MEDALLION RESOURCES LTD.

(An Exploration-Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2009 AND 2008

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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, 2009 and 2008 and the consolidated statements of loss and deficit, comprehensive loss 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, 2009 and 2008, 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 28, 2009

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

	2009	2008 (restated – Note 14)
ASSETS		
Current		
Cash	$ 61,284	$ 656,528
Prepaid Expenses and Other Receivables	14,151	8,555
Marketable Securities (Note 3 and 13)	37,440	90,000
	112,875	755,083
Mineral Properties (Note 4)	47,149	489,677
Reclamation Bond (Note 5)	16,219	23,415
Equipment (Note 6)	4,296	5,622
Deferred Financing Costs (Note 13)	42,694	-
	$ 223,233	$ 1,273,797
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities	$ 86,972	$ 48,315
Due to Related Parties (Note 8)	129,130	23,082
Promissory Notes (Note 8)	110,875	103,708
	326,977	175,105
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)	10,799,183	10,308,365
Contributed Surplus (Note 7)	451,387	334,041
Accumulated Other Comprehensive Income	5,604	42,884
Deficit	(11,359,918)	(9,586,598)
	(103,744)	1,098,692
	$ 223,233	$ 1,273,797

Continuance of Operations (Note 1)
Subsequent Event (Note 13)

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

	2009	2008 (restated – Note 14)
Expenses		
Amortization	$ 2,880	$ 1,632
Consulting Fees	38,533	16,670
Investor Relations	51,354	21,470
Management Fees (Note 8)	86,760	70,168
Office and General	86,210	33,754
Professional Fees (Note 8)	150,098	58,172
Property Investigation	-	14,543
Stock-based Compensation	58,696	58,235
Transfer Agent and Filing Fees	17,488	30,892
	492,019	305,536
Other Items		
Interest Income	2,687	4,517
Gain on Sale of Marketable Securities	3,975	-
Other	120	-
Write Off of Mineral Properties	(1,400,794)	-
Loss Before Taxes	(1,886,031)	(301,019)
Income Tax Recovery	(112,711)	(177,568)
Net Loss for the Year	(1,773,320)	(123,451)
Deficit, beginning of year, as previously reported	(9,594,166)	(9,463,147)
Restatement (Note 14)	7,568	-
Deficit, Beginning of Year	(9,586,598)	(9,463,147)
Deficit, End of Year	$ (11,359,918)	$ (9,586,598)
Loss per Share		
Basic and Diluted	$ (0.15)	$ (0.01)
Weighted Average Shares Outstanding	12,214,712	8,230,275

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

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

		2009		2008 (restated – Note 14)
Net Loss For the Year	$	(1,773,320)	$	(123,451)
Other Comprehensive Income:				
Change in fair market value of available-for-sale marketable securities:				
Adjustment for adoption of CICA 3855		-		146,452
Decrease in fair value during the year		(39,884)		(96,000)
Realized gain on sale of marketable securities		(3,975)		-
Income tax expense or benefit allocated to comprehensive income		6,579		(7,568)
Comprehensive Loss For the Year	$	(1,810,600)	$	(80,567)

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

	2009	2008 (restated – Note 14)
Cash Flow Provided By (Used in)		
Operating Activities		
Net Loss for the Year	$ (1,773,320)	$ (123,451)
Adjusted for items not involving cash:		
Amortization	2,880	1,632
Stock-based Compensation	58,696	58,235
Income Tax Recovery	(112,711)	(177,568)
Gain on Sales of Marketable Securities	(3,975)	-
Write off of Resource Properties	1,400,794	-
Net change in non-cash working capital items:		
Prepaid Expenses and Other Receivables	(5,596)	(5,545)
Accounts Payable and Accrued Liabilities	7,869	(9,360)
Accrued Interest on Promissory Notes	7,167	3,708
Due to Related Party	100,095	-
	(318,101)	(252,349)
Investing Activities		
Purchase of Equipment	(1,554)	(7,254)
Mineral Property	(911,525)	(91,783)
Reclamation Bond	7,196	(582)
	(905,883)	(99,619)
Financing Activities		
Issuance of Shares for Cash	737,633	892,500
Share Issuance Costs	(78,875)	(66,005)
Promissory Notes	-	100,000
Proceeds from Sale of Marketable Securities	12,676	-
Deferred Financial Costs	(42,694)	-
	628,740	926,495
Increase (Decrease) in Cash	(595,244)	574,527
Cash, Beginning of Year	656,528	82,001
Cash, End of Year	$ 61,284	$ 656,528
Supplementary Net Cash-flow Information:		
Net Interest Paid	$ -	$ -
Net Income Taxes 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 is renegotiating the terms of its option to acquire the Everett iron-titanium property in Quebec. 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 $11,359,918 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 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.

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, 2009, there were no cash equivalents.

Marketable securities
The Company's marketable securities are classified as "available-for-sale" and are measured at fair value. Changes in fair value are recognized in other comprehensive income until their disposition, at which time they are transferred to net income. Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange and for which no sales restrictions apply are recorded at values based on the current closing prices.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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 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, 2009, no asset retirement obligation has been recognized.

Share Capital

The Company records proceeds from share issuances net of commissions and issue costs. A warrant attached to a unit issued in a private placement is valued based on the average of the pro-rata method and the Black-Scholes option pricing model.

Shares issued for other than cash consideration are valued at the quoted price on the TSX Venture Exchange on the date the agreement to issue the shares is reached.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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. During the year ended March 31, 2009, the Company recorded a recovery of future income tax of $119,289 (2008 - $170,000) with respect to renounced flow-through shares totaling $397,633(2008 - $500,000) (Note 7).

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.

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.

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 and short term investments as held-for-trading. Accounts 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.

Changes in Accounting Policies

On April 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

(a) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories (Note 11).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows (Note 11).

(c) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed (Note 12). Under this standard, the Company will be required to disclose the following:

- qualitative information about its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirement to which it is subject; and
- when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

(d) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern (see Note 1).

Goodwill and Intangible Assets
The new Section 3064 - Goodwill and Intangible Assets ensures that intangible assets meet the definition of an asset, and eliminates the "matching" principle, whereby certain costs were being deferred and expensed to match with revenue earned. The new standard applies for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The standard is not expected to have a significant impact on the Company's financial statements.

Income statement presentation of a tax loss carryforward recognized following an unrealized gain recorded in other comprehensive income – EIC 172
EIC 172 requires that the tax benefit from the recognition of tax loss carryforwards, consequent to the recording of unrealized gains in other comprehensive income, be recognized in net income. The accounting treatment is required to be applied retrospectively, with restatement of prior periods from the date of adoption of Section 3855, for all interim and annual reporting period ending on or after September 30, 2008. The Company recorded $6,579 of provision for future income tax in the current year upon adoption of EIC 172. The effect on the comparative financial statements is summarized in Note 14.

Convergence with International Financial Reporting Standards
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 – MARKETABLE SECURITIES

At March 31, 2009, the Company owned 468,000 (2008 – 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 $37,440 (March 31, 2008 – $90,000).

During fiscal 2009, 132,000 shares of Bonanza were sold and a gain on sale of marketable securities of $3,975 recognized. Subsequent to year end, the remaining shares of Bonanza were sold (Note 13).

NOTE 4 – MINERAL PROPERTIES

	2007	Expenditures	2008	Expenditures	2009
Ocelot Property					
Property-acquisition costs	$ 187,536	$ -	$ 187,536	$ 45,855	$ 233,391
Exploration expenditures					
Geological consulting	106,393	(1,858)	104,535	632	105,167
Drilling	39,307	-	39,307	-	39,307
Field costs	20,285	2,381	22,666	2,316	24,982
License fees and dues	23,696	12,585	36,281	126	36,407
Written-off exploration expenditure	-	-	-	(439,254)	(439,254)
	377,217	13,108	390,325	(390,325)	-
Amazing Grace Property					
Property-acquisition costs	-	10,000	10,000	17,500	27,500
Exploration expenditures					
Geological consulting	-	48,734	48,734	275,706	324,440
Geophysical consulting	-	26,544	26,544	137,817	164,361
Sampling and assays	-	440	440	-	440
License fees and dues	-	1,137	1,137	-	1,137
Written-off exploration expenditure	-	-	-	(517,878)	(517,878)
	-	86,855	86,855	(86,855)	-
Lodi Hills Property					
Property-acquisition costs	-	5,025	5,025	-	5,025
Exploration expenditures					
Sampling and assays	-	-	-	2,758	2,758
Geological consulting	-	-	-	4,830	4,830
License fees and dues	-	7,472	7,472	-	7,472
Written-off exploration expenditure	-	-	-	(20,085)	(20,085)
	-	12,497	12,497	(12,497)	-
Romaine Project					
Property-acquisition costs	-	-	-	34,332	34,332
Claim staking	-	-	-	12,817	12,817
Exploration expenditures					
Geological consulting	-	-	-	229,057	229,057
Field costs	-	-	-	178,361	178,361
License fees and dues	-	-	-	16,158	16,158
Written-off exploration expenditure	-	-	-	(423,576)	(423,576)
	-	-	-	47,149	47,149
Total Expenditures	$ 377,217	$ 112,460	$ 489,677	$ (442,528)	$ 47,149

NOTE 4 – MINERAL PROPERTIES (cont'd)

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 comprised 155 unpatented mineral claims covering approximately 3,100 acres in Lander County, 40 km north of Austin, Nevada.

The terms of the Option Agreement required 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 were to be credited against a net smelter return ("NSR") royalty of 3% (of which 1% could be purchased at the Company's option for US$2,000,000).

On June 20, 2008, the Company and the Vendors signed an amending Letter of Intent (LOI), which altered the Company's acquisition terms for the Ocelot property. To secure the terms of the LOI, US$45,000 was paid to the Vendors.

Under the terms of the LOI, the Company could 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. Following earn-in, the Vendors would 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 their back-in right.

In fiscal 2009, the Company terminated its rights and returned the property to the vendors. $439,254 of exploration expenditures incurred on this property were written off as of March 31, 2009.

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"), amended on October 3, 2008, to obtain an option to acquire a 100% interest in the Amazing Grace gold-exploration property, British Columbia. The property comprised 17 Crown mineral claims covering approximately 4,867 hectares.

The Agreement required the Company to initially pay the Vendor $10,000 (paid) and issue 50,000 common shares (issued). In order to exercise the option to acquire a 100% interest in the property, subject to a 2% NSR royalty, the Company must pay the Vendor, over a period of five years, an additional aggregate of $140,000 ($5,000 paid) and issue an aggregate of 150,000 common shares of the Company (5,000 shares issued). 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 (incurred).

Pursuant to a finder's fee agreement, if the Company maintaind the Agreement over a period of three years, it would pay the finder, in stages, an aggregate of $15,000 ($2,500 paid) and issue to the finder an aggregate of 20,000 common shares of the Company. If the Company exercised its option and acquires a 100% interest in the Amazing Grace Property, it would grant to the Finder a 0.5% NSR royalty, of which one-half (0.25%) could be purchased by the Company for $250,000.

As of March 31, 2009, the Company terminated its option to acquire the Amazing Grace property and wrote off $517,878 of exploration expenditures incurred on this property.

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 comprised 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.

The Company did not proceed with the acquisition of the Lodi Hills property and $20,085 of expenditures incurred on that property were written off as of March 31, 2009.

NOTE 4 – MINERAL PROPERTIES (cont'd)

Everett Property, Quebec

On August 29, 2008, the Company entered into a Letter of Intent ("LOI") and on January 16, 2009 finalized a definitive Option Agreement ("Agreement") to obtain from Romaine River Titanium Inc. ("RRT") the right to acquire a 100% legal and beneficial interest ("Option") in the Everett iron-titanium property. The property consists of 60 mineral claims, located in Duplessis County, Quebec.

Under the Agreement, the Company is required to reimburse RRT for $16,157 of assessment fees and filing costs for the property (requirement met), pay an aggregate of $30,000 in monthly installments ($5,000 per month) before May 29, 2009 ($20,000 paid in fiscal 2009, $10,000 paid subsequently), and issue 100,000 common shares upon receipt of TSXV approval. The terms of the Agreement also require the Company to pay a further $480,000, issue an additional 800,000 common shares, and incur $6,000,000 of exploration expenditures on the property over four years as follows:

$80,000 and 100,000 shares on or before June 30, 2009;
$100,000, 100,000 shares, and $750,000 of expenditures on or before December 31, 2009;
$100,000, 200,000 shares, and $1,250,000 of expenditures on or before December 31, 2010;
$100,000, 200,000 shares, and $1,500,000 of expenditures on or before December 31, 2011;
$100,000, 200,000 shares, and $2,500,000 of expenditures on or before December 31, 2012.

In addition, the Company must produce, on or before December 31, 2011, a technical report in accordance with National Instrument 43-101 to confirm measured and/or indicated mineral resources on the property.

The Agreement permits the Company to extend the term of the Option to August 31, 2013, in the event that the Company defers a portion of the required expenditures due by 31 December 2012 and agrees to expend the deferred shortfall, plus a premium, by August 31, 2013. In the event that the Company wishes to exercise the Option at an earlier date, the Company has the right to complete the Option requirements at any time prior to the required dates. The property is not subject to any royalties.

On completion of the above requirements, and provided that the Company has not less than $4,000,000 in working capital and no long-term unconvertible debt, the Company will have the right to exercise the Option and acquire 100% of the property by paying to RRT an additional $1 million cash and by issuing to RRT that number of the Company's shares so that RRT will then hold, inclusive of all shares previously issued to RRT, an aggregate of 50% of the then issued and outstanding Company's shares. The Company will grant to RRT the right to acquire, for no additional consideration, a proportion of the number of the Company's shares which are subsequently issued upon exercise of any warrants of the Company outstanding at the date of the exercise of the Option based on the extent to which such warrants are in the money. The Company will also grant the right to acquire, for no additional consideration, such number of the Company's shares as is equal to the number of any the Company's shares that are subsequently issued upon conversion of any special warrants, subscription receipts and convertible debt instruments of the Company (excluding stock options), which are outstanding at the date of the exercise of the Option.

Prior to the exercise of the Option, the Company has also granted to RRT the right to acquire up to 10% of the securities issued in any equity financing of the Company on the terms and conditions applicable to other investors in such financing.

The Company has reimbursed RRT for $15,000 in legal costs related to the negotiation of the LOI and Agreement.

The Option Agreement was conditionally accepted by TSX Venture Exchange, but remains subject to filing of a technical report and, acceptance of the Company's financial plan to advance the Everett property. As of June 30, 2009 the Company went into default under the Agreement for non-payment of an $80,000 payment. The Company is currently in negotiations with RRT to amend the terms of the Agreement but there can be no assurance that these negotiations will be successful. As a result, $423,576 of exploration expenditures incurred on this property were written off as of March 31, 2009.

NOTE 5 – RECLAMATION BOND

As at March 31, 2008, the Company posted a reclamation bond of $23,415 with the State of Nevada to cover the cost to reclaim the surface lands disturbed during the exploration programs at the Ocelot Property. The Company must complete certain reclamation work for these funds to be released. During the year ended March 31, 2009, the Division of Minerals, Nevada, re-evaluated the amount of required bond and returned $7,197 back to the Company. As of March 31, 2009, the Company had $16,219 remaining under the bond to cover the reclamation work.

NOTE 6 - EQUIPMENT

	2009	2008
Computer equipment	$ 8,808	$ 7,254
Accumulated amortization	(4,512)	(1,632)
Net book value	$ 4,296	$ 5,622

NOTE 7 - SHARE CAPITAL

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

	Number	Amount	Contributed Surplus
Balance, March 31, 2007	7,395,393	$ 9,805,684	$ 121,992
Issued during the year:			
Stock options exercised (Note 7a)	280,000	28,000	-
Private placement (Note 7b)	1,640,625	457,001	67,999
Private placement (Note 7c)	1,458,000	296,178	68,322
Shares issue costs (Notes 7b and c)	-	(109,902)	18,897
Fair value of stock options exercised (Note 7a)	-	1,404	(1,404)
Stock-based compensation	-	-	58,235
Tax benefit renounced to flow-through shares	-	(170,000)	-
Balance, March 31, 2008	10,774,018	10,308,365	334,041
Property acquisition (Note 7d)	50,000	10,000	-
Private placement (Note 7e)	1,747,250	290,800	58,650
Private placement (Note 7f)	2,650,885	397,633	-
Share issue costs (Notes 7e and f)	-	(88,325)	-
Stock-based compensation	-	-	58,696
Tax benefit renounced to flow-through shares	-	(119,290)	-
Balance, March 31, 2009	15,222,153	$ 10,799,183	$ 451,387

a) 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 excess of $1,404 was recognized on these exercised options.

b) On December 28, 2007, the Company completed a non-brokered private placement of 1,562,500 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 a 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 issued in the private placement, respectively, based on their relative fair values at the closing date of the private placement.

NOTE 7 - SHARE CAPITAL (cont'd)

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 consisted of one common share and one non-transferable common-share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of $0.75 per share until December 28, 2009. A fair value of $9,431 was assigned to these finder's options.

c) On February 14, 2008, the Company completed a non-brokered private placement consisting of 1,458,000 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 common-share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a 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 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 entitled 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. These finder's options expired.

d) On May 6, 2008, 50,000 common shares valued at $10,000 were issued as a property payment towards the acquisition of the Amazing Grace property (Note 4).

e) On October 27, 2008, the Company completed a non-brokered private placement of 1,700,000 units at a price of $0.20 per unit for gross proceeds of $340,000. Each unit consisted of one common share and one-half of a non-transferable common-share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.25 per share until October 27, 2010. Cash proceeds from the private placement of $282,936 and $57,064 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.

47,250 finder's units were issued in connection with this private placement. Each finder's unit was comprised of one common share and one-half of a common share purchase warrant with the same terms as the private placement warrants. A fair value of $1,586 was allocated to these finder's warrants.

f) On December 30, 2008, the Company completed a non-brokered private placement consisting of 2,650,885 flow-through common shares a price of $0.15 per share for gross proceeds of $397,633. The Company paid cash finder's fees of $25,179.

WARRANTS

	Number	Weighted Average Exercise Price
Balance, March 31, 2007	1,721,002	$ 0.40
Expired	(21,000)	0.30
Issued	3,093,500	0.49
Balance, March 31, 2008	4,793,502	0.46
Expired	(1,773,002)	0.40
Issued	873,625	0.25
Balance, March 31, 2009	3,894,125	$ 0.54

NOTE 7 - SHARE CAPITAL (cont'd)

As of March 31, 2009, the following warrants were outstanding:

Expiry Date	Number of warrants outstanding	Exercise Price
August 14, 2009	1,458,000	$0.50
December 28, 2009	1,562,500	$0.75
October 27, 2010	873,625	$0.25
	3,894,125	

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, 2007	670,000	$ 0.18
Exercised	(280,000)	0.10
Granted	290,000	0.25
Balance, March 31, 2008	680,000	0.21*
Expired	(40,000)	0.24
Granted	610,000	0.15
Balance, March 31, 2009	1,250,000	$ 0.18*

* During the year ended March 31, 2009, management proposed to re-price 540,000 outstanding stock options previously granted to directors, officers and consultants to an exercise price of $0.15, of which 390,000 of the options to be re-priced were granted to insiders and remain subject to disinterested shareholders approval.

As of March 31, 2009, the following options were outstanding:

Expiry Date	Number of Options Outstanding & Exercisable	Exercise Price
April 21, 2010	100,000	$0.10
September 18, 2011	100,000	$0.30
October 4, 2011	100,000	$0.15
March 15, 2012	50,000	$0.15
August 15, 2012	290,000	$0.25
January 07, 2009	480,000	$0.15
January 19, 2009	130,000	$0.15
	1,250,000	

NOTE 7 - SHARE CAPITAL (cont'd)

FINDER'S OPTIONS

	Number of Options	Exercise Price
Balance, March 31, 2007	-	$ -
Granted (Note 7b)	78,125	0.32
Balance, March 31, 2008 and March 31, 2009	78,125	0.32

STOCK-BASED COMPENSATION

The Company recognizes compensation expense for all stock options granted and modified using the fair value based method of accounting. The fair value of the options granted during the year ended March 31, 2009 totaled $55,663 (2008 - $58,235). The Company also recognized additional compensation expense of $3,033 (2008 - $nil) for the re-pricing of 150,000 options previously granted to consultants.

The fair values of stock options and warrants granted were estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Risk-Free Annual Interest Rate	1.61 – 2.07%	3.05 – 4.30%
Expected Annual Dividend Yield	0%	0%
Expected Stock Price Volatility	98%	119 - 124%
Expected Life of Options and Warrants	2 - 5 years	1 to 4 years

NOTE 8 – RELATED PARTY TRANSACTIONS

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

a) During the year ended March 31, 2009, $86,760 (2008 - $70,168) was charged by a private company controlled by the President of the Company for management fees and $23,400 (2008 - $7,580) for geological consulting fees. At March 31, 2009, $37,705 (March 31, 2008 - $Nil) was owed to this company.

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 were evidenced by way of promissory notes, which bear interest at the rate of prime plus 4% per annum and matured on February 12, 2008 ($50,000) and on June 18, 2008 ($50,000). 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. As of March 31, 2009, the principal amount owing on the notes and the accrued interest totaled $110,875 (March 31, 2008 - $103,708). The interest accrued in fiscal 2009 totaled $7,168 (2008 - $3,708).

c) During the year ended March 31, 2009, the Company incurred $102,236 (2008 - $87,104) of legal fees and $61,521 of share issue costs to a law firm in which a director of the Company is a principal. At March 31, 2009, $88,023 (March 31, 2008 - $23,082) was owed to this firm.

d) During the year ended March 31, 2009, $5,483 (2008 - $Nil) of consulting fees were incurred to a private company controlled by a director of the Company. At March 31, 2009, $3,402 (March 31, 2008 - $nil) was owed to this company.

NOTE 8 – RELATED PARTY TRANSACTIONS (cont'd)

e) During the year ended March 31, 2009, $27,000 (2008 - $Nil) of consulting fees were incurred to a company controlled by former director of the Company. At March 31, 2009, $Nil (March 31, 2008 - $Nil) was owed to this company.

NOTE 9 – COMMITMENTS

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

NOTE 10 – INCOME TAXES

The Company has non-capital losses for income tax purposes of approximately $1,136,000 (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 $130,000 (2007 - $134,000), which can be carried forward to set off against future taxable capital gains. The Company has unclaimed exploration and development expenditures of approximately $4,811,000 (2007- $4,664,000) which can be deducted for income tax purposes in Canada in future years at the Company's discretion.

Future income tax assets and liabilities are recognized for temporary differences between the carrying amounts of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

The reconciliation of income tax benefit computed at statutory rates to the reported income tax benefit is as follows:

	2009	2008
Loss before income taxes	$ 1,886,031	$ 301,019
	30.00%	33.50%
Income tax benefit computed at Canadian statutory rates	$ 566,000	$ 101,000
Write down of mineral properties	(420,000)	-
Stock-based compensation	(18,000)	(20,000)
Other	10,000	5,000
Renouncement of flow-through shares	119,000	170,000
Change in fair value of available-for-sale marketable securities	(7,000)	8,000
Non-capital loss deductions expired	(16,000)	(68,000)
Change in tax rate	(26,000)	(31,000)
Change in valuation allowance	(96,000)	13,000
Future income tax recovery	$ 112,000	$ 178,000

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2009	2008
Future income tax assets (liabilities):		
Non-capital loss carry-forwards	$ 341,000	$ 245,000
Capital loss carry-forwards	20,000	23,000
Marketable securities	(1,000)	(8,000)
Equipment	2,000	2,000
Mineral properties	1,429,000	1,260,000
	1,791,000	1,522,000
Valuation allowance for future income tax assets	(1,791,000)	(1,522,000)
	$ -	$ -

NOTE 10 – INCOME TAXES (cont'd)

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 11 – FINANCIAL INSTRUMENTS

The fair values of the Company's cash, prepaid expenses and 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, interest 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 gold and other commodities. The Company has not hedged any potential future commodity sales. The Company's input costs may also affected by the price of fuel. 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 March 31, 2009, 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 March 31, 2009, 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 of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken.

NOTE 12 - 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 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 13 – SUBSEQUENT EVENT

Subsequent to the year end, the Company sold its remaining 468,000 shares of Bonanza for gross proceeds of $36,690 resulting in a gain of $5,843.

NOTE 14 - RESTATEMENT

Upon adoption of EIC 172 as described in Note 2, the comparative financial statements for the year ended March 31, 2008 have been restated to reflect a $7,568 increase in future income tax recovery and a corresponding decrease in other comprehensive income.

The following table summarizes the restatement:

	As previously reported	Change	As restated
<u>Consolidated Balance Sheet at March 31, 2008</u>			
Accumulated other comprehensive income	$ 50,452	$ (7,568)	$ 42,884
Deficit	(9,594,166)	7,568	(9,586,598)
<u>Consolidated Statements Of Loss And Deficit for the Year Ended March 31, 2008</u>			
Income Tax Recovery	(170,000)	(7,568)	(177,568)
Net Loss for the Year	(131,019)	7,568	(123,451)
Loss per share – basic and diluted	$ (0.04)	$ -	$ (0.01)