

**MEDALLION RESOURCES LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS**  
**For the period ended June 30, 2010**  
**Containing information up to and including August 30, 2010**

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*The following Management Discussion and Analysis (the “MD&A”) is prepared at August 30, 2010 and is intended to help the reader understand the accompanying unaudited consolidated financial statements of Medallion Resources Ltd. (the “Company”). The information provided herein should be read in conjunction with the Company’s unaudited consolidated financial statements and notes for the period ended June 30, 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](http://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.

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***Mineral Properties***

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

	March 31, 2009	Expenditures/ Write offs	March 31, 2010	Expenditures/ Write offs	June 30, 2010
<b><i>Everett Property</i></b>					
Property-acquisition costs	\$ 34,332	\$ 10,000	\$ 44,332	\$ -	\$ -
Claim staking	12,817	-	12,817	-	-
Exploration expenditures	423,576	23,024	446,600	-	-
Written-off exploration expenditure	(423,576)	(80,173)	(503,749)	-	-
	47,149	(47,149)	-	-	-
<b><i>Eden Lake Property</i></b>					
Property-acquisition costs	-	50,000	50,000	-	50,000
Claim staking	-	-	-	450	450
Exploration expenditures					
Field expenses	-	-	-	41,144	41,144
Geological	-	33,695	33,695	37,815	71,510
Geophysical	-	108,460	108,460	-	108,460
Other	-	534	534	20,411	20,945
	-	192,689	192,689	99,820	292,509
<b><i>Red Wine Property</i></b>					
Property-acquisition costs	-	-	-	2,160	2,160
Exploration expenditures	-	-	-	2,767	2,767
	-	-	-	4,927	4,927
Total Expenditures	\$ 47,149	\$ 145,540	\$ 192,689	\$ 104,747	\$ 297,436

***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 calendar 2009, 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 in favour of a former underlying property owner.

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. The TSXV granted final approval of the option agreement on July 14, 2010.

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 collected and analyzed all previous data on the Eden Lake property and provided 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 was completed and

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filed for review with the TSXV. A revised version of the report was accepted by the TSXV and filed August 5, 2010 on the SEDAR site under the Company's name.

*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 totaling 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 a 3% net smelter return 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**

	<b>Year ended March 31, 2010</b>	<b>Year ended March 31, 2009</b>	<b>Year ended March 31, 2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total Revenues (interest income)	141	2,807	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

**SUMMARY OF QUARTERLY RESULTS**

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

<b>Quarter Ending</b>	<b>Revenue \$</b>	<b>Expenses \$</b>	<b>Net Loss (Income) \$</b>	<b>Loss (Earnings) Per Share \$</b>
June 30, 2010	40	111,405	111,365	0.00
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

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June 30, 2009	4,854	82,793	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

**Results of operations for the three months ended June 30, 2010 compared to the three months ended June 30, 2009.**

The Company's losses for the three months ended June 30, 2010 were \$111,365 (loss per share - \$0.00) compared to \$178,312 (loss per share - \$0.01) in the comparative period in 2009. The decrease is mostly a result of the write off of \$42,694 in financing costs and the write off of \$57,689 in mineral property costs during the three months ended June 30, 2009.

In June 2010, the Company commenced the summer 2010 exploration program and performed due diligence investigations on its rare earth properties resulting in \$104,747 of exploration expenditures in the first quarter of fiscal 2011 (see "Mineral Properties" section).

The general and administrative expenses totaled \$111,405 in the three months ended June 30, 2010 compared to \$82,793 in 2009, an increase of \$28,612.

The major expenditures were in professional fees \$22,485 (2009 - \$11,756), investor's relations \$24,419 (2009 - \$4,044), management fees \$24,750 (2009 - \$21,690), and consulting fees \$20,625 (2009 - \$14,103).

The loss per share was \$0.00 in three months ended June 30, 2010 as compared to a loss per share of \$0.01 for the comparable period in 2009.

**LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2010, the Company's working capital was \$10,832 (March 31, 2010 - \$131,217).

Cash and cash equivalents at June 30, 2010, totaled \$185,888, a decrease of \$44,781 from \$230,669 as at March 31, 2010. In the period ended June 30, 2010, the Company closed the first tranche of a flow-through financing for total proceeds of \$150,000 (\$73,789 of share issue costs were incurred in connection with both tranches of this financing) (see "Disclosure of Outstanding Share Data" section). In addition \$10,000 was received as proceeds from options exercised during the period, and \$9,250 of shares subscriptions were received for the second tranche of a private placement, which closed subsequent to the end of the period.

During the three months ended June 30, 2010, the Company incurred \$104,747 in due diligence and exploration expenditures on the Eden Lake and Red Wine properties.

Contributed surplus totaled \$521,441 as at June 30, 2010 (March 31, 2010 - \$544,581). The decrease is due to the \$23,140 of fair value recognized on the exercise of the options.

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 June 30, 2010, the Company closed the second tranche of a flow through private placement and another equity offering for gross aggregate proceeds of \$565,000. The proceeds of the offerings will be used for exploration of the Company's Eden Lake REE and Red Wine HREE projects, 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

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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. The agreement is continuing on a month to month basis.

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

Fiscal 2011	\$21,231
Fiscal 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 three months ended June 30, 2010, \$24,750 (2009 - \$21,690) was charged by a private company controlled by the President of the Company for management fees and \$5,170 (2009 - \$540) for geological consulting fees. At June 30, 2010, \$Nil (March 31, 2010 - \$16,537) was owed to this company.

b) In fiscal 2008, a company owned by a director loaned to the Company an aggregate of \$100,000, of which \$50,000 was repaid in 2009. 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 three months ended June 30, 2010, the interest accrued totaled \$667 (2009 - \$3,322).

As of June 30, 2010, the balance of \$51,957 (March 31, 2010 - \$51,290) was owing on the notes.

c) During the three months ended June 30, 2010, the Company incurred \$14,686 (2009 - \$6,845) of legal fees and \$27,734 (2009 - \$Nil) of share issue costs to a law firm in which a director of the Company is a principal. At June 30, 2010, \$52,310 (March 31, 2010 - \$19,753) was owed to this firm.

d) During the three months period ended June 30, 2010, \$10,800 (2009 - \$7,065) of consulting fees were incurred to a private company controlled by a director of the Company. At June 30, 2010, \$7,560 (March 31, 2010 - \$7,560) was owed to this company.

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- e) No amount was paid or is payable on account of rent for the month of June 2010 in connection with the sub-lease the Company entered into with a company owned by a director.. Rent payments commenced effective July 1, 2010.
- f) In connection with the non-brokered private placements dated June 22 and July 5, 2010 a director of the Company purchased a total of 3,966 shares of the Company for gross proceeds of \$595.
- g) In connection with the non-brokered private placement dated July 12, 2010 a company controlled by a director of the Company purchased 96,000 units for gross proceeds of \$12,000.

**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 June 30, 2010, the Company had 24,438,583 issued and outstanding common shares and 28,558,582 were issued and outstanding as at August 30, 2010.

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On July 5, 2010, the Company closed a non-brokered private placement consisted of a total 2,999,999 flow-through shares at a price of \$0.15 each for gross proceeds of \$450,000 in two tranches, with the first tranche of 1,000,000 shares closing on June 22, 2010 and second tranche of 2,000,000 shares closing on July 5, 2010. The Company paid \$30,994 of finders' fees 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 with 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's warrants exercisable at \$0.125 per share until July 12, 2012.

On April 22, 2010, 100,000 stock options at a price of \$0.10 were exercised for total proceeds of \$10,000. As at August 30, 2010, the Company has 1,725,000 stock options outstanding as follows:

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
	<u>1,725,000</u>	

As of June 30, 2010, the Company had 7,104,717 warrants outstanding. Subsequent to June 30, 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, resulting in a balance of 9,549,620 warrants outstanding as of August 30, 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
	<u>9,549,620</u>	

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Total number of finders' options outstanding as at June 30 and August 30, 2010 was 315,000. 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.

**CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

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")**

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAE's") such as the Company.

The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAE's with a March 31 year-end, the first unaudited interim financial statements under IFRS will be the quarter ending June 30, 2011, with comparative financial information for the quarter ended June 30, 2010. The first audited annual financial statements will be for the year ending March 31, 2012, with comparative financial information for the year ended March 31, 2011. This also means that all the opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the April 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the June 30, 2011 unaudited interim financial statements.

In 2010, the Company's management assessed the impact of adoption to IFRS and concluded that an adoption date will be April 1, 2011 and a transition date April 1, 2010. The Company's first financial statements prepared under IFRS will be the interim financial statements for the three months ended June 30, 2011 with comparatives for the three months ended June 30, 2010 along with the balance sheet as of the transition date and will include full disclosure of all new IFRS policies.

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During fiscal 2010, the Company's accounting department and CFO examined the impact of the changes in accounting policies per IFRS and attended seminars on the adoption and implementation of IFRS.

The Company reviewed its existing accounting system along with its internal and disclosure control process and concluded that they would not need significant modification as a result of the Company's conversion to IFRS in 2011. The Company also determined that it would rely on certain exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" as of the transition date on April 1, 2010.

Under IFRS 1 the IFRS standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company intends to apply the following exemptions to its opening balance sheet dated January 1, 2010.

a) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combination retrospectively to business combinations that occurred before the date of transition to IFRS. The Company will take advantage of this election and will apply IFRS 3 to business combinations that occurred on or after April 1, 2010. There is no adjustment required to the March 31, 2010 financial statements on the transition date.

b) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company will apply IFRS 2 to awards that vested prior to April 1, 2010 resulting in no adjustments to the March 31, 2010 financial statements on the transition date.

c) IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively. Therefore, there will be no change to the March 31, 2010 financial statements on the transition date.

d) IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively. Therefore, there will be no change to the March 31, 2010 financial statements on the transition date.

Given the IFRS 1 exemptions noted above, the Company has identified the following adjustments to the March 31, 2010 financial statements on the transition date:

a) "Contributed surplus" versus "Equity settled employee benefit reserve"

IFRS requires "contributed surplus" to be broken down into different categories by naming various reserves. The Company examined its "contributed surplus" account and concluded that an amount of \$544,581 relates to "Equity settled employee benefit reserve", for the options granted to officers and employees. As a result, on transition date, there will be a reclassification in the equity section between "Contributed Surplus" and "Equity settled employee benefit reserve" for \$544,581.

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## **INTERNAL CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING**

There was no change in the Company's internal control over financial reporting during the six months ended June 30, 2010 that materially affected, or was reasonably likely to materially affect, the Company's internal control over financial reporting.

## **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, 2010.

## **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.

At the Company's Eden Lake REE Project in western Manitoba, field work is underway, which is focused on locating a large area of surface REE-mineralization that may be of economic importance. The work consists of refining past available information and collecting new mapping and sampling data to investigate the potential of the four REE-mineralization styles present on the Eden Lake property. To date, the hydrothermal metasomatic replacement mechanism appears to provide the greatest potential.

**MEDALLION RESOURCES LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS**  
**For the period ended June 30, 2010**  
**Containing information up to and including August 30, 2010**

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At the Company's Red Wine HREE Project in southern Labrador, the summer 2010 exploration program began with the completion of an airborne geophysical survey in early July 2010. The preliminary data from this survey supports and expands previous estimates of the area for rare-earth mineralization. Strong magnetic and radiometric anomalies correspond to a large area on Company's 22-square-kilometre "A" block that is known to cover the eudialyte-bearing south Red Wine intrusion. Eudialyte is recognized as a mineral rich in the more valuable heavy rare-earth elements. Positive geophysical responses also point to new, potentially mineralized targets on the Company's "B", "C" and "D" blocks to the east and north of the "A" block. A field check of the geophysical targets and all available historical geological information began on August 26, 2010.

**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](http://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"*

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WILLIAM H. BIRD