MEDALLION RESOURCES LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2012
(Unaudited)

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Notice of No Auditor Review of Interim Financial Statements

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

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by, and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of the financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

MEDALLION RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	September 30, 2012	March 31, 2012
ASSETS		
Current		
Cash	$ 12,498	$ 97,475
Short-term Investments (Note 4)	1,200,000	1,850,000
Other Receivables	50,320	70,531
Prepaid Expenses	48,450	88,034
Total Current Assets	1,311,268	2,106,040
Mineral Properties (Note 5)	-	269,839
Equipment (Note 6)	969	1,251
Total Assets	$ 1,312,237	$ 2,377,130
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities	$ 62,593	$ 71,561
Due to Related Parties (Note 7)	5,634	30,477
Total Liabilities	68,227	102,038
EQUITY		
Share Capital	$ 15,133,687	$ 15,017,338
Warrants	1,157,277	1,163,576
Contributed Surplus	1,222,171	1,240,206
Deficit	(16,269,125)	(15,146,028)
Total Shareholders' Equity	1,244,010	2,275,092
Total Liabilities and Shareholders' Equity	$ 1,312,237	$ 2,377,130

Corporate Information and Nature of Operations (Note 1)
Continuance of Operations (Note 2)

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.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)

	For the Three Months Ended September 30		For the Six Months Ended September 30	
	2012	**2011**	**2012**	**2011**
Expenses				
Amortization	$ 141	$ 256	$ 282	$ 512
Consulting Fees (Note 7)	24,703	33,746	60,252	55,989
Investor Relations	71,368	44,278	138,568	111,307
Management Fees (Note 7)	66,806	68,000	133,343	134,000
Office and General	54,329	38,251	93,711	66,681
Professional Fees (Note 7)	24,132	18,425	43,318	45,819
Exploration Expenditures on Written Off Properties and Property Investigations	118,386	45,570	318,527	56,799
Rent	6,183	5,507	12,292	10,961
Share-based Compensation	15,947	20,516	32,165	50,747
Transfer Agent and Filing Fees	11,342	5,049	16,495	21,470
	(393,337)	(279,598)	(848,953)	(554,285)
Other Items				
Interest Income and Other	4,451	9,455	6,945	13,786
Government Assistance	-	58,674	-	58,674
Write Off of Mineral Properties (Note 5)	(281,089)	-	(281,089)	(576,084)
Net Loss and Comprehensive Loss for the Period	$ (669,975)	$ (211,469)	$ (1,123,097)	$ (1,057,909)
Loss per Share – Basic and Diluted	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.02)
Weighted Average Shares Outstanding	45,281,838	44,749,435	45,170,741	44,691,102

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

MEDALLION RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended March 31, 2012 and the Six Months Ended September 30, 2012
(Unaudited)

	Number of Common Shares	Amount	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance – March 31, 2011	44,599,435	$ 14,861,221	$ 1,292,736	$ 1,133,541	$ (12,924,762)	$ 4,362,736
Shares issued on:						
Stock options exercised	160,000	92,602	-	(67,227)	-	25,375
Finders' warrants exercised	193,500	44,635	(15,610)	-	-	29,025
Finders' options exercised	22,500	4,880	-	(2,630)	-	2,250
Property acquisition	50,000	14,000	-	-	-	14,000
Share-based compensation	-	-	-	62,972	-	62,972
Expiry of warrants	-	-	(113,550)	113,550	-	-
Net loss for the year	-	-	-	-	(2,221,266)	(2,221,266)
Balance – March 31, 2012	45,025,435	$ 15,017,338	$ 1,163,576	$ 1,240,206	$ (15,146,028)	$ 2,275,092
Shares issued on:						
Stock options exercised	250,000	87,700		(50,200)		37,500
Finder's warrants exercised	79,777	17,399	(6,299)			11,100
Property acquisition	50,000	11,250				11,250
Share-based compensation				32,165		32,165
Net loss for the period					(1,123,097)	(1,123,097)
Balance – September 30, 2012	45,405,212	$ 15,133,687	$ 1,157,277	$ 1,222,171	$ (16,269,125)	$ 1,244,010

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

MEDALLION RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended September 30
(Unaudited)

	2012	2011
Cash Flow Provided By (Used in)		
Operating Activities		
Net loss for the period	$ (1,123,008)	$ (1,057,909)
Adjusted for items not involving cash:		
Amortization	282	512
Share-based Compensation	32,165	50,747
Write off of Mineral Property	281,089	576,846
Net change in non-cash working capital items:		
Other Receivables	20,211	(15,732)
Prepaid Expenses	39,584	16,141
Accounts Payable and Accrued Liabilities	(8,968)	(30,017)
Due to Related Parties	(24,843)	5,652
	(783,577)	(453,760)
Investing Activities		
Short-term Investments	650,000	200,000
Mineral Properties	-	(23,049)
Reclamation Bond		7,258
	650,000	184,209
Financing Activities		
Issuance of Share Capital	48,600	29,000
	48,600	29,000
(Decrease) Increase in Cash	(84,977)	(240,551)
Cash, Beginning of Year	97,475	326,532
Cash, End of Period	$ 12,498	$ 85,981
Supplementary Cash-flow Information:		
Interest Paid	$ -	$ -
Income Taxes Paid	$ -	$ -
Non-Cash Investing and Financing Activities:		
Shares Issued for Property Acquisition	$ 11,250	$ 14,000

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

NOTE 1 – CORPORATE INFORMATION AND NATURE OF OPERATIONS

Medallion Resources Ltd. (the "Company") was incorporated on December 8, 1989, under the Business Corporations Act (British Columbia).

The Company is in the business of acquisition and exploration of mineral properties. The Company's operations consist generally of mineral exploration and evaluation of new property acquisitions. This includes acquiring mineral properties, evaluating the merits of these properties using various techniques such as sampling, trenching and geophysical and geochemical methods as well as drilling. The Company has not yet determined whether its 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 from the properties or proceeds from the disposition thereof.

The Company's registered office is Suite 1160 – 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

NOTE 2 – BASIS OF PRESENTATION

Statement of Compliance

These condensed interim financial statements for the six months ended September 30, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. As such the condensed interim financial statements have been prepared in accordance with IAS 34 – "Interim Financial Reporting" and do not include all of the information required for full annual financial statements.

These interim unaudited consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2012. The interim consolidated financial statements were authorized for issue by the Board of Directors on November 21, 2012.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of consolidated financial statements in conformity with IFRS 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 rehabilitation provisions, valuation allowance on future income taxes and share-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.

Continuance of Operations

These interim consolidated financial statements are prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

The Company has not generated revenue from operations. The Company incurred a net loss of $1,123,097 for the six months ended September 30, 2012 and, as of that date the Company's accumulated deficit was $16,269,125. The Company does not generate any cash flow from operations to fund its future activities and has relied principally upon the issuance of securities to fund its exploration and administrative expenditures. These conditions raise significant doubt regarding the Company's ability to continue as a going concern.

NOTE 2 – BASIS OF PRESENTATION (continued)

Continuance of Operations (continued)

The Company will require additional capital to fund its future property acquisitions and exploration programs as well as for administrative purposes. There is material uncertainty about whether the Company will be able to obtain additional capital. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned inactive subsidiary Medallion Resources (USA) Inc. All intercompany transactions and balances have been eliminated.

Foreign Currency Translation

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the period-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the period-end date and the related translation differences are recognized in net loss.

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 that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with maturities of three months or less when acquired which are readily convertible into cash.

Equipment

Equipment is initially recorded at cost. The Company amortizes the cost of equipment over their estimated useful lives at the following annual rates using the declining balance method:

Computer equipment	45%

Residual values and useful economic lives are reviewed at least annually, and adjusted if appropriate, at each reporting date. Subsequent expenditure relating to an item of equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repair and maintenance expenses during the period in which they are incurred. Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized within other income in the statement of loss and comprehensive loss.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Properties

i) Pre-exploration costs

Pre-exploration costs are expensed in the year in which they are incurred.

ii) Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as material used, geological and geophysical surveying costs, drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out or option agreements, whereby the Company will transfer part of a mineral interest, as consideration for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee or optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Impairment of Non-Financial Assets

At each reporting period the carrying amounts of the Company's non-financial assets, other than exploration and evaluation assets, are reviewed for indicators of impairment. If indicators exist, the recoverable amount of the asset is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For purposes of assessing impairment, exploration and evaluation assets and property and equipment are grouped into cash generating units ("CGU") defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company has used geographical proximity, geological similarities, analysis of shared infrastructure, commodity type, assessment of exposure to market risks and materiality to define its CGUs.

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in net loss. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in net loss. The recovery is limited to the original carrying amount less depreciation, if any, that would have been recorded had the asset not been impaired.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Assistance

Government assistance relates to the recovery of a portion of eligible expenditures on mineral properties from various government authorities and is recorded in the period in which it is received. Amounts received that relate to mineral properties that have previously been written off are recorded as other income in the statement of loss and comprehensive loss. Amounts received that relate to existing mineral properties are used to reduce the carrying amount of the related mineral property.

Rehabilitation Provisions

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mineral property. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company has only performed preliminary exploratory work on its mineral properties, and has not incurred significant rehabilitation provisions in the current year or prior periods.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities.

i) Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

At Fair Value Through Profit or Loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

i) Financial Assets (Continued)

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale Investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale investments are recognized at fair value and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as current except if they are expected to be realized beyond twelve months of the statement of financial position date, where they are classified as non-current.

ii) Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred. These liabilities are initially recognized on the trade date at fair value when the Company becomes a party to the contractual provisions of the instrument and are subsequently carried at amortized cost using the effective interest rate method. The liabilities are derecognized when the Company's contractual obligations are discharged or cancelled or they expire.

Impairment of Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Share Capital

Unit Offerings

The Company has adopted the relative fair value method with respect to the measurement of shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair values of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from warrants to share capital. If the warrants expire unexercised, the applicable amount is transferred to contributed surplus.

Flow-through Shares

The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration programs in Canada. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss Per Share

Basic income (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted income (loss) per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Basic and diluted loss per share are the same in these consolidated financial statements as the inclusion of common share equivalents would be anti-dilutive.

Share-based Compensation

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Leases

Where substantially all of the risks and rewards incidental to ownership of a leased asset are not transferred to the Company (an operating lease), the total rentals payable under the lease are charged to the statement of comprehensive loss on a straight – line basis over the lease term.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, Amendments and Interpretations Not Yet Effective

The following new standards and amendments to existing standards have been published and are mandatory for annual accounting periods beginning after January 1, 2012 or later, with early adoption permitted. None of these is expected to have a significant effect on the Company's consolidated financial statements.

i) IFRS 1, *First-time Adoption of International Financial Reporting Standards,* amendments regarding Government Loans;

ii) IFRS 7, *Financial Instruments: Disclosures*, amendments regarding Disclosures – Offsetting Financial Assets and Financial Liabilities;

iii) IFRS 9, *Financial Instruments* (New; to replace IAS 39 and IFRIC 9);

iv) IFRS 10, *Consolidated Financial Statements* (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);

v) IFRS 11, *Joint Arrangements* (New; to replace IAS 31 and SIC-13);

vi) IFRS 12, *Disclosure of Interests in Other Entities* (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);

vii) IFRS 13, *Fair Value Measurement* (New; to replace fair value measurement guidance in other IFRSs);

viii) IAS 1, *Presentation of Financial Statements*, amendments regarding Presentation of Items of Other Comprehensive Income;

ix) IAS 19, *Employee Benefits* (Amended in 2011);

x) IAS 27, *Separate Financial Statements* (Amended in 2011);

xi) IAS 28, *Investments in Associates and Joint Ventures* (Amended in 2011);

xii) IAS 32, *Financial Instruments: Presentation*, amendments regarding Offsetting Financial Assets and Financial Liabilities;

xiii) IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (New).

NOTE 4 – SHORT-TERM INVESTMENTS

During the year ended March 31, 2012, the Company invested in a Guaranteed Investment Certificate ("GIC") issued by its bank, in the amount of $2,400,000 with a maturity date of November 19, 2012 that provides interest at the prime rate less 1.80% if held to maturity. Interest income is recorded on the GIC and is included in Other Receivables. The Company redeemed $550,000 of the GIC leaving a balance at March 31, 2012 of $1,850,000. During the six months ended September 30, 2012 the Company redeemed a further $650,000 of the GIC leaving a balance of $1,200,000.

NOTE 5 – MINERAL PROPERTIES

	Eden Lake Property	Red Wine Property	Total
Balance at March 31, 2011	$ 570,891	$ 174,269	$ 745,160
Property-acquisition costs	-	14,000	14,000
Exploration expenditures:			
Field expenses	-	700	700
Geological	-	52,756	52,756
Other	5,193	28,114	33,307
Impairment	(576,084)	-	(576,084)
Balance at March 31, 2012	-	269,839	269,839
Property-acquisition costs	-	11,250	11,250
Exploration expenditures:			
Field expenses	-	-	-
Geological	-	-	-
Other	-	-	-
Impairment	-	(281,089)	(281,089)
Balance at September 30, 2012	$ -	$ -	$ -

Eden Lake Property, Manitoba

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

On September 15, 2010, RES and the Company agreed to amend the definitive option agreement so that a $50,000 payment, which was due to RES following approval of the option agreement by the TSX Venture Exchange on July 14, 2010, would instead be due on the first anniversary of the effective date. The September 15, 2010 amendment also added six Manitoba crown mineral claims, staked by the Company during June and July 2010, to the Eden Lake property.

On September 12, 2011, the Company terminated and returned the Eden Lake property to RES. As a result, $576,084 of exploration expenditures incurred on this property by the Company, of which $5,193 were incurred during the year ended March 31, 2012, were written off.

Red Wine Property, Labrador

On April 10, 2010, the Company signed a letter agreement with Polaris Capital Ltd. (the "vendor"), a private corporation, to acquire a 100% interest in four mineral licenses comprising the Red Wine rare earth mineral property located in the province of Newfoundland and Labrador. The letter agreement was amended on June 10, 2010 and March 16, 2011 to include three additional mineral licenses which were staked by the vendor and to make certain other minor changes to the letter agreement. As a result, the Company is acquiring a 100% interest in a total of seven mineral claims in Labrador, Canada. The property is subject to a 3% net smelter return royalty, half of which the Company can purchase for $1,500,000.

NOTE 5 – MINERAL PROPERTIES (continued)

Red Wine Property, Labrador (continued)

On May 8, 2012, the Company entered into a further amended letter agreement with the vendor. Under the terms of the amended letter agreement, the Company will pay an aggregate of $475,000, issue an aggregate of 1,600,000 common shares and incur exploration expenditures totaling $350,000, as follows:

Making $475,000 of cash payments as follow:
- $50,000 by March 16, 2013;
- an additional $100,000 by March 16, 2014;
- an additional $100,000 by March 16,2015;
- an additional $100,000 by March 16, 2016; and
- an additional $125,000 by March 16, 2017;

Issuing to the vendor 1,600,000 common shares as follow:
- 50,000 shares upon execution of the amended letter agreement (issued);
- an additional 100,000 shares by March 16,2013;
- an additional 250,000 shares by March 16, 2014;
- an additional 350,000 shares by March 16, 2015;
- an additional 350,000 shares by March 16, 2016; and
- an additional 500,000 shares by March 16,2017;

Incurring expenditures totaling $350,000 as follow:
- an additional $50,000 by March 16, 2013;
- an additional $100,000 by March 16, 2014;
- an additional $100,000 by March 16, 2015; and
- an additional $100,000 by March 16, 2016.

On May 9, 2012, the Company issued 50,000 shares at a value of $0.225 per share for a total value of $11,250, pursuant to the amended letter agreement entered into on May 8, 2012.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. As of September 30, 2012, the Company has determined that the carrying amount of the Red Wine Property exceeds its recoverable amount and therefore has written off $281,089 to the interim consolidated statements of loss and comprehensive loss.

NOTE 6 – EQUIPMENT

Net book value of computer equipment is as follows:

		Computer Equipment
Cost		
Balance – March 31, 2011	$	10,066
Additions		-
Balance – March 31, 2012 and September 30, 2012	$	10,066
Accumulated Depreciation		
Balance – March 31, 2011	$	7,791
Depreciation for the year		1,024
Balance – March 31, 2012		8,815
Depreciation for the period		282
Balance – September 30, 2012	$	9,097
Carrying Amounts		
Balance – March 31, 2011	$	2,275
Balance – March 31, 2012	$	1,251
Balance – September 30, 2012	$	969

NOTE 7 – RELATED PARTY TRANSACTIONS

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

a) During the six months ended September 30, 2012, $72,000 (2011 - $73,000) was charged by a private company controlled by the Chief Executive Officer (the "CEO") of the Company for management fees. At September 30, 2012, $nil (2011- $13,440) was owed to this company.

b) During the six months ended September 30, 2012, the Company incurred $41,273 (2011 - $36,794) of legal fees to a law firm in which a director of the Company is a principal. At September 30, 2012, $5,529 (2011 - $7,621) was owed to this firm.

c) During the six months ended September 30, 2012, $60,000 (2011 - $61,000) was charged by a private company controlled by the President of the Company for management fees. In addition, $1,575 (2011 - $nil) was charged by the company for marketing consulting fees. At September 30, 2012, $nil (2011 - $11,200) was owed to this company.

d) During the six months ended September 30, 2012, the Company paid $12,292 (2011 – $10,961) in rent in connection with an office sub-lease the Company entered into with a company owned by a director (see Note 9).

e) During the six months ended September 30, 2012, the Company incurred $36,850 (2011 - $37,147) of consulting fees to the Chief Financial Officer (the "CFO") of the Company. At September 30, 2012, $105 (2011 - $8,209) was owed to the CFO.

NOTE 8 – SHARE CAPITAL

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

a) During the year ended March 31, 2012, a total of 160,000 stock options were exercised at an average price of $0.16 per share for proceeds of $25,375. A fair value of $67,227 was transferred to share capital upon the exercise of these options.

b) During the year ended March 31, 2012, a total of 193,500 brokers' warrants were exercised at $0.15 per share for total proceeds of $29,025. A fair value of $15,610 was transferred to share capital.

c) During the year ended March 31, 2012, a total of 22,500 brokers' compensation options were exercised at $0.10 per share for total proceeds of $2,250. A fair value of $2,630 was transferred to share capital.

d) During the year ended March 31, 2012, the Company issued 50,000 shares at a value of $0.24 per share for a total value of $14,000 as an option payment toward the acquisition of a 100% interest in the Red Wine Property.

e) During the six months ended September 30, 2012 a total of 250,000 stock options were exercised at an average price of $0.15 per share for proceeds of $37,500. A fair value of $50,200 was transferred to share capital upon exercise of these options.

f) During the six months ended September 30, 2012 a total of 79,777 brokers' warrants were exercised for total proceeds of $11,100. A fair value of $6,299 was transferred to share capital.

g) During the six months ended September 30, 2012, the Company issued 50,000 shares at a value of $0.225 per share for a total value of $11,250 as an option payment toward the acquisition of a 100% interest in the Red Wine Property.

Warrants

A summary of the changes in the Company's warrants is presented below:

	Number of Warrants	Weighted Average Exercise Price
Balance – March 31, 2011	9,164,794	$ 0.34
Exercised	(193,500)	0.15
Expired	(1,979,117)	0.26
Balance – March 31, 2012	6,992,177	0.36
Exercised	(79,777)	0.14
Balance – September 30, 2012	6,912,400	$ 0.37

As of September 30, 2012, the following warrants were outstanding:

Expiry Date	Number of Warrants Outstanding		Exercise Price
October 25, 2012	391,667	*	$ 0.40
November 12, 2012	336,170	*	0.40
July 12, 2013	1,591,000		0.25
October 25, 2013	1,958,335		0.40
November 12, 2013	2,635,228		0.40
	6,912,400		$ 0.37

* Subsequent to the period end, these warrants expired.

NOTE 8 – SHARE CAPITAL (continued)

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 at the time of grant. 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 are exercisable over a period not exceeding five years.

a) On June 14, 2011, the Company granted 75,000 stock options to a consultant of the Company with an exercise price of $0.23 per share and an expiry date of June 14, 2016. These stock options vested and were exercisable immediately.

b) On September 21, 2011, the Company granted 100,000 stock options to a director of the Company with an exercise price of $0.17 per share and an expiry date of September 21, 2016. These stock options vested and were exercisable immediately.

c) On October 24, 2011, the Company granted 200,000 stock options to a company that advises the Company with an exercise price of $0.155 per share and expiry date of October 24, 2016. Of these, 50,000 stock options vested immediately with 50,000 stock options vesting on each of January 24, 2012, April 24, 2012 and October 24, 2012.

d) On March 1, 2012, the Company granted 132,193 stock options to a consultant of the Company with an exercise price of $0.24 per share and expiry date of March 1, 2014. The stock options will vest when the consultant meets certain financing-related performance criteria.

e) During the six months ended September 30, 2012 a total of 417,807 stock options with an exercise price of $0.24 were granted to consultants to the Company. 267,807 of these stock options have an expiry date of March 1, 2014. These stock options will vest when the consultant meets certain financing related performance criteria. As at September 30, 2012 these criteria had not been met. 150,000 stock options have an expiry date of April 3, 2014 and these options vested and were exercisable immediately.

A summary of the changes in the Company's stock options is presented below:

	Number of Stock Options	Weighted Average Exercise Price
Balance – March 31, 2011	4,070,000	$ 0.31
Granted	507,193	0.19
Exercised	(160,000)	0.16
Expired	(425,000)	0.36
Balance – March 31, 2012	3,992,193	0.30
Granted	417,807	0.24
Exercised	(250,000)	0.15
Balance – September 30, 2012 – Outstanding	4,160,000	$ 0.30
Balance – September 30, 2012 – Exercisable	3,560,000	$ 0.31

NOTE 8 – SHARE CAPITAL (continued)

Stock Options (continued)

As of September 30, 2012, the following options were outstanding:

	Number of Options Outstanding	Exercise Price
January 7, 2014	290,000	$ 0.15
January 20, 2014	130,000	0.15
March 1, 2014	400,000	0.24
April 3, 2014	150,000	0.24
November 6, 2014	440,000	0.15
November 30, 2014	35,000	0.17
February 10, 2015	35,000	0.175
February 23, 2015	70,000	0.20
September 13, 2015	960,000	0.265
January 27, 2016	1,275,000	0.50
June 14, 2016	75,000	0.23
September 21, 2016	100,000	0.17
October 24, 2016	200,000	0.155
	4,160,000	$ 0.30

Finder's Options

	Number of Finder's Options	Weighted Average Exercise Price
Balance – March 31, 2011	22,500	$ 0.10
Exercised	(22,500)	0.10
Balance – March 31 and September 30, 2012	-	$ -

NOTE 9 – COMMITMENTS

The Company has entered into a sub-lease with a company owned by a director for office premises which has been renewed as of June 30, 2012 for an additional year to June 30, 2013 with monthly rent of $2,036. The following is a summary of the future lease commitments:

Fiscal 2013	$ 24,434
Fiscal 2014	$ 6,109

NOTE 10 – FINANCIAL INSTRUMENTS

The following table sets forth the levels in the fair value hierarchy in which the Company's financial assets and liabilities are measured and recognized in the statement of financial position. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance, September 30, 2012
Cash	$ 12,498	-	-	$ 12,498
Short-term investments	$ 1,200,000	-	-	$ 1,200,000

The fair value of the Company's other receivables, accounts payables and accrued liabilities, and due to related parties approximates their carrying values. The Company's financial instruments are exposed to certain financial risks including credit risk, liquidity risk, and commodity-price risk.

a) Credit risk

The Company's cash and short-term investments are held in a major Canadian financial institution. The Company's other receivables consist primarily of goods and services tax due from the federal government of Canada.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

c) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of several commodities. The Company has not hedged any potential future commodity sales. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

d) Sensitivity analysis

The Company has, for accounting purposes, designated its cash and short-term investments as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost. As at September 30, 2012, 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 significantly 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, however, affect the Company. In particular, the Company's future profitability and viability of development depends upon world markets for natural resources. As of September 30, 2012, the Company was not a producing entity. As a result, commodity price risk could affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken.

NOTE 11 - MANAGEMENT OF CAPITAL RISK

The Company manages its cash, common shares, stock options, finder's options and warrants as capital (Note 8). 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 its capital structure, the Company may look 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 currently pay

out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments issued by a major Canadian chartered bank.