

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008 AND 2007**

**CONSOLIDATED BALANCE SHEETS**

**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**AUDITORS' REPORT**

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To the Shareholders of Medallion Resources Ltd.:

We have audited the consolidated balance sheets of Medallion Resources Ltd. as at March 31, 2008 and 2007 and the consolidated statements of loss and deficit, comprehensive income 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, 2008 and 2007, 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  
July 24, 2008

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED BALANCE SHEETS**  
**As of March 31**

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and Cash Equivalents	\$ 656,528	\$ 82,001
Prepaid Expenses and Other Receivables	8,555	3,010
Marketable Securities (Note 3)	90,000	39,547
	755,083	124,558
<b>Mineral Properties (Note 4)</b>	489,677	377,217
<b>Reclamation Bond (Note 5)</b>	23,415	22,833
<b>Equipment (Note 6)</b>	5,622	-
	\$ 1,273,797	\$ 524,608
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts Payable and Accrued Liabilities	\$ 71,397	\$ 60,079
Promissory Notes (Note 8)	103,708	-
	175,105	60,079
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 7)</b>	10,308,365	9,805,684
<b>Contributed Surplus (Note 7)</b>	334,041	121,992
<b>Accumulated Other Comprehensive Income (Note 10)</b>	50,452	-
<b>Deficit</b>	(9,594,166)	(9,463,147)
	1,098,692	464,529
	\$ 1,273,797	\$ 524,608

**Continuance of Operations (Note 1)**  
**Subsequent Events (Note 12)**

**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**

	<b>2008</b>	<b>2007</b>
<b>Revenue</b>		
Interest Income	\$ 4,517	\$ 3,439
<b>Expenses</b>		
Amortization	1,632	-
Consulting Fees	16,670	15,870
Investor Relations	21,470	21,195
Management Fees (Note 8)	70,168	59,500
Office and General	33,754	26,573
Professional Fees	58,172	48,013
Property Investigation	14,543	-
Stock-based Compensation	58,235	91,270
Transfer Agent and Filing Fees	30,892	4,860
	305,536	267,281
<b>Loss Before Taxes</b>	(301,019)	(263,842)
Income Tax Recovery	(170,000)	-
<b>Net Loss for the Year</b>	(131,019)	(263,842)
<b>Deficit, Beginning of Year</b>	(9,463,147)	(9,199,305)
<b>Deficit, End of Year</b>	\$ (9,594,166)	\$ (9,463,147)
Loss per Share		
Basic and Diluted	\$ (0.04)	\$ (0.04)
<b>Weighted average shares outstanding</b>	8,230,275	6,930,000

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

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Years Ended March 31**

	<b>2008</b>	<b>2007</b>
<b>Net Loss For the Year</b>	\$ (131,019)	\$ (263,842)
Other Comprehensive Income:		
Unrealized gain on available-for-sale securities (Note 10)	50,452	-
<b>Comprehensive Loss For the Year</b>	<u>\$ (80,567)</u>	<u>\$ (263,842)</u>

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**

	2008	2007
<b>Cash Flow Provided By (Used in)</b>		
<b>Operating Activities</b>		
Net Loss for the Year	\$ (131,019)	\$ (263,842)
Adjusted for items not involving cash:		
Amortization	1,632	-
Stock-based Compensation	58,235	91,270
Income Tax Recovery	(170,000)	-
Net change in non-cash working capital items:		
Prepaid Expenses and Other Receivables	(5,545)	(50)
Accounts Payable and Accrued Liabilities	(9,360)	2,810
Accrued Interest on Promissory Note	3,708	-
Due to Related Party	-	(4,901)
	(252,349)	(174,713)
<b>Investing Activities</b>		
Purchase of Equipment	(7,254)	-
Mineral Property	(91,783)	(229,764)
Reclamation Bond	(582)	(22,833)
	(99,619)	(252,597)
<b>Financing Activities</b>		
Issuance of Shares for Cash	892,500	510,001
Share Issue Costs	(66,005)	(5,041)
Promissory Notes	100,000	-
	926,495	504,960
<b>Increase in Cash and Cash Equivalents</b>	574,527	77,650
<b>Cash and Cash Equivalents, Beginning of Year</b>	82,001	4,351
<b>Cash and Cash Equivalents, End of Year</b>	\$ 656,528	\$ 82,001
<b>Supplementary Net Cash-flow Information:</b>		
Net Interest Paid	\$ -	\$ 600
Net Income Taxes Paid	\$ -	\$ -

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

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2008**

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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 currently has an option to acquire an interest in the Ocelot gold-exploration property in Nevada, USA, and signed letters of intent to option the Amazing Grace gold property in British Columbia and the Lodi Hills gold property in Nevada, USA. 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 \$9,594,166 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.

**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, 2008 and 2007, there were no cash equivalents.

**Equipment**

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

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

**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 funds to 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, 2008, no asset retirement obligation has been recognized.

**Loss per share**

The loss per shares 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 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, 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.

**Share Capital**

Proceeds from the sale of flow-through shares are credited to share capital. The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. Future income taxes related to temporary differences arising on renunciation of expenditures to subscribers are recognized as a reduction of income tax expense in the statement of loss and deficit on the date that the Company renounces the deductions for investors. During the year ended March 31, 2008, the Company recorded a recovery of future income tax of \$170,000 with respect to renounced flow-through shares totaling \$500,000. 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.



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

**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.

**Adoption of New Accounting Policies**

a) **Financial Instruments – Recognition and Measurement, Hedging and Comprehensive Income**

Effective April 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; and Section 3865, Hedges, prospectively without restatement. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections had no impact on the opening deficit.

Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in 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, as follows: 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 investment is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, 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.

b) **Financial Instruments - Disclosures**

In March 2007, the CICA issued Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial instruments - Presentation, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. These sections apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Effective March 31, 2008, the Company implemented these disclosures, although the adoption of these sections did not impact the Company.

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2008**

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

c) Capital disclosures

Effective March 31, 2008, the Company early adopted Section 1535 of the CICA Handbook, Capital Disclosures. This section, which applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, establishes standards for disclosing information about an entity's capital and how it is managed. The main features of this new section are:

- Provide information that enables users of the Company's financial statements to evaluate the entity's objectives, policies and processes for managing capital;
- Summary quantitative data about what the entity manages as capital;
- Whether the entity has complied with any capital requirements; and
- If it has not complied, the consequences of non-compliance.

d) Accounting changes

Effective April 1, 2007, the Company adopted new Section 1506, Accounting Changes. The main features of this section are as follows:

- Voluntary changes in accounting policy are made only if they result in the financial statements providing more reliable and relevant information;
- Changes in accounting policies are applied retrospectively unless doing so is impracticable;
- Prior period errors are corrected retrospectively; and
- New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors.

**New accounting pronouncements**

a) Inventories

In June 2007, the CICA issued Section 3031, Inventories, which provides more guidance on the measurement and disclosure requirements for inventories. Specifically the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The new pronouncement is effective to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. The adoption of this section is not expected to impact the Company.

b) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This section is effective to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The adoption of this section is not expected to impact the Company.

c) Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ratified strategic plan that will result in Canadian generally accepted accounting principles (GAAP), as used by public companies, being evolved and converged with International Financial Reporting Standards (IFRS) over a transitional period currently expected to be complete by 2011. The conversion to IFRS will affect interim and annual financial statements relating to years beginning on or after January 1, 2011. The International Accounting Standards Board currently has projects underway that should result in new pronouncements. As a result, this Canadian convergence initiative is very much in its infancy as of the date of these statements. Consequently the Company has not yet determined the impact of the ultimate adoption of IFRS on the Company.

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2008**

**NOTE 3 – MARKETABLE SECURITIES**

At March 31, 2008, 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 market value of \$90,000 (March 31, 2007 – book value \$39,547; market value \$186,000).

**NOTE 4 – MINERAL PROPERTIES**

	Balance March 31, 2006	Expenditures for the year	Balance March 31, 2007	Expenditures for the year	Balance March 31, 2008
<u>Ocelot Property</u>					
Property acquisition costs	\$ 69,043	\$ 118,493	\$ 187,536	\$ -	\$ 187,536
Exploration expenditures					
Geological consulting	54,410	51,983	106,393	(1,858)	104,535
Drilling	-	39,307	39,307	-	39,307
Field costs	-	20,285	20,285	2,381	22,666
License fees and dues	-	23,696	23,696	12,585	36,281
	123,453	253,764	377,217	13,108	390,325
<u>Amazing Grace Property</u>					
Property acquisition costs	-	-	-	10,000	10,000
Exploration expenditures					
Geological consulting	-	-	-	48,764	48,734
Geophysical consulting	-	-	-	26,544	26,544
Sampling and assays	-	-	-	440	440
License fees and dues	-	-	-	1,137	1,137
	-	-	-	86,855	86,855
<u>Lodi Hills Property</u>					
Property acquisition costs	-	-	-	5,025	5,025
License fees and dues	-	-	-	7,472	7,472
	-	-	-	12,497	12,497
Total Expenditures	\$ 123,453	\$ 253,764	\$ 377,217	\$ 114,556	\$ 489,677

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.

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE 4 – MINERAL PROPERTIES (cont'd)**

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 by 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. Subsequent to year end, the Company agreed with the Vendors to amend the option terms. Refer to Note 12(b).

As of March 31, 2008, the Company has incurred a total of \$187,536 (2007 - \$187,536) in acquisition costs and \$202,789 (2007 - \$189,681) in exploration expenditures on the Ocelot property.

*Amazing Grace Property, British Columbia*

On October 25, 2007, the Company signed a Letter Agreement and on February 26, 2008 a Definitive Option Agreement (the "Agreement") to obtain an option to acquire a 100% interest in the Amazing Grace gold-exploration property, British Columbia. The property comprises 17 Crown mineral claims covering approximately 4,867 hectares.

The Agreement requires the Company to initially pay the vendor \$10,000 (paid) and issue 50,000 common shares (subsequently issued) of the Company upon acceptance the Agreement by TSX Venture Exchange ("TSXV"). In order to exercise the option to acquire a 100% interest in the property, subject to a 2% Net Smelter Return ("NSR") royalty, the Company must pay the vendor, over a period of five years, an aggregate of \$140,000 and issue an aggregate of an additional 150,000 common shares of the Company. Of the 2% NSR royalty in favour of the vendor, 1% can be purchased by the Company for \$1 million. The Company must also perform \$70,000 in exploration work on the property during the first year of the Agreement (subsequently incurred).

The Company entered into a Finder's Agreement, as amended on April 30, 2008, to pay a Finder's fee of \$15,000 and issue up to 20,000 common shares. The Company must pay \$2,500 (subsequently paid) on the date of the TSXV acceptance. An additional fee of \$2,500 will be paid at a date three months from the first Finder's fee payment. If the Company maintains the Agreement over a period of three years, it will pay the Finder, in stages, an aggregate of \$15,000 and issue to the Finder 20,000 common shares of the Company. If the Company exercises its option, it will grant to the Finder a 0.5% NSR royalty, of which one-half (0.25%) can be purchased by the Company for \$250,000.

*Lodi Hills Property, Nevada, U.S.A.*

On December 4, 2007, the Company signed a Letter Agreement for an option to acquire 100% of the Lodi Hills gold-exploration property, Nye County, Nevada. The property comprises 39 federal mineral claims covering 780 acres. At execution of the Letter Agreement, the Company paid US\$5,000 and reimbursed the owner US\$7,604 for claim filing fees.

To exercise the option to acquire 100% of the property, subject to a 2% NSR royalty in favor of the Owner, the Company must pay advance-minimum-royalty payments as follows: US\$20,000 on or before April 30, 2008 (subsequently suspended indefinitely), and an amount equal to the sum of the last property payment plus US\$5,000 on or before April 30 of each succeeding year after April 30, 2008 until the Company has paid an aggregate of US\$500,000 in advance-minimum-royalty payments. Upon TSXV acceptance of a definitive mineral lease and option agreement, the Company will issue to the Owner 50,000 common shares. The Company will be the operator of exploration programs on the property.

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2008**

**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. As of March 31, 2008, the Company paid \$23,415 (2007 - \$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 – EQUIPMENT**

	2008	2007
Computer equipment	\$ 7,254	\$ -
Accumulated amortization	(1,632)	-
Net book value	\$ 5,622	\$ -

**NOTE 7 - SHARE CAPITAL**

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

	Number	Amount	Contributed Surplus
Balance, March 31, 2006	5,645,391	\$ 9,282,484	\$ 24,962
Issued during the year:			
Property acquisition (Note 7a)	50,000	24,000	-
Private placement (Note 7b)	1,700,002	510,001	-
Share issue costs	-	(10,801)	5,760
Stock-based compensation	-	-	91,270
Balance, March 31, 2007	7,395,393	9,805,684	121,992
Issued during the year:			
Stock options exercised (Note 7c)	280,000	28,000	-
Private placement (Note 7d)	1,640,625	457,001	67,999
Private placement (Note 7e)	1,458,000	296,178	68,322
Shares issue costs (Notes 7d and e)	-	(109,902)	18,897
Fair value of stock options exercised (Note 7c)	-	1,404	(1,404)
Stock-based compensation	-	-	58,235
Tax benefit renounced to flow-through share subscribers	-	(170,000)	-
Balance, March 31, 2008	10,774,018	\$ 10,308,365	\$ 334,041

- a) On July 5, 2006, 50,000 common shares were issued at \$0.48 per share towards the acquisition of the Ocelot Property (Note 4).
- b) On July 5, 2006, the Company completed a non-brokered private placement of 1,700,002 units ("Units") at a price of \$0.30 per Unit for gross proceeds totaling \$510,001. Each Unit consisted of one common share and one non-transferable warrant. Each warrant allowed the subscriber to purchase one additional common share at a price of \$0.40 per share until July 5, 2008 (warrants subsequently expired in full). Finder's fees of \$5,041 were paid in cash and 21,000 finder's warrants ("Finder's Warrants") were issued. The fair value of \$5,760 was recorded for the finder's fees. During fiscal 2008, these finder's warrants expired.
- c) During the year ended March 31, 2008, 280,000 stock options were exercised at \$0.10 per share for proceeds of \$28,000. A fair value of \$1,404 was recognized on these exercised options.

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE 7 - SHARE CAPITAL (cont'd)**

- d) On December 28, 2007, the Company completed a non-brokered private placement of 1,562,500 units ("Units") at a price of \$0.32 per Unit for total gross proceeds of \$500,000. Each Unit consisted of one flow-through common share and one transferable common share purchase warrant. Each warrant is exercisable to acquire one non-flow-through common share of the Company at an exercise price of \$0.50 per share until December 28, 2008 and at an exercise price of \$0.75 per share until December 28, 2009. Cash proceeds from the private placement of \$432,001 and \$67,999 were allocated to the common shares and warrants constituting the units issued in the private placement, respectively, based on their relative fair values at the closing date of the private placement.

The Company paid due diligence fees of \$26,000 and issued to a finder 78,125 finders shares and 78,125 finder's options, exercisable to acquire 78,125 finder units at a price of \$0.32. Each finder unit will consist of one common share and one non-transferable common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of \$0.50 per share until December 28, 2008 and thereafter at an exercise price of \$0.75 per share until December 28, 2009. A fair value of \$9,431 was assigned to these finder's options.

- e) On February 14, 2008, the Company closed a non-brokered private placement consisting of 1,458,000 units ("Units") at a price of \$0.25 per Unit for gross proceeds of \$364,500. Each Unit consisted of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.50 per share until August 14, 2009. Cash proceeds from the private placement of \$296,178 and \$68,322 were allocated to the common shares and warrants comprising the units issued in the private placement, respectively, based on their relative fair values at the closing date of the private placement.

The Company paid \$18,250 of cash finder's fees and issued 73,000 finder's warrants on this private placement. The finder's warrants entitle the holder to purchase one common share of the Company at an exercise price of \$0.30 per share until February 14, 2009. A fair value of \$9,466 was allocated to these warrants.

**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 stock options is presented below:

	Number	Weighted Average Exercise Price
Balance, March 31, 2006	420,000	\$ 0.11
Granted	250,000	0.31
Balance, March 31, 2007	670,000	0.19
Exercised	(280,000)	0.10
Granted	290,000	0.25
Balance, March 31, 2008	680,000	\$ 0.25

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2008**

**NOTE 7 - SHARE CAPITAL (cont'd)**

As of March 31, 2008, the following options were outstanding:

Expiry Date	Number of Options Outstanding & Exercisable	Exercise Price \$
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
August 15, 2012	290,000	0.25
	<u>680,000</u>	

**FINDER'S OPTIONS**

	Number of Options	Exercise Price \$
Balance, March 31, 2007 and 2006	-	-
Granted (Note 7d)	78,125	0.32
Balance, March 31, 2008	<u>78,125</u>	<u>0.32</u>

**WARRANTS**

Expiry Date	Number of warrants outstanding	Exercise Price
July 5, 2008 (subsequently expired)	1,700,002	\$ 0.40
December 28, 2009	1,562,500	\$ 0.50/\$ 0.75*
August 14, 2009	1,458,000	\$ 0.50
February 14, 2009	<u>73,000</u>	<u>\$ 0.30</u>
	<u>4,793,502</u>	

\* These warrants are exercisable at \$0.50 per share until December 28, 2008 and at \$0.75 per share until December 28, 2009.

**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 granted during the year ended March 31, 2008 totaled \$58,235 (2007 - \$91,270).

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:

	2008	2007
Risk-free interest rate	3.05 - 4.30%	3.90-4.27%
Annualized volatility	119 - 124%	113-126%
Expected dividend yield	Nil	Nil
Expected option life in years	1 - 4 years	1 - 4 years

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2008**

**NOTE 8 – RELATED PARTY TRANSACTIONS**

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

- a) During the year ended March 31, 2008, \$70,168 (2007 - \$59,500) was charged by a private company controlled by the President of the Company for management fees and \$7,580 for geological consulting fees.
- b) During the year ended March 31, 2008, a company owned by a director loaned to the Company an aggregate of \$100,000. The loans are evidenced by way of promissory notes, and mature on February 12, 2008 (\$50,000) and on June 18, 2008 (\$50,000). The notes bear interest at the rate of prime plus 4% per annum. If the notes are not repaid on maturity, they become due and payable on demand and any unpaid principal and accrued interest will continue to bear interest at the rate of prime plus 3% per annum. The Company has not repaid any of the principal amounts owing on the notes.
- c) During the year ended March 31, 2008, the Company incurred \$87,104 of legal fees to a law firm in which a Director of the Company is a principal. At March 31, 2008, \$23,082 is owing to this law firm.
- d) 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 9 – INCOME TAXES**

The Company has non-capital losses for income tax purposes of approximately \$730,000 (2007 - \$700,000), which may be used to reduce future taxable income in Canada, expiring between 2009 and 2028. The Company has a net capital loss of \$134,000 (2007 - \$134,000), which can be carried forward to set against future taxable capital gains. The Company has unclaimed exploration and development expenditures of approximately \$4,776,000 (2007- \$4,664,000) which can be deducted for income tax purposes in Canada in future years at the Company's discretion.

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

	<u>2008</u>	<u>2007</u>
<b>Future tax assets (liabilities):</b>		
Non-capital loss carryforwards	\$ 245,000	\$ 265,100
Unclaimed foreign exploration and development expenditures	351,500	389,000
Unclaimed Canadian exploration and development expenditures	1,248,500	1,383,200
Timing difference re: capital assets	1,200	1,300
Capital loss carryforwards	45,000	51,100
	<hr/>	<hr/>
Total future tax assets	1,891,200	2,089,700
Valuation allowance	(1,891,200)	(2,089,700)
	<hr/>	<hr/>
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.



**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE 10 – ACCUMULATED OTHER COMPREHENSIVE INCOME**

Effective April 1, 2007, the Company adopted new accounting standards issued by CICA relating to financial instruments, see Note 2. The new standards have been adopted on a prospective basis with no restatement to prior period financial statements. The detail of accumulated other comprehensive income is as follows:

	<u>2008</u>	<u>2007</u>
Accumulated other comprehensive income, beginning of the year	\$ -	\$ -
Adjustment for CICA 3855 adoption	146,452	-
Unrealized losses arising during the year	(96,000)	-
	<u>50,452</u>	<u>-</u>
Accumulated other comprehensive income, end of the year	\$ 50,452	\$ -

**NOTE 11 - MANAGEMENT OF CAPITAL RISK**

The Company manages its cash, common shares, stock options, finder's options and warrants as capital (see Note 7). 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 development 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 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 12 – SUBSEQUENT EVENTS**

- a) The Company issued 50,000 common shares for the acquisition of Amazing Grace property.
- b) The Company and the Vendors signed an amending Letter of Intent (LOI), which alters the Company's acquisition terms for the Ocelot property. To secure the terms of the LOI, US\$45,000 has been paid to the Vendors. The amended LOI terms are subject to the approval of the TSXV.

Under the terms of the LOI, the Company may earn a 60% joint-venture interest in the Ocelot property by making an annual property payment of US\$30,000 and spending a total of US\$1.2 million on property exploration over four years. The first annual property payment is due by 31 July 2008. The Company must also make all property assessment payments and perform a yearly property-expenditure commitment, which requires US\$150,000 during the first year, US\$250,000 during the second year and US\$400,000 during the third and fourth years. The Company will be project manager of exploration activities on the property. Following the Company's 60% earn-in, the Vendors will have a one-time back-in right to acquire an additional 20% of the project for a payment equal to 200% of the Company's expenditures up to the date of the Vendors' exercise of its back-in right.

**MEDALLION RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE 12 – SUBSEQUENT EVENTS (continued)**

- c) The Company has commitments under operating leases for its premises for an approximate annual rent of \$10,412 until July 14, 2010.