MEDALLION RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS
For the year ended March 31, 2010
Containing information up to and including July 21, 2010

The following Management Discussion and Analysis (the "MD&A") is prepared at July 21, 2010 and is intended to help the reader understand the accompanying audited consolidated financial statements of Medallion Resources Ltd. (the "Company"). The information provided herein should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended March 31, 2010.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable.

The Company is incorporated in British Columbia and is involved in the acquisition and exploration of mineral-resource properties located in North America. Management is in the process of evaluation, exploration and, if warranted, the potential future development of high-quality resource properties.

Additional information relating to the Company is available on the SEDAR website: www.sedar.com under "Medallion Resources Ltd".

All currency amounts are in Canadian dollars unless otherwise indicated.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this MD&A, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

RESULTS OF OPERATIONS

The Company's operations consist generally of acquisition, exploration and evaluation of mineral properties. This includes evaluating the merits of these properties using various techniques such as sampling, trenching, drilling, geophysical and geochemical survey methods.

The Company has no commercial mining production at this time; therefore, the Company has no revenue from operations. The Company has no material long-term contracts or obligations.

Mineral Properties

Expenditures on the Company's mineral properties are summarized as follows:

	March 31, 2008	Expenditures/ Write offs	March 31, 2009	Expenditures/ Write offs	March 31, 2010
Ocelot Property					
Property-acquisition costs	$ 187,536	$ 45,855	$ 233,391	$ -	$ 233,391
Exploration expenditures	202,789	3,074	205,863	-	205,863
Written-off exploration expenditure	-	(439,254)	(439,254)	-	(439,254)
	390,325	(390,325)	-	-	-
Amazing Grace Property					
Property-acquisition costs	10,000	17,500	27,500	-	27,500
Exploration expenditures	76,855	413,523	490,378	-	490,378
Written-off exploration expenditure	-	(517,878)	(517,878)	-	(517,878)
	86,855	(86,855)	-	-	-
Lodi Hills Property					
Property-acquisition costs	5,025	-	5,025	-	5,025
Exploration expenditures	7472	7588	15,060	-	15,060
Written-off exploration expenditure	-	(20,085)	(20,085)	-	(20,085)
	12,497	(12,497)	-	-	-
Everett Property					
Property-acquisition costs	-	34,332	34,332	10,000	44,332
Claim staking	-	12,817	12,817	-	12,817
Exploration expenditures	-	423,576	423,576	23,024	446,600
Written-off exploration expenditure	-	(423,576)	(423,576)	(80,173)	(503,749)
	-	47,149	47,149	(47,149)	-
Eden Lake Property					
Property-acquisition costs	-	-	-	50,000	50,000
Exploration expenditures					
Geological	-	-	-	33,695	33,695
Geophysical	-	-	-	108,460	108,460
Other	-	-	-	534	534
	-	-	-	192,689	192,689
Total Expenditures	$489,677	$ (442,528)	$ 47,149	$ 145,540	$ 192,689

Ocelot Property, Nevada, USA

On April 3, 2006, the Company signed a Mining Lease and Option to Purchase Agreement, over 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 as required by the Option to Purchase Agreement. The Ocelot property comprised 155 unpatented mineral claims covering approximately 3,100 acres in Lander County, 40 km north of Austin, Nevada.

As at March 31, 2008, the Company posted a reclamation bond of US$19,175 with the State of Nevada to cover the cost to reclaim the surface lands disturbed during the exploration programs at the Ocelot Property. During the year ended March 31, 2009, the Division of Minerals, Nevada, re-evaluated the amount of required bond and returned US$7,197 back to the Company, with US$11,732 remaining under the bond to cover the reclamation work. As of March 31, 2010, the Company completed the necessary reclamation work on the Ocelot Property and is awaiting the funds to be released from the State of Nevada.

As of March 31, 2009, the Company terminated its rights and returned the Ocelot property to the vendors, and wrote off $439,254 of exploration expenditures incurred on this property.

Amazing Grace Property, British Columbia

On February 26, 2008, the Company entered into an Exploration Agreement with 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.

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 with 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.

As of March 31, 2009, the Company terminated its option to acquire the Lodi Hills property and wrote off $20,085 of exploration expenditures incurred on this property.

Romaine Iron-Titanium Project (Everett Property), Quebec

On August 29, 2008, the Company entered into a letter of intent and on January 16, 2009 finalized a definitive Option 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 ("Everett Property"). The Everett Property consisted of 60 claims, located in Duplessis County, Quebec.

The Company commenced its due-diligence and historical-data confirmation program on the Everett property in September 2008. The fall 2008 program goals were to construct a detailed geological map, to confirm the extent of the known iron-titanium mineralization, and to systematically collect samples for assay and metallurgical tests. The results, along with an analysis of historical drilling and sampling, were compiled as a NI43-101-compliant technical report, which was filed on the Company’s SEDAR site.

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

Rare-earth-element and Lithium Properties

On September 23, 2009, the Company announced that it changed its focus to the exploration for lithium, rare-earth elements (REE’s) and related energy-technology metals. As of the end of 2010, Medallion is exclusively exploring for rare-earth elements.

Eden Lake Property

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

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

During December 2009, the Company contracted with Aeroquest International Limited to perform an airborne electromagnetic geophysical survey of the Eden lake property. The survey cost approximately $113,000. The work is complete and results will be used to select project drill targets. The Company also commissioned a NI43-101-compliant Technical Report on the Eden Lake property. The report will collect and analyze all previous data on the Eden Lake property and provide an exploration plan and budget to advance the property. This report is a requirement of the TSX Venture Exchange ("TSXV") as part of the TSXV approval process. The cost of the report is approximately $20,000. The report has been completed (as of February 23, 2010) and has been filed for review with the TSXV.

Red Wine Property

On April 10, 2010, the Company signed a Letter of Intent with a private vendor (the "Vendor") to acquire an option on a 100% interest in a Red Wine REE exploration project, which consists of four Labrador mineral licences totalling 3,325 hectares. On June 10, 2010, the Letter of Intent was revised to include two additional mineral licences, which brought the total number of hectares to 4,225.

Under the terms of the revised Letter of Intent, the Company is required pay to the Vendor licence-staking costs of $2,160 and to complete, by October 31, 2010, a summer 2010 exploration program, costing approximately $125,000 and including mapping, sampling, an airborne geophysical survey and an NI43-101-compliant Technical Report on the Property. As a condition of funding the summer 2010 exploration program, the Vendor agreed to subscribe to a $55,000 private placement of the common shares of the Company.

Upon the completion of the summer 2010 exploration program and the delivery of the resulting data, or by December 31, 2010, whichever is latest, the Company may elect to proceed with the option to acquire a 100% interest in the Property. To maintain the option, the Company must pay an aggregate of $525,000 in cash, issue an aggregate of 1,900,000 common shares, and conduct $400,000 in exploration work over a period of five years.

The property is subject to the 3% royalty, half of which the Company can purchase at any time by making a cash payment of $1,500,000 to the Vendor.

SELECTED ANNUAL INFORMATION

	Year ended March 31, 2010	**Year ended March 31, 2009**	**Year ended March 31, 2008**
	$	**$**	**$**
Total Revenues (interest income)	141	2,687	4,517
Net Income (Loss)	(582,060)	(1,773,320)	(123,451)
Net Income (Loss) Per Share	(0.03)	(0.15)	(0.01)
Total Assets	491,417	223,233	1,273,797
Long-Term Debt	Nil	Nil	Nil
Dividends	Nil	Nil	Nil

Results of operations for the year ended March 31, 2010 compared to the year ended March 31, 2009.

The Company's losses for the year ended March 31, 2010 were $582,060 (loss per share - $0.03) compared to $1,773,320 (loss per share - $0.15) in fiscal 2009.

In fiscal 2009, three properties were returned to the vendors resulting in the write-off of $1,400,794 exploration expenditure incurred on these properties. In fiscal 2010, $80,173 of exploration expenditures incurred on Everett Property were written off, of which $57,149 were acquisition costs of the property (see "Mineral Properties" section).

In the year ended March 31, 2010, the Company received for $147,035 of mining tax credits related to exploration expenditures incurred on Everett Property, Quebec, in the year ended March 31, 2009.

The general and administrative expenses totaled $713,286 in fiscal 2010 compared to $492,019 in 2009. This increase was due to $212,169 of exploration expenditures incurred on the properties written off in the prior year and on investigation and due diligence of the new potential acquisitions and increased consulting fees by $28,882. The major decreases were in professional fees ($46,708), investor's relations expenses ($17,635), and office and general ($13,734), due to decreased administrative activity of the Company. In fiscal 2010, the Company recorded $115,019 of non-cash stock-based compensation expenses related to 825,000 stock options granted and 390,000 options re-priced from $0.30 to $0.15 per share (2009 - $58,696).

During the year ended March 31, 2010, the Company sold its remaining 468,000 shares of American Bonanza Gold Corp for gross proceeds of $36,690 resulting in a gain of $4,854 (2009 - $3,975).

During the year, the Company did not proceed with financing announced in February 2009 and as a result wrote off $43,694 of financing costs incurred in fiscal 2009.

The interest income in the year ended March 31, 2010, totaled $141 (2009 – $2,807).

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information for each of the last eight quarters (information is unaudited).

Quarter Ending	Revenue $	Expenses $	Net Loss (Income) $	Loss (Earnings) Per Share $
March 31, 2010	72	146,507	497,336	0.01
December 31, 2009	147,104	340,992	(193,888)	0.01
September 30, 2009	-	100,300	100,300	0.00
June 30, 2009	4,854	125,487	178,312	0.01
March 31, 2009	30	1,104,648	987,932	0.07
December 31, 2008	172	561,106	560,934	0.05
September 30, 2008	546	170,834	170,288	0.02
June 30, 2008	2,059	56,225	54,166	0.01

Results of operations for the fourth quarter of fiscal 2010

The Company's loss for the three months ended March 31, 2010 totaled $497,336 compared to $987,932 in the same period in 2009. A decrease resulting primarily from the write off of $941,455 exploration expenditures on Amazing Grace and Romaine properties in the fourth quarter of 2009.

Administrative expenses in the fourth quarter of 2010 totaled $146,507 compared to a recovery of $296,146 in the comparable period. An increase resulting primarily from the Company's investigation and due diligence expenses of the new potential acquisitions and increase in non-cash stock-based compensation.

The earnings per share was $0.01 in three months ended March 31, 2010 as compared to a loss per share of $0.07 for the comparable period in 2009.

MARKETABLE SECURITIES

At March 31, 2009, the Company owned 468,000 shares of American Bonanza Gold Corp. ("Bonanza"). The investment represented less than a 1% equity interest in Bonanza and was carried at a market value of $37,440.

During the year ended March 31 2010, the Company sold its remaining 468,000 shares of Bonanza for gross proceeds of $36,690 resulting in a gain of $4,854.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2010, the Company's working capital was $131,217 (2009 – working capital deficiency $214,102).

Cash and cash equivalents at March 31, 2010, totaled $230,669, an increase of $169,385 from $61,284 as at March 31, 2009. In fiscal 2010, the Company closed three financings for total proceeds of $1,127,875 (a total of $79,886 in finders' fees and $30,317 in other share issue costs incurred on these private placements). In addition, $36,690 of proceeds from sale of marketable securities was received in the period.

In the year ended March 31, 2010, the Company repaid $64,398 of Promissory notes due to a related party, incurred $192,689 in due diligence and evaluation expenditures on the Eden Lake property, and used $594,866 in operating activities.

Contributed surplus totaled $544,581 as at March 31, 2010 (2009 - $256,415). The increase is due to the $6,268 revaluation impact related to the 390,000 re-priced options, the $108,751 of stock-based compensation expense on the 585,000 options granted during the period, $36,826 fair value of finder's options granted in the November 2009 financing, and $136,321 fair value of warrants expensed during the period.

The Company has relied primarily upon the sale of equity securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues in the near future, it will continue to rely primarily upon sales of its equity to raise capital. Subsequent to March 31, 2010, the Company closed two equity offerings for gross proceeds of $715,000. The proceeds of the offerings will be used for exploration of the Company's Eden Lake REE Project, acquisition of new properties, working capital and other corporate purposes. There can be no assurance that additional equity financing will be available to the Company in the required amount when needed or at all. Mining exploration is a capital-intensive business with lengthy periods elapsing from initial exploration to any prospect of revenues. The nature of the exploration business increases risks of insufficient capital resources above that of many other businesses.

COMMITMENTS

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

On June 24 2008, the Company entered into a lease for office premises for an approximate annual rent of $10,412, which commenced July 15, 2008, and expired on July 14, 2010.

On June 1, 2010, the Company entered into a sub-lease agreement with a company owned by a director for a term of one year and one month commencing on June 1, 2010 and expiring on June 30, 2011. The monthly rent of $1,818 commenced July 1, 2010 and is due at the beginning of each month. At the option of the Company, the sub-lease agreement may be extended for an additional year under the same terms and conditions. The first and last month of rent of $3,817 was payable prior to occupancy. This transaction was recorded at exchange value, which was the amount of consideration established and agreed to by the related party.

The following is a summary of the future lease commitments for the fiscal years ended March 31:

2011	$21,231
2012	5,454

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet transactions.

TRANSACTIONS WITH RELATED PARTIES

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

a) During the year ended March 31, 2010, $86,240 (2009 - $86,760) was charged by a private company controlled by the President of the Company for management fees and $10,080 (2009 - $23,400) for geological consulting fees. At March 31, 2010, $16,537 (March 31, 2009 - $37,705) 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 in 2008. As the notes were not repaid on maturity, they became due on demand and any unpaid principal and accrued interest continue to bear interest at the rate of prime plus 3% per annum. During the year ended March 31, 2010, the interest accrued totaled $4,813 (2009 - $7,618).

   During the year ended March 31, 2010, $50,000 of principal and $14,398 of interest was repaid to this director. As of March 31, 2010, the balance of $51,290 (March 31, 2009 - $110,875) was owing on the notes.

c) During the year ended March 31, 2010, the Company incurred $52,058 (2009 - $102,236) of legal fees and $15,036 (2009 - $61,521) of share issue costs to a law firm in which a director of the Company is a principal. At March 31, 2010, $19,753 (2009 - $88,023) was owed to this firm.

d) During the year ended March 31, 2010, $32,445 (2009 - $5,483) of consulting fees were incurred to a private company controlled by a director of the Company. At March 31, 2010, $7,560 (March 31, 2009 - $3,402) was owed to this company.

CRITICAL ACCOUNTING ESTIMATES

Mineral Properties

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

Impairment of Long-lived Assets
The Company follows the recommendations of Canadian Institute of Chartered Accountants 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.

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

DISCLOSURE OF OUTSTANDING SHARE DATA

Authorized share capital consists of an unlimited number of common shares without par value. As at March 31, 2010, the Company had 23,338,583 issued and outstanding common shares and 28,558,582 were issued and outstanding as at July 21, 2010.

On November 3, 2009 the Company completed a non-brokered private placement of 3,900,000 units at $0.10 per unit for gross proceeds of $390,000. Each unit consisted of one common share and one common-share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.20 until November 3, 2011. Cash proceeds from the private placement of $241,755 and $148,245 were allocated to the common shares and warrants issued in the private placement, respectively, based on their relative fair values at the closing date of the private placement. The Company paid a $31,500 cash finders' fee, $8,315 in other share issuance costs, and granted 315,000 non-transferable finder's options, exercisable to acquire finder's units at a price of $0.10 until November 3, 2011. A finder's unit consists of one common share of the Company and one non-transferable common-share purchase warrant with the same terms as the private placement warrants. A fair value of $36,826 was assigned to these finders' options.

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

On January 20, 2010, the Company completed a non-brokered private placement of 2,150,000 units at a price of $0.175 per unit for gross proceeds of $376,250. Each unit consisted of one common share and one common-share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.30 on or before January 20, 2012. Cash proceeds from the private placement of $240,310 and $135,940 were allocated to the common shares and warrants issued in the private placement, respectively, based on their relative fair values at the closing date of the private placement. The Company paid a $25,695 cash finder's fee, $4,272 in other share issuance costs, and granted 51,428 finders' warrants in connection with this private placement. Each warrant is exercisable to acquire one common share at an exercise price of $0.225 until January 20, 2012. A fair value of $5,726 was assigned to these finders' warrants.

On July 5, 2010, the Company closed a non-brokered private placement consisted of 2,999,999 flow-thorough shares at a price of $0.15 for gross proceeds of $450,000 The Company paid $30,994 of finders' fee in cash and issued 261,003 finder's warrants exercisable at $0.15 until July 5, 2012. The Company also paid due diligence fees of $9,450 in connection to this financing.

On July 12, 2010, the Company closed a non-brokered private placement consisted of 2,120,000 units at $0.125 per unit for gross proceeds of $265,000. Each unit consists of one common share and one transferable common share purchase warrant exercisable to acquire one common share at a price of $0.25 until July 12, 2013, The Company paid $8,831 of finders' fees in cash and issued 63,900 finder warrants exercisable at $0.125 per share until July 12, 2012.

During the year ended March 31, 2009, 540,000 stock options were re-priced to an exercise price of $0.15 per share, of which 390,000 options held by insiders received shareholder approval on September 30, 2009.

In addition, during the year ended March 31, 2010, 825,000 stock options at a price ranging form $0.12 to $0.20 were granted to directors, officers and consultants of the Company for a period of 5 years, and 250,000 options expired. On April 22, 2010, 100,000 stock options at a price of $0.10 were exercised for total proceeds of $10,000. As a result, the Company has 1,725,000 stock options outstanding as at July 21, 2010.

As of July 21, 2010 the following stock options were outstanding:

Expiry Date	Number of Options Outstanding & Exercisable	Exercise Price
September 18, 2011	100,000	$0.15
March 15, 2012	50,000	$0.15
August 15, 2012	290,000	$0.15
January 07, 2014	330,000	$0.15
January 20, 2014	130,000	$0.15
October 6, 2014	25,000	$0.12
November 6, 2014	475,000	$0.15
November 30, 2014	85,000	$0.17
February 10, 2015	70,000	$0.175
February 23, 2015	170,000	$0.20
	1,725,000	

During the year ended March 31, 2010, a total of 3,020,500 share purchase warrants with a weighted average exercise price of $0.63 per share expired and 6,231,092 warrants were issued at an average exercised price of $0.24. Subsequent to March 31, 2010, 2,120,000 warrants were issued at an exercise price of $0.25 and 324,903 finder's warrants were issued with exercise prices ranging from $0.125 to $0.15, leaving a balance of 9,549,620 warrants outstanding as of July 21, 2010:

Expiry Date	Number of warrants outstanding	Exercise Price
October 27, 2010	873,625	$0.25
November 3, 2011	3,900,000	$0.20
December 30, 2011	129,664	$0.225
January 20, 2012	2,150,000	$0.30
January 20, 2012	51,428	$0.225
July 5, 2012	261,003	$0.15
July 12, 2013	2,120,000	$0.25
July 12, 2012	63,900	$0.125
	9,549,620	

Total number of finders' options outstanding as at July 21, 2010 was 315,000. During the year ended March 31, 2010, 78,125 finder's options had expired and, 315,000 non-transferable finders' options had been granted pursuant to the private placement which closed on November 3, 2009. These finders' options are exercisable at a price of $0.10 to acquire finder's units consisting of one common share and one share purchase warrant exercisable at a price of $0.20 until November 3, 2011.

There are no shares subject to escrow or pooling agreements.

ACCOUNTING POLICIES

On April 1, 2009, the Company adopted the following new presentation and disclosure standards issued by the CICA. 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) 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 standard did not have an impact on the consolidated financial statements.

b) Financial Statement Concepts (Amended)

The Company adopted the amended Section 1000, "Financial Statement Concepts", which clarifies the criteria for recognition of an asset, reinforcing the distinction between costs that should be expensed and those that should be capitalized. The adoption of this standard did not have any material effect on the consolidated financial statements.

c) Financial Instruments – Disclosures (Amended)

In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to require enhanced disclosure about the fair value assessments of the financial instruments. The new disclosures are based on a fair value hierarchy that categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate the fair values. The amendments apply to annual financial statements for fiscal years ending after September 30, 2009.

d) Financial Instruments – Recognition and Measurement (Amended)

In June 2009, the CICA amended Section 3855, "Financial Instruments – Recognition and Measurement", to clarify that, upon reclassification of a financial instrument out of the trading category, an assessment must be completed to determine whether an embedded derivative is required to be bifurcated. In addition, the amendment prohibits the reclassification of a financial instrument out of trading when the derivative embedded in the financial instrument cannot be separately measured from the host contract. The amendment is applicable to all reclassifications occurring after July 1, 2009. The adoption of this standard did not have any material effect on the consolidated financial statements.

In August 2009, the CICA issued further amendments to Section 3855. The amendments changed the definition of a loan such that certain debt securities may be classified as loans if they do not have a quoted price in an active market and the Company does not have the intent to sell the security immediately or in the near term. As a result, debt securities classified as loans will be assessed for impairment using the incurred credit loss model of Section 3025 to reduce the carrying value of a loan to its estimated realizable amount.

Loan impairment accounting requirements are also applied to held-to-maturity financial assets as a result of the amendments. Debt securities that are classified as available-for-sale continue to be written down to their fair value when the impairment is considered to be other than temporary. However, the impairment loss can be reversed if the fair value substantially increases and the increase can be objectively related to an event occurring after the impairment loss was recognized. The adoption of this standard did not have any material effect on the consolidated financial statements.

e) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” which requires the Company to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The accounting treatments provided in EIC-173 have been applied in the preparation of these financial statements and have been applied retrospectively without restatement of prior periods. The adoption of this standard did not have a material impact on the valuation of financial assets or liabilities.

f) Mining Exploration Costs

In March 2009, the CICA issued EIC-174, “Mining Exploration Costs” which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided in EIC-174 have been applied in the preparation of these financial statements and did not have an impact on the valuation of exploration assets.

NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

b) Comprehensive Revaluation of Assets and Liabilities

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

c) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements.

Management is preparing an evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of potential differences. Many of the potential differences identified are not expected to have a material impact on the reported results and financial position. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS.

Significant differences that have been identified between Canadian GAAP and IFRS that will impact the Company are: exploration and evaluation costs, impairment of long lived assets, asset retirement obligations, share based payments and an increased level of disclosure requirements. These differences have been identified based on the current IFRS standards issued and expected to be in effect on the date of transition. Certain IFRS standards may be modified, and as a result, the impact may be different than the

Company's current expectations. The project team is currently determining the financial statement impact of these standards. The impact on the consolidated financial statements is not reasonably determinable at this time.

Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

RISKS AND UNCERTAINTIES

The Company is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to other companies in the same business; some of these risks have been discussed elsewhere in this document. The reader should also refer to the discussion of risks contained in the Company's Management Discussion & Analysis for the period ended March 31, 2009.

OUTLOOK

The Company and its rare-earth exploration program are in the midst of a year of growth. Since September 2009, the Company has acquired the key Eden Rare-Earth and the Red Wine Heavy-Rare-Earth Projects. The Company has raised nearly $2,000,000 in initial financing and gained market attention with its emphasis on its projects and its management and technical expertise.

In the coming year, rare-earth uses, rare-earth supply and demand issues, China's rare-earth production monopoly and a growing investor interest should continue to dominate the rare-earth financial-market-sector news. The Company and the entire rare-earth financial-market sector should be able to benefit as governments, rare-earth users, investment advisors and the media publicize the rare-earth story.

- The US, EU and UK governments warn that insufficient rare-earth supplies could stagnate industry and compromise national defence.
- In early July, China announced a further 51% restriction of its rare-earth exports.
- US government reports predict that it will take ten to 15 years for non-China sources to reach a level where they can supply the needs of the western world.
- Financial-market analysis of the rare-earth sector is maturing and now focuses on companies exploring properties containing high-demand and high-value rare earths, such as neodymium and the heavy-rare-earth elements.
- The entry of additional major investors, such as Frank Guistra's Endeavour Financial Corporation and Resources Capital Funds' Molycorp Minerals IPO, will increase investor awareness of the rare-earth sector.

The dynamics of the rare-earth story could lead the way in the upcoming growth of the resource-based financial markets. The Company is positioned to take advantage of this growth, as we explore the Company's Eden and Red Wine properties. These properties have a potential for the neodymium and heavy rare earths that the market seeks.

The Company's properties have potential. To realize this potential, the Company will follow through with the necessary exploration work, employing the talents of recognized experts in rare-earth exploration.

FORWARD LOOKING STATEMENTS

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward looking statements are usually identified by our use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts, and include but are not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business plan; future operations, the impact of regulatory initiatives on the Company's operations; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Forward looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents file on SEDAR (www.SEDAR.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

BY ORDER OF THE BOARD

"*William H Bird*"

WILLIAM H. BIRD