MEDALLION RESOURCES LTD.

(An Exploration-Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010
(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statement; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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 the financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

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

	June 30, 2010	March 31, 2010
	(Unaudited)	(Audited)
ASSETS		
Current		
Cash	$ 185,888	$ 230,669
Prepaid Expenses and Other Receivables	58,102	53,745
	243,990	284,414
Mineral Properties (Note 3)	297,436	192,689
Reclamation Bond (Note 4)	11,951	11,951
Equipment (Note 5)	2,097	2,363
	$ 555,474	$ 491,417
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities	$ 121,331	$ 58,057
Due to Related Parties (Note 7)	59,870	43,850
Promissory Notes (Note 7)	51,957	51,290
	233,158	153,197
SHAREHOLDERS' EQUITY (DEFICIT)		
Share Capital (Note 6)	$ 11,481,989	$ 11,372,638
Warrants (Note 6)	362,979	362,979
Contributed Surplus (Note 6)	521,441	544,581
Share Subscription	9,250	
Deficit	(12,053,343)	(11,941,978)
	322,316	338,220
	$ 555,474	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 STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the Three Months Ended June 30
(Unaudited)

	2010	2009
Expenses		
Amortization	$ 266	$ 483
Consulting Fees (Note 7)	20,625	14,103
Investor Relations	24,419	4,044
Management Fees (Note 7)	24,750	21,690
Marketing	-	1,000
Office and General	10,702	19,511
Professional Fees (Note 7)	22,485	11,756
Exploration Expenditures on Written Off Properties and Property Investigation	-	4,176
Rent	5,682	5,017
Transfer Agent and Filing Fees	2,476	1,013
	(111,405)	(82,793)
Other Items		
Interest Income and Other	40	10
Gain on Sale of Marketable Securities	-	4,854
Write Off of Mineral Property (Note 3)	-	(57,689)
Write Off of Financing Costs		(42,694)
Net Loss and Comprehensive Loss for the Period	$ (111,365)	$ (178,312)
Loss per Share		
Basic and Diluted	$ (0.00)	$ (0.01)
Weighted Average Shares Outstanding	23,414,406	15,222,153

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

MEDALLION RESOURCES LTD.
(An Exploration-Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Month Ended June 30
(Unaudited)

	2010	2009
Cash Flow Provided By (Used In)		
Operating Activities		
Net Loss for the Period	$ (111,365)	$ (178,312)
Adjusted for Items Not Involving Cash:		
Amortization	266	483
Gain on Sales of Marketable Securities	-	(4,854)
Write Off of Mineral Property	-	57,689
Write Off of Financing	-	42,694
Net Change in Non-cash Working Capital Items:		
Prepaid Expenses and Other Receivables	(4,357)	4,714
Accounts Payable and Accrued Liabilities	63,274	(4,656)
Accrued Interest on Promissory Notes	667	1,322
Due to Related Parties	16,020	38,027
	(35,495)	(42,893)
Investing Activities		
Mineral Property	(104,747)	(10,540)
	(104,747)	(10,540)
Financing Activities		
Issuance of Shares for Cash	160,000	-
Share Issuance Costs	(73,789)	-
Share Subscription	9,250	-
Proceeds from Sale of Marketable Securities	-	36,690
	95,461	36,690
Decrease in Cash	(44,781)	(16,743)
Cash, Beginning of Period	230,669	61,284
Cash, End of Period	$ 185,888	$ 44,541
Supplementary Net Cash-flow Information:		
Net Interest Paid	$ -	$ -
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, 2010and the Three Months Ended June 30, 2010
(Unaudited)

	Number of Common Shares	Amount	Share Subscription	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity (Deficit)
Balance, March 31, 2009	15,222,153	$10,799,183	$ -	$ 194,972	$ 256,415	$ 5,604	$(11,359,918)	$ (103,744)
Shares Issued On:								
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
Rounding	1	-	-	-	-	-	-	-
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)
Balance, March 31, 2010	23,338,583	11,372,638	-	362,979	544,581	-	(11,941,978)	338,220
Shares Issued On:								
Stock Options Exercised (Note 6d)	100,000	33,140	-	-	(23,140)	-	-	10,000
Private placement (Note 6e)	1,000,000	150,000	-	-	-	-	-	150,000
Share Issue Costs (Note 6e)	-	(73,789)		-	-	-	-	(73,789)
Share subscription	-	-	9,250	-	-	-	-	9,250
Net Loss for the Period	-	-	-	-	-	-	(111,365)	(111,365)
Balance, June 30, 2010	24,438,583	$ 11,481,989	$ 9,250	$ 362,979	$ 521,441	$ -	$ (12,053,343)	$ 322,316

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

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 property contains 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 $12,053,343 since inception. As at June 30, 2010, the Company's working capital was $10,832 (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, it currently has no material assets, liabilities or operations.

Estimates, Assumptions and Measurement Uncertainty
The preparation of consolidated financial statements in conformity with Canadian Generally Accepted Accounting Principles 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 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 on 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.

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 June 30, 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.

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.

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 and cash equivalents 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. Marketable securities are classified as available-for-sale which are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

CICA Handbook Section 3862 "Financial Instruments – Disclosure" requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA Handbook Section 3862 prioritizes the inputs into three levels that may be used to measure fair value:

a) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
b) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
c) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The Company's financial instruments consist principally of cash, other receivables, accounts payable and accrued liabilities, due to related parties, and promissory notes. Pursuant to CICA Handbook 3862, fair value of assets and liabilities measured on a recurring basis include cash and promissory notes determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of all of the other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

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 consolidated financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 2011, 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.

NOTE 3 – MINERAL PROPERTIES

	March 31, 2009	Expenditures/ Write offs	March 31, 2010	Expenditures/ Write offs	June 30, 2010
Everett Property					
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)	-	-	-
Eden Lake Property					
Property-acquisition costs	-	50,000	50,000	-	50,000
Claim staking	-	-	-	450	450
Exploration expenditures					
Field expenses	-	-	-	41,144	41,144
Geological	-	33,695	33,695	37,815	71,510
Geophysical	-	108,460	108,460	-	108,460
Other	-	534	534	20,411	20,945
	-	192,689	192,689	99,820	292,509
Red Wine Property					
Property-acquisition costs	-	-	-	2,160	2,160
Exploration expenditures	-	-	-	2,767	2,767
	-	-	-	4,927	4,927
Total Expenditures	$ 47,149	$ 145,540	$ 192,689	$ 104,747	$ 297,436

NOTE 3 – MINERAL PROPERTIES (Cont'd)

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 returns royalty in favour of a former underlying property owner.

Under the terms of the agreement, the Company is required to pay $1,450,000 ($50,000 paid), issue 1,800,000 common shares, 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.

RES has the right to purchase half (1.5%) of the former underlying property owner's 3% net smelter returns royalty at any time by making a cash payment of $1.5 million to the former underlying 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 licences comprising the Red Wine rare earth mineral property, Labrador.

Total consideration consists of $527,160 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 the 3% 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 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 June 30, 2010, the Company completed the necessary reclamation work on the Ocelot Property and is awaiting the funds to be released from the State of Nevada.

NOTE 5 - EQUIPMENT

	June 30, 2010	March 31, 2010
Computer equipment	$ 8,808	$ 8,808
Accumulated amortization	(6,711)	(6,445)
Net book value	$ 2,097	$ 2,363

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 to the common shares and warrants issued in the private placement, respectively, 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 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 to the common shares and warrants issued in the private placement, respectively, 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 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 April 22, 2010, 100,000 stock options were exercised at a price of $0.10 for total proceeds of $10,000. A fair value at the date of the issue of $23,140 was transferred to share capital.

e) On June 22, 2010, the Company closed the first tranche of a non-brokered private placement consisted of 1,000,000 flow-through shares at a price of $0.15 for gross proceeds of $150,000. The Company paid $12,150 in finders' fees and incurred $61,639 of share issue costs in connection with this private placement (Note 11).

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 and June 30, 2010	7,104,717	$ 0.24

As of June 30, 2010, the following warrants were outstanding:

Expiry Date	Number of Warrants Outstanding	Exercise Price
October 27, 2010	873,625	$0.25
November 3, 2011	3,900,000	$0.20
December 30, 2011	129,664	$0.225
January 20, 2012	2,150,000	$0.30
January 20, 2012	51,428	$0.225
	7,104,717	

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
Cancelled	(250,000)	0.15
Balance, March 31, 2010 – Outstanding	1,825,000	0.15
Exercised	(100,000)	0.10
Balance, June 30, 2010 – Outstanding	1,725,000	$ 0.16
Balance, June 30, 2010 – Exercisable	1,725,000	$ 0.16

NOTE 6 - SHARE CAPITAL (cont'd)

As of June 30, 2010, the following options were outstanding:

Expiry Date	Number of Options Outstanding	Exercise Price
September 18, 2011	100,000	$0.15
March 15, 2012	50,000	$0.15
August 15, 2012	290,000	$0.15
January 7, 2014	330,000	$0.15
January 20, 2014	130,000	$0.15
October 6, 2014	25,000	$0.12
November 6, 2014	475,000	$0.15
November 30, 2014	85,000	$0.17
February 10, 2015	70,000	$0.175
February 23, 2015	170,000	$0.20
	1,725,000	

FINDER'S 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 and June 30, 2010	315,000	$ 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 three months ended June 30, 2010, $24,750 (2009 - $21,690) was charged by a private company controlled by the President of the Company for management fees and $5,170 (2009 - $540) for geological consulting fees. At June 30, 2010, $Nil (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 three moths ended June 30, 2010, the interest accrued totaled $667 (2009 - $3,322).

   As of June 30, 2010, the balance of $51,957 (March 31, 2010 - $51,290) was owing on the notes.

c) During the three months ended June 30, 2010, the Company incurred $14,686 (2009 - $6,845) of legal fees and $27,734 (2009 - $Nil) of share issue costs to a law firm in which a director of the Company is a principal. At June 30, 2010, $52,310 (March 31, 2010 - $19,753) was owed to this firm.

d) During the three months period ended June 30, 2010, $10,800 (2009 - $7,065) of consulting fees were incurred to a private company controlled by a director of the Company. At June 30, 2010, $7,560 (March 31, 2010 - $7,560) was owed to this company.

e) No amount was paid or is payable on account of rent for the month of June 2010 in connection with the sub-lease the Company entered into with a company owned by a director (see Note 8b). Rent payments commenced effective July 1, 2010.

f) In connection with the non-brokered private placements dated June 22 and July 5, 2010 (see Notes 6e and 11a) 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 11b) a company controlled by a director of the Company purchased 96,000 units for gross proceeds of $12,000.

NOTE 8 – COMMITMENTS

a) On November 15, 2009, the Company entered into an investor relations agreement and agreed to grant 50,000 stock options and pay $2,500 per month for a term of six months.

b) 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

The fair values of the Company's cash, 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 and cash equivalents 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 and cash equivalents 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 June 30, 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 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 affect the Company. In particular, the Company's future profitability and viability of development depends upon world markets for natural resources. As of June 30, 2010, the Company was not a producing entity. As a result, commodity price risk could affect the completion of future equity transaction 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.

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 the 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 pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments, 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.

The Company is currently assessing financing alternatives for its exploration plans and operations through its current operating period.

NOTE 11 – SUBSEQUENT EVENTS

a) On July 5, 2010, the Company closed a second tranche of a non-brokered private placement consisting of 1,999,999 flow-through shares at a price of $0.15 for gross proceeds of $300,000. The Company paid $18,000 of finders' fees in cash and issued 261,003 finder's warrants exercisable at $0.15 until July 5, 2012.

b) On July 12, 2010, the Company closed 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. The Company paid $8,831 of finders' fees in cash and issued 63,900 finder's warrants exercisable at $0.125 until July 12, 2012.

c) On July 14, 2010, the Company received TSX Venture Exchange acceptance of the Eden Lake property option agreement.