MEDALLION RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2007 AND 2006

LANCASTER & DAVID
CHARTERED ACCOUNTANTS

Incorporated Partners
David E. Lancaster, CA
Michael J. David, CA

AUDITORS' REPORT

To the Shareholders of Medallion Resources Ltd.:

We have audited the consolidated balance sheets of Medallion Resources Ltd. as at March 31, 2007 and 2006 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ Lancaster & David

CHARTERED ACCOUNTANTS

Vancouver, BC
June 29, 2007

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

		March 31, 2007		March 31, 2006
ASSETS				
Current				
Cash and Cash Equivalents	$	82,001	$	4,351
Prepaid Expenses and Other Receivables		3,010		2,960
Marketable Securities (Note 3)		39,547		39,547
		124,558		46,858
Mineral Property (Note 4)		377,217		123,453
Reclamation Bond (Note 5)		22,833		-
	$	524,608	$	170,311
LIABILITIES				
Current				
Accounts Payable and Accrued Liabilities	$	60,079	$	57,269
Due to Related Party (Note 6)		-		4,901
		60,079		62,170
SHAREHOLDERS' EQUITY				
Share Capital (Note 7)		9,805,684		9,282,484
Contributed Surplus		121,992		24,962
Deficit		(9,463,147)		(9,199,305)
		464,529		108,141
	$	524,608	$	170,311

Continuance of Operations (Note 1)
Subsequent Event (Note 9)

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 LOSS AND DEFICIT

For The Years Ended March 31

		2007		2006
Revenue				
Interest Income	$	3,439	$	841
Expenses				
Consulting Fees		15,870		9,282
Investor Relations		21,195		2,648
Management Fees (Note 6)		59,500		37,850
Office and General		26,573		16,482
Professional Fees		48,013		23,525
Stock-based Compensation		91,270		23,140
Transfer Agent and Filing Fees		4,860		15,251
		267,281		128,178
Net Loss for the Year		(263,842)		(127,337)
Deficit, Beginning of Year		(9,199,305)		(9,071,968)
Deficit, End of Year	$	(9,463,147)	$	(9,199,305)
Loss per Share				
Basic and Diluted	$	(0.04)	$	(0.02)
Weighted average shares outstanding		6,930,000		5,643,000

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 Years Ended March 31

	2007	2006
Cash Flow Provided By (Used in)		
Operating Activities		
Net Loss for the Year	$ (263,842)	$ (127,337)
Adjusted for items not involving cash:		
Stock-based Compensation	91,270	23,140
Net change in non-cash working capital items:		
Prepaid Expenses and Other Receivables	(50)	(1,007)
Accounts Payable and Accrued Liabilities	2,810	12,250
Due to Related Party	(4,901)	4,901
	(174,713)	(88,053)
Investing Activities		
Mineral Property	(229,764)	(86,934)
Reclamation Bond	(22,833)	-
	(252,597)	(86,934)
Financing Activities		
Issuance of Shares for Cash	510,001	16,000
Share Issue Costs	(5,041)	-
	504,960	16,000
Increase (Decrease) in Cash and Cash Equivalents	77,650	(158,987)
Cash and Cash Equivalents, Beginning of Year	4,351	163,338
Cash and Cash Equivalents, End of Year	$ 82,001	$ 4,351
Supplementary Net Cash-flow Information:		
Net Interest Paid	$ 600	$ -
Net Tax Paid	$ -	$ -

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 currently has an option to acquire an interest in the Ocelot gold-exploration property in Nevada, United States. The Company is in the process of exploring its mineral properties and has not yet determined whether these 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 $9,463,147 since inception. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders and other related parties, its ability to obtain additional financing for the continuing exploration and development of its resource properties and the attainment of profitable operations. These consolidated 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These financial statements have been prepared on a consolidated basis and includes 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 is 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. Medallion Resources (USA) Inc. now holds the Company's material asset consisting of its rights in respect of the Ocelot property; however, it has no other 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. Actual results could differ from those 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. As at March 31, 2007 and 2006, there were no cash equivalents.

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 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. An 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 Canadian Institute of Chartered Accountants 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 March 31, 2007, no asset retirement obligation has been recognized.

Loss per share
The loss per shares figure is calculated using 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 losses per share are the same as the inclusion of common share equivalents would be anti-dilutive.

Stock-based compensation plan
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, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus under shareholders' equity. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to share capital.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Recent Accounting Policies
In April 2005, the Canadian Institute of Chartered Accountants issued two new accounting standards: Handbook section 1530, *"Comprehensive Income"*, and Handbook section 3855, *"Financial Instruments - Recognition and Measurement"*. These sections are effective for fiscal years beginning on or after October 1, 2006. These new standards require certain financial assets and liabilities to be measured at fair value and establish a new measure of income, comprehensive income, to represent the change in net assets other than changes attributable to transactions with the Company's shareholders. The Company has not yet adopted these new standards and is currently assessing the implications of the new accounting standards on their consolidated financial statements.

Financial instruments
The fair values of cash and cash equivalents, prepaid expenses and other receivables, marketable securities, accounts payable and accrued liabilities, and due to related party were estimated to approximate their carrying values due to the immediate or short term maturity of these financial instruments. The Company operates in Canada and United States giving rise to significant exposure to market risks from changes in interest rates and foreign exchange rates. The financial risk is the risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. Management does not believe the Company is exposed to significant credit or interest rate risks.

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 3 – MARKETABLE SECURITIES

At March 31, 2007, the Company owned 600,000 shares of American Bonanza Gold Corp. ("Bonanza"). The investment represents less than a 1% equity interest in Bonanza and is carried at a cost of $39,547 (March 31, 2007 - market value $186,000; March 31, 2006 - market value $360,000).

NOTE 4– MINERAL PROPERTY

Ocelot Property, Nevada, U.S.A.
On April 3, 2006, the Company entered into a Mining Lease and Option to Purchase Agreement (the "Option Agreement"), as subsequently amended with Carl Pescio and Robert Foster (the "Vendors"), pursuant to which the Vendors leased the property to the Company and granted to the Company an option to acquire a 100% interest in 13 core mineral claims at the Ocelot gold-exploration property in Nevada. In addition, the Company staked an additional 142 new mineral claims in the immediate area and contributed them to the Ocelot property for the purpose of the Option Agreement. The Ocelot property now comprises 155 unpatented mineral claims covering approximately 3,100 acres in Lander County, 40 km north of Austin, Nevada.

The terms of the Option Agreement require the Company to issue to the Vendors 50,000 common shares of the Company (issued) and to pay to the Vendors annual advance royalty payments in the aggregate amount of US$735,000 until September 26, 2011, and US$200,000 on September 26 of each successive year thereafter. All advance royalty payments are credited against a net smelter return royalty of 3% (of which 1% may be purchased at the Company's option for US$2,000,000). In addition, the Option Agreement requires a drilling work commitment on the property of 11,500 feet on or before September 26, 2007 and 7,500 feet per year thereafter, until completion of a bankable-feasibility study. To date none of the required drilling has been completed. In the event that the 11,500-foot commitment has not been completed by September 26, 2007, negotiations with the vendors indicate that an extension is likely to allow this commitment to be completed within the coming year.

NOTE 4– MINERAL PROPERTY (cont'd)

During the year ended March 31, 2007, the Company paid a total of $94,493 (US$85,000) in advance royalty payments and issued 50,000 shares with a fair value of $24,000 (Note 7b) to the Vendors. As of March 31, 2007, the Company has incurred a total of $187,536 (2006 - $69,043) in acquisition costs and $189,681 (2006 - $54,410) in exploration expenditures on the Ocelot property.

	Balance March 31, 2005	Expenditures for the year	Balance March 31, 2006	Expenditures for the year	Balance March 31, 2007
Ocelot Property					
Property acquisition costs	$ -	$ 69,043	$ 69,043	$ 118,493	$ 187,536
Exploration expenditures					
Geological consulting	-	54,410	54,410	51,983	106,393
Drilling	-	-	-	39,307	39,307
Field costs	-	-	-	20,285	20,285
License fees and dues	-	-	-	23,696	23,696
Total Expenditures	$ -	$ 123,453	$ 123,453	$ 253,764	$ 377,217

NOTE 5 – RECLAMATION BOND

The Company was required to post a reclamation bond which covers the cost to reclaim the surface lands disturbed during its exploration programs at the Ocelot Property. During 2007, the Company paid $22,833 for the bond required to cover the exploration program. The Company must complete certain reclamation work for these funds to be released, but may leave the bond in place for future exploration programs, even if such work is completed.

NOTE 6 – RELATED PARTY TRANSACTIONS

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

a) During the year ended March 31, 2007, $59,500 (2006 - $37,850) was charged by a private company controlled by the President of the Company for management fees. At March 31, 2007, $Nil (2006 - $4,901) was owed to this private company.

b) During the year ended March 31, 2007, a director of the Company loaned to the Company $67,200 (US$60,000) to fund the initial costs of the acquisition of the Ocelot Property. The loan was evidenced by way of a promissory note, and was unsecured, repayable after one year and bore interest at a rate of prime plus 2% per annum. During the year ended March 31, 2007, the promissory note and accrued interest of $600 were paid in full.

NOTE 7 - SHARE CAPITAL

Authorized share capital consists of 100,000,000 common shares without par value.

	Number	Amount	Contributed Surplus
Balance, March 31, 2005	5,485,391	$ 9,265,647	$ 2,659
Issued during the year:			
Stock options exercised (Note 7a)	160,000	16,000	-
Fair value of stock options exercised	-	837	(837)
Stock-based compensation	-	-	23,140
Balance, March 31, 2006	5,645,391	$ 9,282,484	$ 24,962
Issued during the year:			
Property acquisition (Note 7b)	50,000	24,000	-
Private placement (Note 7c)	1,700,002	510,001	-
Shares issue costs	-	(10,801)	5,760
Stock-based compensation	-	-	91,270
Balance, March 31, 2007	7,395,393	$ 9,805,684	$ 121,992

a) During the year ended March 31, 2006, 160,000 stock options were exercised at an exercise price of $0.10 per share.

b) On July 5, 2006, 50,000 common shares were issued at a deemed price of $0.48 per share towards the acquisition of the Ocelot Property (Note 4).

c) On July 5, 2006, the Company completed a non-brokered private placement for 1,700,002 units (the "Units") at a price of $0.30 per Unit for gross proceeds totaling $510,001. Each Unit consists of one common share and one non-transferable warrant (a "Warrant"). Each Warrant allows the subscriber to purchase one additional common share at a price of $0.40 per share until July 5, 2008. Finder's fees of $5,041 were paid in cash and 21,000 finder's warrants ("Finder's Warrants") were issued. Each Finder's Warrant may be exercised to purchase one common share of the Company at an exercise price of $0.30 per share until July 6, 2007. The fair value of $5,760 was recorded for the finder's fees.

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 an option must not be less than the market price of the common shares at the time the option is vested less applicable discounts permitted by the TSX Venture Exchange. Options granted under this plan may be exercisable over a period not exceeding five years.

A summary of the changes in the Company's common share purchase options is presented below:

	Number	Weighted Average Exercise Price
Balance, March 31, 2005	530,000	$ 0.10
Granted	140,000	0.14
Exercised	(160,000)	0.10
Expired	(90,000)	0.10
Balance, March 31, 2006	420,000	0.11
Granted	250,000	0.31
Balance, March 31, 2007	670,000	$ 0.19

NOTE 7 - SHARE CAPITAL (cont'd)

STOCK OPTIONS (cont'd)

Expiry Date	Number of Options Outstanding & Exercisable	Exercise Price
June 5, 2007*	280,000	0.10
April 21, 2010	100,000	0.10
February 11, 2011	40,000	0.24
September 18, 2011	100,000	0.30
October 4, 2011	100,000	0.30
March 15, 2012	50,000	0.36
	670,000	

*Subsequent to year end, these options were exercised.

WARRANTS

Expiry Date	Number of warrants outstanding	Exercise Price
July 5, 2007	21,000	0.30
July 5, 2008	1,700,002	0.40
	1,721,002	

STOCK-BASED COMPENSATION

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. The fair value of the options and Finder's Warrants granted during the year ended March 31, 2007 totaled $97,030.

The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options and Finder's Warrants granted during the year:

	March 31, 2007	March 31, 2006
Risk-free interest rate	3.90-4.27%	3.35-3.98%
Annualized volatility	113-126%	146-151%
Expected dividend yield	Nil	Nil
Expected option life in years	1-4 years	4 years

NOTE 8 – INCOME TAXES

The Company has non-capital losses for income tax purposes of approximately $700,000 (2006 - $1,010,000), which may by used to reduce future taxable income in Canada, expiring between 2008 and 2027. The Company has a net capital loss of $134,000 (2006 - $134,000), which can be carried forward to set against future taxable capital gains. The Company has unclaimed exploration and development expenditures of approximately $4,664,000 (2006 - $4,286,000) which can be deducted for income tax purposes in Canada in future years at the Company's discretion.

NOTE 8 – INCOME TAXES (cont'd)

Significant components of the Company's future tax assets and liabilities are shown below:

	2007	2006
Future tax assets (liabilities):		
Non-capital loss carryforwards	$ 265,100	$ 348,300
Unclaimed foreign exploration and development expenditures	389,000	265,600
Unclaimed Canadian exploration and development expenditures	1,383,200	1,248,600
Timing difference re: capital assets	1,300	1,200
Capital loss carryforwards	51,100	46,400
Total future tax assets	2,089,700	1,910,100
Valuation allowance	(2,089,700)	(1,910,100)
Net future tax assets	$ -	$ -

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period. A valuation allowance has been provided against all net future tax assets, as realization of such net assets is uncertain.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent to the year end, 280,000 stock options were exercised at an exercise price of $0.10 per share and 21,000 Finder's Warrants expired.