance**

Government Grants relate to the recovery of a portion of eligible expenditures on mineral properties from various government authorities and are recorded in the period in which they are received. Amounts received that relate to mineral properties that have previously been written off are recorded as Other Income. Amounts received that relate to existing mineral properties are used to reduce the carrying amount of the related mineral property.

**Impairment of Long-lived Assets**

The Company follows the recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

**Asset Retirement Obligation**

The Company follows the recommendations of the CICA Handbook Section 3110, "Asset Retirement Obligations". This section requires the recognition of the fair value of the obligation associated with the retirement of tangible long-lived assets be recorded in the period in which the liability is incurred, with a corresponding increase in the carrying value of the related asset. The liability is accreted over time for changes in the fair value of the liability through changes to accretion expenses. The costs capitalized to the related assets are depleted to earnings in a manner consistent with the underlying asset. As at December 31, 2010, no asset retirement obligation has been recognized.

**Comparative Figures**

Comparative figures have been reclassified, where applicable, to conform to the current year's presentation.

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**(Unaudited)**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Share Capital**

The Company records proceeds from share issuances net of commissions and issue costs. Proceeds from unit private placements are allocated between shares and warrants issued according to their relative fair value. The value of the share component is credited to share capital and the value of the warrant component is credited to warrants, a separate component of shareholders' equity (deficit). Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in warrants is recorded as an increase to share capital. Upon expiration of the warrants, the amount previously recognized in warrants is removed and recorded as an increase to contributed surplus.

The Company recognizes all transactions in which goods or services are the consideration received for the issuance of equity instruments based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

**Loss per Share**

The loss-per-share figure is calculated by dividing the net loss by the weighted-average number of shares outstanding during the respective fiscal periods. Diluted loss per share is calculated using the Treasury-Stock method which, for outstanding stock options and warrants, assumes that the proceeds to be received on the exercise of the stock options and warrants are applied to repurchase common shares at the average market price for the period, for purposes of determining the weighted average number of shares outstanding. Basic and diluted loss per share are the same in these financial statements as the inclusion of common share equivalents would be anti-dilutive.

**Flow-through Shares**

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for income tax purposes for qualified resource expenditures can be renounced and claimed by the flow-through share subscribers. The Company records issuances of flow-through shares by crediting share capital for the full value of cash consideration received. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized with a corresponding reduction to share capital for the cost of the future tax benefits foregone.

If the Company has sufficient unused tax losses and deductions to offset all or part of the future income tax liability and no future income tax assets have been previously recognized on such losses, the Company may reverse a portion of the valuation allowance on future income tax assets and recognize a recovery of future income taxes.

**Stock-based Compensation**

The Company accounts for stock-based compensation expense using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, the fair value of each option grant is estimated on the date of grant and amortized over the vesting period, with a corresponding increase to contributed surplus under shareholders' equity. The Company estimates the fair value of each grant using the Black-Scholes option pricing model. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to share capital.

**Income Taxes**

Income taxes are accounted for by the liability method of income-tax allocation. Under this method, the income-tax assets and liabilities are recorded to recognize future income-tax inflows and outflows arising from the settlement or recovery of assets and liabilities at carrying values. Future income-tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization. The Corporation establishes a valuation allowance against future income-tax assets if, based on available information, it is more likely than not that some or all of the future tax assets will not be realized. The Company has not recognized the income-tax benefit of losses carried forward as they have been fully offset by a valuation allowance.

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**(Unaudited)**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Financial Instruments**

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash, cash equivalents, and short-term investments as held-for-trading. Other receivables are classified as loans and receivables. Accounts payable and accrued liabilities, due to related parties and promissory notes are classified as other financial liabilities.

**New Accounting Pronouncements**

The CICA has issued new standards which may affect the financial disclosures and results of operations of the Company. The Company will adopt the requirements on the date specified in each respective section and is considering the impact this will have on the consolidated financial statements.

**a) Business Combinations, Consolidated Financial Statements and Non-controlling Interests**

In January 2009, the CICA issued Sections 1582, 1601 and 1602 to replace Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Section 1601 and 1602 apply to interim and annual consolidated financial statements for years beginning on or after January 1, 2011. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements.

**b) Comprehensive Revaluation of Assets and Liabilities**

In August 2009, the CICA amended Section 1625, “Comprehensive Revaluation of Assets and Liabilities”. This section has been amended as a result of issuing Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-controlling Interests” in January 2009. The amendment applies prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. If the Company adopts this section for a fiscal year beginning before January 1, 2011, it also adopts Section 1582. The adoption of this standard is not expected to have a material impact on the Company’s results of operations or its financial position.

**c) International Financial Reporting Standards (“IFRS”)**

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company’s reporting no later than in the first quarter of the year commencing April 1, 2011 and ending March 31, 2012, with restatement of comparative information presented. The conversion to IFRS will impact the Company’s accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion.

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**NOTE 3 – MINERAL PROPERTIES**

	March 31, 2009	Expenditures/ Write offs	March 31, 2010	Expenditures/ Write offs	December 31, 2010
<u>Everett Property</u>					
Property-acquisition costs	\$ 34,332	\$ 10,000	\$ 44,332	\$ -	\$ -
Claim staking	12,817	-	12,817	-	-
Exploration expenditures	423,576	23,024	446,600	-	-
Written-off exploration Expenditure	(423,576)	(80,173)	(503,749)	-	-
	47,149	(47,149)	-	-	-
<u>Eden Lake Property</u>					
Property-acquisition costs	-	50,000	50,000	46,000	96,000
Claim staking	-	-	-	9,046	9,046
Exploration expenditures					
Field expenses	-	-	-	115,983	115,983
Geological	-	33,695	33,695	122,360	156,055
Geophysical	-	108,460	108,460	-	108,460
Other	-	534	534	84,404	84,938
	-	192,689	192,689	377,793	570,482
<u>Red Wine Property</u>					
Property-acquisition costs	-	-	-	3,060	3,060
Exploration expenditures					
Field expenses	-	-	-	39,886	39,886
Geological	-	-	-	57,396	57,396
Geophysical	-	-	-	56,276	56,276
Other	-	-	-	10,784	10,784
	-	-	-	167,402	167,402
Total Expenditures	\$ 47,149	\$ 145,540	\$ 192,689	\$ 545,195	\$ 737,884

Everett Property, Quebec

On January 16, 2009, the Company signed a definitive Option Agreement to obtain from Romaine River Titanium Inc. (“RRT”) the right to acquire a 100% legal and beneficial interest in the Everett iron-titanium property. The property consisted of 60 mineral claims, located in Duplessis County, Quebec.

On August 10, 2009, the Company returned the Everett property to the owner. As a result, \$423,576 of exploration expenditures incurred on this property were written off as of March 31, 2009, and \$80,173 of acquisition costs and exploration expenditures incurred on this property were written off during the year ended March 31, 2010.

Eden Lake Property, Manitoba

On December 1, 2009, the Company signed a Letter of Intent and on February 23, 2010 executed a definitive option agreement with Rare Element Resources Ltd. (“RES”) whereby RES granted the Company an option to acquire a 65% interest in the Eden Lake rare-earth-element property in Manitoba, subject to a 3% net smelter return royalty in favour of a former property owner.

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**(Unaudited)**

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**NOTE 3 – MINERAL PROPERTIES (Cont'd)**

Under the terms of the agreement, the Company is required to pay \$1,450,000 (\$50,000 paid), issue 1,800,000 common shares (200,000 shares issued, Note 6j), and conduct \$2,250,000 of property exploration expenditures over a period of five years. Upon completion of the cash and share payments and work commitments, the Company may exercise its option to acquire a 65% interest in the property. Upon earning a 65% interest in the property, the Company and RES will form a joint venture whereby each will participate in programs and budgets according to their respective working interests. The Company will be the operator on the property.

On September 15, 2010, RES and the Company agreed to amend the definitive option agreement so that a \$50,000 payment, which was due to RES following approval of the option agreement by the TSX Venture Exchange on July 14, 2010, would be due on July 14, 2011, or the first anniversary of the approval by the TSX Venture Exchange.

RES has the right to purchase one-half (1.5%) of the former property owner's 3% net smelter return royalty at any time by making a cash payment of \$1.5 million to the former property owner. This right is part of the Eden Lake property and shall pass to the joint venture when and if a joint venture is formed between the Company and RES.

*Red Wine Property, Labrador*

On June 10, 2010, the Company signed an Option Agreement with Polaris Capital Ltd, a private corporation, to acquire a 100% interest in six mineral licenses comprising the Red Wine rare earth mineral property, Labrador.

Total consideration consists of \$527,160 (\$3,060 paid) in cash payments, 1.9 million shares of the Company and \$525,000 in work expenditures over a period of five years. The property is subject to a 3% net smelter return royalty, half of which the Company can purchase for \$1,500,000.

**NOTE 4 – RECLAMATION BOND**

As at March 31, 2008, the Company posted a reclamation bond of US\$19,175 with the State of Nevada to cover the cost to reclaim the surface lands disturbed during the exploration programs at the previously held Ocelot Property. During the year ended March 31, 2009, the Division of Minerals, Nevada, re-evaluated the amount of required bond and returned US\$7,197 back to the Company, with US\$11,732 remaining under the bond to cover the reclamation work.

As of December 31, 2010, the Company had completed the necessary reclamation work on the Ocelot Property and is awaiting the remaining funds to be released from the State of Nevada.

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**NOTE 5 - EQUIPMENT**

	<u>December 31, 2010</u>	<u>March 31, 2010</u>
Computer equipment	\$ 8,808	\$ 8,808
Accumulated amortization	<u>(7,243)</u>	<u>(6,445)</u>
<u>Net book value</u>	<u>\$ 1,565</u>	<u>\$ 2,363</u>

**NOTE 6 - SHARE CAPITAL**

Authorized share capital consists of an unlimited number of common shares without par value.

- a) On November 3, 2009, the Company completed a non-brokered private placement of 3,900,000 units at \$0.10 per unit for gross proceeds of \$390,000. Each unit consisted of one common share and one common-share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.20 until November 3, 2011. Cash proceeds from the private placement of \$241,755 and \$148,245 were allocated, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing date of the private placement.

The Company paid a \$31,500 cash finders' fee, \$8,315 in other share issuance costs, and granted 315,000 non-transferable finder's options, exercisable to acquire finder's units at a price of \$0.10 until November 3, 2011. A finder's unit consists of one common share of the Company and one non-transferable common-share purchase warrant with the same terms as the private placement warrants. A fair value of \$36,826 was assigned to these finders' options.

- b) On December 31, 2009 the Company completed a non-brokered private placement consisting of 2,066,429 flow-through common shares at a price of \$0.175 per share for gross proceeds of \$361,625. The Company paid a \$22,691 cash finders' fee, \$17,731 in other share issuance costs, and granted 129,664 finders' warrants each exercisable to acquire one non-flow-through common share at an exercise price of \$0.225 per share until December 30, 2011. A fair value of \$14,417 was assigned to these finders' warrants.

- c) On January 20, 2010, the Company completed a non-brokered private placement of 2,150,000 units at a price of \$0.175 per unit for gross proceeds of \$376,250. Each unit consisted of one common share and one common-share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.30 on or before January 20, 2012. Cash proceeds from the private placement of \$240,310 and \$135,940 were allocated, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing date of the private placement.

The Company paid a \$25,695 cash finder's fee, \$4,272 in other share issuance costs, and granted 51,428 finders' warrants in connection with this private placement. Each finders' warrant is exercisable to acquire one common share at an exercise price of \$0.225 until January 20, 2012. A fair value of \$5,726 was assigned to these finders' warrants.

- d) On July 5, 2010, the Company completed a non-brokered private placement consisting of 2,999,999 flow-through shares at a price of \$0.15 for gross proceeds of \$450,000. The Company paid \$30,994 of cash finders' fees and issued 261,003 finder's warrants each exercisable to acquire one common share at an exercise price of \$0.15 until July 5, 2012. A fair value of \$21,055 was assigned to these finders' warrants, and \$73,109 of share issue costs were also incurred in connection with this private placement.

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**NOTE 6 - SHARE CAPITAL (cont'd)**

- e) On July 12, 2010, the Company completed a non-brokered private placement consisting of 2,120,000 units at \$0.125 per unit for gross proceeds of \$265,000. Each unit consists of one common share and one transferable common share purchase warrant exercisable to acquire one common share at a price of \$0.25 until July 12, 2013. Cash proceeds from the private placement of \$169,394 and \$95,606 were allocated, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing date of the private placement. The Company paid \$8,831 of cash finders' fees and issued 63,900 finder's warrants each exercisable to acquire a common share at an exercise price of \$0.125 until July 12, 2012. A fair value of \$4,901 was assigned to these finders' warrants, and \$23,182 of share issue costs were also incurred in connection with this private placement.
- f) The Company completed a non-brokered private placement for a total of 9,000,000 units at a price of \$0.30 per unit for gross proceeds of \$2,700,000, with a first tranche of 3,916,671 units closed on October 25, 2010 and a second tranche of 5,083,329 units closed on November 8, 2010. Each unit consists of one common share and one half of one common share purchase warrant exercisable to acquire one common share at a price of \$0.40 for a period of three years from the applicable closing date. Cash proceeds from the private placement of \$1,946,858 and \$753,142 were allocated, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing dates of the private placement. The Company paid a total of \$126,600 in cash finders' fees as well as \$29,375 in finance fees, and issued a total of 727,837 finder's warrants each exercisable to acquire a common share at a price of \$0.40 per share for a period of 2 years from closing. A fair value of \$325,670 was assigned to these finders' warrants. In addition, the Company granted a total of 188,127 finders units at a deemed price of \$0.30 per unit. Each finder's unit consists of one common share and one-half of one non-transferable common share purchase warrant with the same terms as the private placement warrants. A fair value of \$40,665 and \$15,473 was allocated, respectively, to the common shares and warrants issued on these finders' units. \$114,905 of share issue costs were also incurred in connection with this private placement.
- g) During the period ended December 31, 2010, 475,000 stock options were exercised at an average price of \$0.16 for total proceeds of \$77,900. A fair value of \$147,698 was transferred to share capital on the exercise of these options.
- h) During the period ended December 31, 2010, 5,098,472 warrants were exercised at an average price of \$0.22 for total proceeds of \$1,116,214. A fair value of \$237,329 was transferred to share capital on the exercise of these warrants.
- i) During the period ended December 31, 2010, 286,000 brokers' compensation options were exercised at a price of \$0.10 for total proceeds of \$28,600. A fair value of \$38,112 was transferred to share capital and \$12,526 was allocated to the 286,000 brokers' warrants issued.
- j) On September 8, 2010, the Company issued 200,000 common shares valued at \$46,000 as an option payment toward the acquisition of a 65% interest in the Eden Lake property.

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**NOTE 6 - SHARE CAPITAL (cont'd)**

**WARRANTS**

	Number	Weighted Average Exercise Price
Balance, March 31, 2009	3,894,125	\$ 0.54
Expired	(3,020,500)	0.63
Issued	6,231,092	0.24
Balance, March 31, 2010	7,104,717	0.24
Exercised	(5,098,472)	0.22
Issued	8,052,303	0.34
Expired	(12,500)	0.25
Balance, December 31, 2010	10,046,048	\$ 0.33

As of December 31, 2010, the following warrants were outstanding:

Expiry Date	Number of Warrants Outstanding	Exercise Price
November 3, 2011	750,000	\$ 0.20
December 30, 2011	101,700	\$ 0.225
January 20, 2012	1,820,000	\$ 0.30
June 24, 2012	261,003	\$ 0.15
July 12, 2012	54,945	\$ 0.125
July 12, 2013	1,737,000	\$ 0.25
October 25, 2012	391,667	\$ 0.40
November 25, 2012	336,170	\$ 0.40
October 25, 2013	1,958,335	\$ 0.40
November 25, 2012	2,635,228	\$ 0.40
	10,046,048	

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**NOTE 6 - SHARE CAPITAL (cont'd)**

**STOCK OPTIONS**

The Board of Directors is authorized, pursuant to the Company's Stock Option Plan, to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares. The exercise price for a stock option must not be less than the market price of the Company's common shares at the time the option is granted, less applicable discounts permitted by the TSX Venture Exchange. Stock options granted under this plan may be exercisable over a period not exceeding five years.

A summary of the changes in the Company's stock options is presented below:

	Number	Weighted Average Exercise Price
Balance, March 31, 2009	1,250,000	\$ 0.18
Granted	825,000	0.16
Expired	(250,000)	0.15
Balance, March 31, 2010	1,825,000	0.15
Granted	1,245,000	0.265
Exercised	(475,000)	0.17
Balance, December 31, 2010 – Outstanding	2,595,000	\$ 0.21
Balance, December 31, 2010 – Exercisable	2,595,000	\$ 0.21

As of December 31, 2010, the following options were outstanding:

	Number of Options Outstanding	Exercise Price
September 18, 2011	100,000	\$ 0.15
August 15, 2012	250,000	\$ 0.15
January 7, 2014	290,000	\$ 0.15
January 20, 2014	130,000	\$ 0.15
November 6, 2014	440,000	\$ 0.15
November 30, 2014	60,000	\$ 0.17
February 10, 2015	70,000	\$ 0.175
February 23, 2015	70,000	\$ 0.20
September 13, 2015	1,185,000	\$ 0.265
	2,595,000	\$ 0.21

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**NOTE 6 - SHARE CAPITAL (cont'd)**

**FINDERS' OPTIONS**

	Number	Weighted Average Exercise Price
Balance, March 31, 2009	78,125	\$ 0.32
Expired	(78,125)	0.32
Issued (Note 6a)*	315,000	0.10
Balance, March 31, 2010	315,000	0.10
Exercised	(286,000)	0.10
Balance, December 31, 2010	29,000	\$ 0.10

\* Exercisable until November 3, 2011.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

Related party transactions not disclosed elsewhere in these statements are as follows:

- a) During the nine months ended December 31, 2010, \$106,680 (2009 - \$63,290) was charged by a private company controlled by the President of the Company for management and geological consulting fees. At December 31, 2010, \$12,880 (March 31, 2010 - \$16,537) was owed to this company.
- b) In fiscal 2008, a company owned by a director loaned to the Company an aggregate of \$100,000, of which \$50,000 was repaid in 2009. The loans were evidenced by way of promissory notes, which bear interest at the rate of prime plus 4% per annum and matured in 2008. As the notes were not repaid on maturity, they became due on demand and any unpaid principal and accrued interest continue to bear interest at the rate of prime plus 3% per annum. During the nine months ended December 31, 2010, the interest accrued totaled \$3,116 (2009 - \$3,965). As of December 31, 2010, the loans have been repaid and therefore a balance of Nil (March 31, 2010 - \$51,290) was owed on the notes.
- c) During the nine months ended December 31, 2010, the Company incurred \$95,950 (2009 - \$22,927) of legal fees and share issue costs to a law firm in which a director of the Company is a principal. At December 31, 2010, \$3,616 (March 31, 2010 - \$19,753) was owed to this firm.
- d) During the nine months period ended December 31, 2010, \$32,620 (2009 - \$21,645) of consulting fees were incurred to a private company controlled by a director of the Company. At December 31, 2010, \$10,860 (March 31, 2010 - \$7,560) was owed to this company.
- e) During the nine months ended December 31, 2010, the Company paid \$10,180 (2009 – Nil) in rent in connection with an office sub-lease the Company entered into with a company owned by a director (see Note 8b).
- f) In connection with the non-brokered private placements dated July 5 and July 12, 2010 (see Notes 6d, and 6e) a director of the Company purchased a total of 3,966 shares of the Company for gross proceeds of \$595.
- g) In connection with the private placement dated July 12, 2010 (see Note 6e) a company controlled by a director of the Company purchased 96,000 units for gross proceeds of \$12,000.

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**NOTE 8 – COMMITMENTS**

- a) The Company entered into a sub-lease with a company owned by a director for office premises which commenced June 1, 2010, and expires on June 30, 2011. The following is a summary of the future lease commitments:

Fiscal 2011	\$21,231
Fiscal 2012	5,454

**NOTE 9 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

In accordance with Canadian GAAP, financial instruments are classified into one of the five following categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. Cash and cash equivalents are designated as held-for-trading and their carrying value approximates fair value as they are cash or they are readily convertible to cash in the normal course. Amounts receivable and amounts due from related parties are classified as loans and receivables. Their carrying value approximates fair value due to their limited time to maturity and ability to convert them to cash in the normal course. Accounts payable and accrued liabilities, and other long term debt are classified as other financial liabilities.

Amended CICA section 3862 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1- quoted prices in active markets for identical assets or liabilities;

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

Level 3- inputs for the asset or liability that are not based upon observable market data.

At December 31, 2010, the following table sets forth the levels in the fair value hierarchy in which the Company's financial assets and liabilities are measured and recognized in the balance sheet. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Level 1
Cash and cash equivalents	\$ 383,049
Short-term investments	\$3,250,000

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**NOTE 9 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)**

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At December 31, 2010, there were no financial assets or liabilities measured and recognized in the balance sheet at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

The fair values of the Company's cash, short-term investments, other receivables, accounts payables and accrued liabilities, due to related parties and promissory notes approximate their carrying values. The Company's financial instruments are exposed to certain financial risks including credit risk, liquidity risk, and commodity-price risk.

a) Credit risk

The Company's cash, cash equivalents, and short-term investments are held in a Canadian financial institution. The Company does not have any asset-backed commercial paper in its cash equivalents. The Company's other receivables consist primarily of goods and services tax due from the federal government of Canada.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

c) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of several commodities. The Company has not hedged any potential future commodity sales. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

d) Sensitivity analysis

The Company has, for accounting purpose, designated its cash, cash equivalents, and short-term investments as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities are classified for accounting purpose as other financial liabilities which are measured at amortized cost. As at December 31, 2010, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected significantly by interest rate risk, foreign currency risk and price risk. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk. Commodity price risk could, however, affect the Company. In particular, the Company's future profitability and viability of development depends upon world markets for natural resources. As of December 31, 2010, the Company was not a producing entity. As a result, commodity price risk could affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken.

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**NOTE 10 - MANAGEMENT OF CAPITAL RISK**

The Company manages its cash, common shares, stock options, finder's options and warrants as capital (Note 6). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not currently pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments issued by a major Canadian chartered bank, with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

**NOTE 11 – SUBSEQUENT EVENTS**

Subsequent to December 31, 2010:

- a) 1,390,000 stock options of the Company with an expiry date of January 27, 2016 were granted to officers, directors, consultants, and advisors to the Company at an exercise price of \$0.50 and 85,000 stock options of the Company with an expiry date of January 27, 2016 were granted to an advisor to the Company at an exercise price of \$0.40. The latter set of stock options granted vest as to 50% six months after they were granted and as to 50% 12 months after they were granted.
- b) 787,754 warrants were exercised for gross proceeds of \$215,614.
- c) 6,500 finders' options were exercised for gross proceeds of \$650.
- d) On February 8, 2011 the Company's common shares were listed on the OTCQX tier of the OTC market in the U.S. As part of this, the Company has obtained a "manual exemption" by making certain filings with Standard and Poor's.