

MEDALLION RESOURCES LTD.
(An Exploration-Stage Company)
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010 and 2009

AUDITORS' REPORT

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

LANCASTER & DAVID

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of Medallion Resources Ltd.:

We have audited the consolidated balance sheets of Medallion Resources Ltd. as at March 31, 2010 and 2009, and the consolidated statements of operations, cash flows and shareholders' equity (deficit) for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2010 and 2009, and the result of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ Lancaster & David

CHARTERED ACCOUNTANTS

Vancouver, BC
July 21, 2010

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

	2010	2009
ASSETS		
Current		
Cash	\$ 230,669	\$ 61,284
Prepaid Expenses and Other Receivables	53,745	14,151
Marketable Securities (Note 3)	-	37,440
	284,414	112,875
Mineral Properties (Note 4)	192,689	47,149
Reclamation Bond (Note 5)	11,951	16,219
Equipment (Note 6)	2,363	4,296
Deferred Financing Costs	-	42,694
	\$ 491,417	\$ 223,233
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities	\$ 58,057	\$ 86,972
Due to Related Parties (Note 8)	43,850	129,130
Promissory Notes (Note 8)	51,290	110,875
	153,197	326,977
SHAREHOLDERS' EQUITY (DEFICIT)		
Share Capital (Note 7)	11,372,638	10,799,183
Warrants (Note 7)	362,979	194,972
Contributed Surplus (Note 7)	544,581	256,415
Accumulated Other Comprehensive Income	-	5,604
Deficit	(11,941,978)	(11,359,918)
	(11,941,978)	(11,359,918)
	\$ 491,417	\$ 223,233

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

Approved on behalf of the Board:

/s/ Donald M. Lay

Donald M. Lay – Director

/s/ William H. Bird

William H. Bird – Director

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

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

	2010	2009
Expenses		
Amortization	\$ 1,933	\$ 2,880
Consulting Fees (Note 8)	67,415	38,533
Investor Relations	33,719	51,354
Management Fees (Note 8)	86,240	86,760
Office and General	54,488	68,222
Professional Fees (Note 8)	103,390	150,098
Exploration Expenditures on Written Off Properties and Property Investigation	212,169	-
Rent	19,834	17,988
Stock-based Compensation	115,019	58,696
Transfer Agent and Filing Fees	19,079	17,488
	(713,286)	(492,019)
Other Items		
Interest Income and Other	141	2,807
Gain on Sale of Marketable Securities (Note 3)	4,854	3,975
Government Assistance (Note 2)	147,035	-
Write Off of Mineral Property (Note 4)	(80,173)	(1,400,794)
Write Off of Financing Costs	(43,694)	-
	(685,123)	(1,886,031)
Loss Before Taxes	(685,123)	(1,886,031)
Income Tax Recovery (Note 12)	103,063	112,711
	103,063	112,711
Net Loss for the Year	\$ (582,060)	\$ (1,773,320)
Loss per Share		
Basic and Diluted	\$ (0.03)	\$ (0.15)
Weighted Average Shares Outstanding	17,725,383	12,214,712

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

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

	2010	2009
Cash Flow Provided By (Used In)		
Operating Activities		
Net Loss for the Year	\$ (582,060)	\$ (1,773,320)
Adjusted for Items Not Involving Cash:		
Amortization	1,933	2,880
Stock-based Compensation	115,019	58,696
Income Tax Recovery	(103,063)	(112,711)
Gain on Sales of Marketable Securities	(4,854)	(3,975)
Unrealized Loss on Foreign Exchange	4,268	-
Write Off of Resource Property	80,173	1,400,794
Write Off of Financing Costs	42,694	-
Net Change in Non-cash Working Capital Items:		
Prepaid Expenses and Other Receivables	(39,594)	(5,596)
Accounts Payable and Accrued Liabilities	(28,915)	7,869
Accrued Interest on Promissory Notes	4,813	7,167
Due to Related Parties	(85,280)	100,095
	(594,866)	(318,101)
Investing Activities		
Purchase of Equipment	-	(1,554)
Mineral Property	(225,713)	(911,525)
Reclamation Bond	-	7,196
	(225,713)	(905,883)
Financing Activities		
Issuance of Shares for Cash	1,127,875	737,633
Share Issuance Costs	(110,203)	(78,875)
Deferred Financing Costs	-	(42,694)
Repayment of Promissory Notes	(64,398)	-
Proceeds from Sale of Marketable Securities	36,690	12,676
	989,964	628,740
Increase (Decrease) in Cash	169,385	(595,244)
Cash, Beginning of Year	61,284	656,528
Cash, End of Year	\$ 230,669	\$ 61,284
Supplementary Net Cash-flow Information:		
Net Interest Paid	\$ 14,398	\$ -
Net Income Taxes Paid	\$ -	\$ -

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

MEDALLION RESOURCES LTD.
(An Exploration-Stage Company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
For the Years Ended March 31, 2010 and 2009

	Number of Common Shares	Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity (Deficit)
Balance, March 31, 2008	10,774,018	\$ 10,308,365	\$ 145,786	\$ 188,254	\$ 42,884	\$ (9,586,598)	\$ 1,098,691
Shares Issued On:							
Property acquisition (Note 7a)	50,000	10,000	-	-	-	-	10,000
Private placement (Note 7b)	1,700,000	282,935	57,065	-	-	-	340,000
Private placement (Note 7c)	2,650,885	397,633	-	-	-	-	397,633
Share Issue Costs (Notes 7b and c)	47,250	(80,460)	1,586	-	-	-	(78,874)
Stock-based Compensation	-	-	-	58,696	-	-	58,696
Tax Benefit Renounced to Flow-through Shares (Note 12)	-	(119,290)	-	-	-	-	(119,290)
Expiry of Warrants	-	-	(9,465)	9,465	-	-	-
Change in Fair Market Value of Available-for-sale							
Marketable Securities:							
Decrease in fair value during the year	-	-	-	-	(39,884)	-	(39,884)
Realized gain on sale of marketable securities	-	-	-	-	(3,975)	-	(3,975)
Income tax expense or benefit allocated to comprehensive income	-	-	-	-	6,579	-	6,579
Net Loss for the Year	-	-	-	-	-	(1,773,320)	(1,773,320)
Balance, March 31, 2009	15,222,153	10,799,183	194,972	256,415	5,604	(11,359,918)	(103,744)
Shares Issued On:							
Private placement (Note 7d)	3,900,000	241,755	148,245	-	-	-	390,000
Private placement (Note 7e)	2,066,429	361,625	-	-	-	-	361,625
Private placement (Note 7f)	2,150,000	240,310	135,940	-	-	-	376,250
Rounding	1	-	-	-	-	-	-
Share Issue Costs (Notes 7d, e and f)	-	(167,172)	20,143	36,826	-	-	(110,203)
Stock-based Compensation	-	-	-	115,019	-	-	115,019
Tax Benefit Renounced to Flow-through Shares (Note 12)	-	(103,063)	-	-	-	-	(103,063)
Expiry of Warrants	-	-	(136,321)	136,321	-	-	-
Change in Fair Market Value of Available-for-sale							
Marketable Securities:							
Increase in fair value during the year	-	-	-	-	(750)	-	(750)
Realized gain on sale of marketable securities	-	-	-	-	(4,854)	-	(4,854)
Net Loss for the Year	-	-	-	-	-	(582,060)	(582,060)
Balance, March 31, 2010	23,338,583	\$ 11,372,638	\$ 362,979	\$ 544,581	\$ -	\$ (11,941,978)	\$ 338,220

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

MEDALLION RESOURCES LTD.
(An Exploration-Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 1 - NATURE AND CONTINUANCE OF OPERATIONS

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 geophysical and geochemical methods as well as drilling. The Company has not yet determined whether its property contains mineral reserves that are economically recoverable. The recoverability of amounts recorded for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable mineral reserves, confirmation of the Company's interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

These consolidated financial statements have been prepared on a going-concern basis, which implies the Company will continue to realize the carrying value of assets and discharge its liabilities in the normal course of business. The Company has never generated profitable operations and has accumulated losses of \$11,941,978 since inception. As at March 31, 2010, the Company's working capital was \$131,217 (2009 - working capital deficiency \$214,102). These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's activities have been funded through the sale of assets and equity financings, and the Company expects that it will continue to be able to utilize these sources of financing until it develops cash flow from operations. If such funds are not available or cannot be obtained, the Company will be forced to curtail its activities to a level for which funding is available or can be obtained. The Company has experienced recurring losses since inception and the continuation of the Company as a going concern is dependent upon its ability to obtain financing for the continuing acquisition, exploration and development of mineral properties and to sustain operations. There can be no assurance, however, that the Company will be able to meet the above objectives.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These financial statements have been prepared on a consolidated basis and include the accounts of the Company and its wholly owned subsidiary Medallion Resources (USA) Inc.

In June 2006, the Company incorporated Medallion Resources (USA) Inc., in the State of Nevada, USA, as a wholly-owned subsidiary. The purpose of the new subsidiary was to hold the Company's USA properties and to carry on such business in the USA as is necessary to maintain, explore and develop the Company's properties. However, it currently has no material assets, liabilities or operations.

Estimates, Assumptions and Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant estimates and assumptions include those related to the recoverability of capitalized mineral property expenditures, assessment of asset retirement obligations, valuation allowance on future income taxes and stock-based compensation valuations. Actual results could differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian-dollar equivalents using foreign exchange rates that prevailed at the balance sheet date. Non-monetary items are translated at historical exchange rates, except for items carried at their market value, which are translated at the rate of exchange in effect at the balance-sheet date. Revenue and expense items are translated at average rates of exchange during the period. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the period.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired. As at March 31, 2010, there were no cash equivalents.

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Marketable Securities

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

Equipment

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

Mineral Properties

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

Exploration Tax Credits

The Company recognizes exploration tax credit amounts when the Company's application is approved by the taxation authorities or when the amount to be received can be reasonably estimated and collection is reasonably assured. The amount of the exploration tax credits would reduce the Company's deferred exploration expenditures. During the year ended March 31, 2010, the Company received exploration tax credits of \$147,035 (2009 - \$Nil)

Impairment of Long-lived Assets

The Company follows the recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Asset Retirement Obligation

The Company follows the recommendations of the CICA Handbook Section 3110, "Asset Retirement Obligations". This section requires the recognition of the fair value of the obligation associated with the retirement of tangible long-lived assets be recorded in the period in which the liability is incurred, with a corresponding increase in the carrying value of the related asset. The liability is accreted over time for changes in the fair value of the liability through changes to accretion expenses. The costs capitalized to the related assets are depleted to earnings in a manner consistent with the underlying asset. As at March 31, 2010, no asset retirement obligation has been recognized.

Comparative Figures

Comparative figures have been reclassified, where applicable, to conform to the current year's presentation.

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share Capital

The Company records proceeds from share issuances net of commissions and issue costs. Proceeds from unit private placements are allocated between shares and warrants issued according to their relative fair value. The value of the share component is credited to share capital and the value of the warrant component is credited to warrants, a separate component of shareholders' equity (deficit). Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in warrants is recorded as an increase to share capital. Upon expiration of the warrants, the amount previously recognized in warrants is removed and recorded as an increase to contributed surplus.

The Company recognizes all transactions in which goods or services are the consideration received for the issuance of equity instruments based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

Loss per Share

The loss-per-share figure is calculated by dividing the net loss by the weighted-average number of shares outstanding during the respective fiscal periods. Diluted loss per share is calculated using the Treasury-Stock method which, for outstanding stock options and warrants, assumes that the proceeds to be received on the exercise of the stock options and warrants are applied to repurchase common shares at the average market price for the period, for purposes of determining the weighted average number of shares outstanding. Basic and diluted loss per share are the same in these financial statements as the inclusion of common share equivalents would be anti-dilutive.

Flow-through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for income tax purposes for qualified resource expenditures can be renounced and claimed by the flow-through share subscribers. The Company records issuances of flow-through shares by crediting share capital for the full value of cash consideration received. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized with a corresponding reduction to share capital for the cost of the future tax benefits foregone.

If the Company has sufficient unused tax losses and deductions to offset all or part of the future income tax liability and no future income tax assets have been previously recognized on such losses, the Company may reverse a portion of the valuation allowance on future income tax assets and recognize a recovery of future income taxes. During the year ended March 31, 2010, the Company recorded a recovery of future income tax of \$103,063 (2009 - \$119,289) with respect to renounced flow-through shares totaling \$361,625 (2009 - \$397,633) (Note 7).

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.

Income Taxes

Income taxes are accounted for by the liability method of income-tax allocation. Under this method, the income-tax assets and liabilities are recorded to recognize future income-tax inflows and outflows arising from the settlement or recovery of assets and liabilities at carrying values. Future income-tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization. The Corporation establishes a valuation allowance against future income-tax assets if, based on available information, it is more likely than not that some or all of the future tax assets will not be realized. The Company has not recognized the income-tax benefit of losses carried forward as they have been fully offset by a valuation allowance.

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash and cash equivalents as held-for-trading. Other receivables are classified as loans and receivables. Accounts payable and accrued liabilities, due to related parties and promissory notes are classified as other financial liabilities. Marketable securities are classified as available-for-sale which are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

CICA Handbook Section 3862 “Financial Instruments – Disclosure” requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA Handbook Section 3862 prioritizes the inputs into three levels that may be used to measure fair value:

- a) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- b) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- c) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The Company’s financial instruments consist principally of cash, other receivables, accounts payable and accrued liabilities, due to related parties, and promissory notes. Pursuant to CICA Handbook 3862, fair value of assets and liabilities measured on a recurring basis include cash and promissory notes determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of all of the other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

Changes in 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in Accounting Policies (cont'd)

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. The new disclosures are provided in the Note 2.

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.

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion.

NOTE 3 – MARKETABLE SECURITIES

At March 31, 2009, the Company owned 468,000 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.

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 4 – MINERAL PROPERTIES

	March 31, 2008	Expenditures/ Write offs	March 31, 2009	Expenditures/ Write offs	March 31, 2010
<u>Ocelot Property</u>					
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)	-	-	-
<u>Amazing Grace Property</u>					
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)	-	-	-
<u>Lodi Hills Property</u>					
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)	-	-	-
<u>Everett Property</u>					
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)	-
<u>Eden Lake Property</u>					
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

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 4 – MINERAL PROPERTIES (cont'd)

Ocelot Property, Nevada, U.S.A.

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 for the purpose of the Option Agreement.

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 for an option to acquire 100% of the Lodi Hills gold-exploration property, Nye County, Nevada. The property comprised 39 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.

Everett Property, Quebec

On January 16, 2009, the Company signed a definitive Option Agreement to obtain from Romaine River Titanium Inc. ("RRT") the right to acquire a 100% legal and beneficial interest in the Everett iron-titanium property. The property consisted of 60 mineral claims, located in Duplessis County, Quebec.

Under the Agreement, the Company is required to reimburse RRT for \$16,157 of assessment fees and filing costs for the property (requirement met), pay an aggregate of \$30,000 in monthly installments (\$5,000 per month) before May 29, 2009 (\$20,000 paid in fiscal 2009, \$10,000 paid in fiscal 2010), and issue 100,000 common shares upon receipt of TSX Venture Exchange approval. The terms of the Agreement also require the Company to pay a further \$480,000, issue an additional 800,000 common shares, and incur \$6,000,000 of exploration expenditures on the property over four years.

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.

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% 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 in 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 on the property.

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 5 – RECLAMATION BOND

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.

NOTE 6 - EQUIPMENT

	2010	2009
Computer equipment	\$ 8,808	\$ 8,808
Accumulated amortization	(6,445)	(4,512)
Net book value	\$ 2,363	\$ 4,296

NOTE 7 - SHARE CAPITAL

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

- a) On May 6, 2008, 50,000 common shares valued at \$10,000 were issued as a property payment towards the acquisition of the Amazing Grace property (Note 4).
- b) On October 27, 2008, the Company completed a non-brokered private placement of 1,700,000 units at a price of \$0.20 per unit for gross proceeds of \$340,000. Each unit consisted of one common share and one-half of a non-transferable common-share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.25 per share until October 27, 2010. Cash proceeds from the private placement of \$282,935 and \$57,065 were allocated to the common shares and warrants issued in the private placement, respectively, based on their relative fair values at the closing date of the private placement.
- 47,250 finder's units were issued in connection with this private placement. Each finder's unit was comprised of one common share and one-half of a common share purchase warrant with the same terms as the private placement warrants. A fair value of \$7,865 and \$1,586 were allocated respectively to these common shares and finder's warrants.
- c) On December 30, 2008, the Company completed a non-brokered private placement consisting of 2,650,885 flow-through common shares at a price of \$0.15 per share for gross proceeds of \$397,633. The Company paid cash finder's fees of \$25,179.
- d) 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.

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 7 - SHARE CAPITAL (cont'd)

- e) 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.
- f) 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.

WARRANTS

	Number	Weighted Average Exercise Price
Balance, March 31, 2008	4,793,502	\$ 0.46
Expired	(1,773,002)	0.40
Issued	873,625	0.25
Balance, March 31, 2009	3,894,125	0.54
Expired	(3,020,500)	0.63
Issued	6,231,092	0.24
Balance, March 31, 2010	7,104,717	\$ 0.24

As of March 31, 2010, the following warrants were outstanding:

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
	7,104,717	

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 7 - SHARE CAPITAL (cont'd)

STOCK OPTIONS

The Board of Directors is authorized, pursuant to the Company's Stock Option Plan, to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares. The exercise price for a stock option must not be less than the market price of the Company's common shares at the time the option is granted, less applicable discounts permitted by the TSX Venture Exchange. Stock options granted under this plan may be exercisable over a period not exceeding five years.

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

	Number	Weighted Average Exercise Price
Balance, March 31, 2008	680,000	\$ 0.21*
Expired	(40,000)	0.24
Granted	610,000	0.15
Balance, March 31, 2009	1,250,000	0.18*
Granted	825,000	0.16
Cancelled	(250,000)	0.15
Balance, March 31, 2010 – Outstanding	1,825,000	\$ 0.15
Balance, March 31, 2010 – Exercisable	1,787,500	\$ 0.15

* During the year ended March 31, 2009, management proposed to re-price 540,000 outstanding stock options previously granted to directors, officers and consultants to an exercise price of \$0.15, of which 390,000 of the options to be re-priced were granted to insiders and were subject to disinterested shareholders approval. On September 30, 2009, the disinterested shareholders approved the re-pricing of the 390,000 stock options granted to insiders.

As of March 31, 2010, the following options were outstanding:

Expiry Date	Number of Options Outstanding	Exercise Price
April 21, 2010*	100,000	\$0.10
September 18, 2011	100,000	\$0.15
March 15, 2012	50,000	\$0.15
August 15, 2012	290,000	\$0.15
January 7, 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, 2014	70,000	\$0.175
February 23, 2014	170,000	\$0.20
	1,825,000	

*Subsequently, these options were exercised.

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 7 - SHARE CAPITAL (cont'd)

FINDER'S OPTIONS

	Number	Weighted Average Exercise Price
Balance, March 31, 2008 and 2009	78,125	\$ 0.32
Expired	(78,125)	0.32
Issued (Note 7d)*	315,000	0.10
Balance, March 31, 2010	315,000	\$ 0.10

* Exercisable until November 3, 2011.

STOCK-BASED COMPENSATION

The Company recognizes compensation expense for all stock options granted and modified using the fair value based method of accounting. On September 30, 2009, 390,000 outstanding stock options previously granted to directors, officers and consultants were re-priced from \$0.30 per share to an exercise price of \$0.15 per share, and as result, \$6,268 (2009 - \$3,033) of increased fair value was recorded during the year.

The fair value of the options vested during the year ended March 31, 2010 totaled \$108,750 (2009 - \$55,663).

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

	2010	2009
Risk-Free Annual Interest Rate	1.30 – 2.70%	1.61 – 2.07%
Expected Annual Dividend Yield	0%	0%
Expected Stock Price Volatility	107 - 133%	98%
Expected Life of Options and Warrants	2 - 5 years	2 - 5 years

NOTE 8 – RELATED PARTY TRANSACTIONS

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

- a) During the year ended March 31, 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 (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.

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 9 – COMMITMENTS

- a) 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.
- b) 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 expires on July 14, 2010. Subsequent to the year end, the Company entered into a sub-lease with a company owned by a director for office premises which commences June 1, 2010, and expires on June 30, 2011 (Note 13). The following is a summary of the future lease commitments:

2011	\$21,231
2012	5,454

NOTE 10 – FINANCIAL INSTRUMENTS

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

- a) Credit risk
The Company's cash and cash equivalents are held in a Canadian financial institution. The Company does not have any asset-backed commercial paper in its cash equivalents. The Company's other receivables consist primarily of goods and services tax due from the federal government of Canada.
- b) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.
- c) Commodity price risk
The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of 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 purpose, designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities are classified for accounting purpose as other financial liabilities which are measured at amortized cost. As at March 31, 2010, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, foreign currency risk and price risk. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk. Commodity price risk could affect the Company. In particular, the Company's future profitability and viability of development depends upon world markets for natural resources. As of March 31, 2010, the Company was not a producing entity. As a result, commodity price risk could affect the completion of future equity transaction such as equity offerings and the exercise of stock options and warrants. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken.

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 11 - MANAGEMENT OF CAPITAL RISK

The Company manages its cash, common shares, stock options, finder's options and warrants as capital (Note 7). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments, with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company is currently assessing financing alternatives for its exploration plans and operations through its current operating period.

NOTE 12 – INCOME TAXES

The Company has non-capital losses for income tax purposes of approximately \$1,603,000 (2009 - \$1,136,000), which may be used to reduce future taxable income in Canada, expiring between 2011 and 2030. The Company has a net capital loss of \$130,000 (2009 - \$130,000), which can be carried forward to set off against future taxable capital gains. The Company has unclaimed exploration and development expenditures of approximately \$4,708,000 (2009- \$4,811,000) which can be deducted for income tax purposes in Canada in future years at the Company's discretion.

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

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

	2010	2009
Loss before income taxes	\$ (685,123)	\$ 1,886,031
	29.63%	30.00%
Income tax benefit computed at Canadian statutory rates	\$ 203,000	\$ 566,000
Mineral property costs expensed	(87,000)	(420,000)
Stock-based compensation	(34,000)	(18,000)
Other	59,000	10,000
Renouncement of flow-through shares	103,000	119,000
Change in fair value of available-for-sale marketable securities	-	(7,000)
Non-capital loss deductions expired	(13,000)	(16,000)
Change in tax rate	(312,000)	(26,000)
Change in valuation allowance	184,000	(96,000)
Future income tax recovery	\$ 103,000	\$ 112,000

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 12 – INCOME TAXES (cont'd)

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

	2010	2009
Future income tax assets (liabilities):		
Non-capital loss carry-forwards	\$ 401,000	\$ 341,000
Capital loss carry-forwards	16,000	20,000
Marketable securities	-	(1,000)
Equipment	2,000	2,000
Mineral properties	1,177,000	1,429,000
Undeducted financing costs	44,000	38,000
	<u>1,640,000</u>	<u>1,829,000</u>
Valuation allowance for future income tax assets	(1,640,000)	(1,829,000)
	<u>\$ -</u>	<u>\$ -</u>

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period. A valuation allowance has been provided against all net future tax assets, as realization of such net assets is uncertain.

NOTE 13 – SUBSEQUENT EVENTS

- a) 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.

- b) On April 22, 2010, 100,000 stock options were exercised at a price of \$0.10 for total proceeds of \$10,000.
- c) 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 commences 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 is 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.

MEDALLION RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

NOTE 13 – SUBSEQUENT EVENTS (cont'd)

- d) On July 5, 2010, the Company closed a non-brokered private placement consisted of 2,999,999 flow-through 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.
- e) 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 until July 12, 2012.

All securities issued under the offerings will be subject to a four-month hold period from the closing date, pursuant to securities legislation and the policies of the exchange.

- f) On July 14, 2010, the Company received TSX Venture Exchange acceptance of the Eden Lake property option agreement.