MEDALLION RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS
For the nine months ended December 31, 2012
Containing information up to and including February 21, 2013

The following Management Discussion and Analysis ("MD&A") is prepared as at February 21, 2013 and is intended to help the reader understand the accompanying unaudited interim condensed consolidated financial statements of Medallion Resources Ltd. (the "Company" or "Medallion"). The information provided herein should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended March 31, 2012 and the unaudited interim condensed consolidated financial statements for the nine months ended December 31, 2012.

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

The financial statements of the Company for the nine months ended December 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company is incorporated in British Columbia and is involved in the acquisition and exploration of mineral resource properties. Management is in the process of evaluation, exploration and, if warranted, the potential future development of promising resource properties.

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

All currency amounts are in Canadian dollars unless otherwise indicated.

RESULTS OF OPERATIONS

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

The Company has no commercial mining production at this time; therefore, the Company has no revenue from operations.

Mineral Properties

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

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 return royalty in favour of a former property owner.

Management believes that the Eden Lake property does not offer, at this stage of its exploration, a near-term potential resource and it does not meet the criteria of the Company's new strategy of acquiring existing rare-earth-bearing monazite resources to achieve near-term production. Therefore, the Company has elected not to invest additional funds and effort in the Eden Lake property.

On September 12, 2011, the Company terminated the option agreement and returned the Eden Lake property to RES. As a result, $576,084 of exploration expenditures incurred on this property by the Company were written off. The write-off has been reflected in the audited financial statements of the Company for the year ended March 31, 2012.

Red Wine Property

On April 10, 2010, the Company signed a Letter of Intent with a private vendor, Polaris Capital Ltd. (the "Vendor") to obtain an option to acquire a 100% interest in the Red Wine rare-earth exploration project, which consisted of four Labrador mineral licenses covering an area of 3,325 hectares, which lie approximately 90 kilometres northeast of Churchill Falls, Labrador. On June 10, 2010, the Letter of Intent was amended to include two additional mineral licenses, which brought the total area of the project to 4,225 hectares (the "Property").

Under the terms of the amended Letter of Intent, the Company was required to pay the Vendor's license-staking costs of $2,160, which has been paid, and to complete, by October 31, 2010, a summer 2010 exploration program, costing approximately $125,000 to include 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 subscribed to a $55,000 private placement of common shares of the Company.

On March 16, 2011 the Company and the Vendor signed an Amending Letter Agreement in which the Company elected to proceed with the option to acquire a 100% interest in the Property. On May 20, 2011, the Company issued 50,000 common shares at a value of $14,000 to the Vendor under the Amending Letter Agreement. To maintain the option, the Company was required to pay an aggregate of $475,000 in cash, issue an aggregate of 1,750,000 common shares, (including the 50,000 shares issued to that date) and conduct $550,000 in exploration work over a period of five years. On or before March 16, 2012 the Company was required to pay $50,000, issue 250,000 common shares and complete $200,000 of exploration expenditures. During the year ended March 31, 2012 $81,570 in exploration expenditures were incurred by the Company on the Property.

On May 8, 2012, the Company and the Vendor signed an additional Amending Letter Agreement in which the Company elected to maintain its option to acquire a 100% interest in the Property. To maintain the option, the Company must now pay an aggregate of $475,000 in cash, issue an aggregate of 1,600,000 common shares in addition to the 50,000 shares issued on May 20, 2011 and conduct an additional $350,000 in exploration work over a period of five years. On May 9, 2012, the Company issued a further 50,000 common shares at a value of $11,250 to the Vendor under the additional Amending Letter Agreement. To maintain the option, on or before March 16, 2013 the Company must now pay $50,000, issue 100,000 common shares and complete $50,000 of exploration expenditures.

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

The 2010 Red Wine program consisted of an airborne magnetic and radiometric survey, a reconnaissance mapping and sampling program, a follow-up sampling program and rare-earth mineralogical studies. The exploration work was carried out on the seven licenses, which comprise the four separate blocks (an additional license was added by the Company for a total Property area of 4,650 hectares),

The initial exploration work encountered at least three types of rare-earth mineralization and, historically, other types have been reported, as well. The main rare-earth target on the Property was a large exposed body of previously mapped Red Wine peralkaline intrusive rock, which is known to contain the rare-earth-bearing mineral, eudialyte. While significant eudialyte was identified during the field work and all assayed samples showed elevated levels of rare earths, the overall average assays for the eudialyte-bearing rock were lower than expected. Laboratory examination determined a Red Wine eudialyte total-rare-earth content of approximately 2.5%, which is low for eudialyte and explains the lower-than-expected rare-earth assays reported for the samples of peralkaline rock.

In October 2011, a further mapping and sampling program was initiated at Red Wine. The goal of this program was to evaluate the potential for a rare-earth-niobium-beryllium mineralization, which has been found to the north of the four Medallion license blocks. Block “D”, which is the northern-most Medallion block, is the block closest to the known rare-earth-niobium-beryllium mineralization.

The field-work portion of this program has been completed, sample analyses have been returned from the assayers and the resulting evaluation reports have been written. Although the rare-earth values continue to be anomalous and suggestive of district-wide rare-earth mineralization, there is no conclusive or compelling information that sets apart any particular Red Wine-property target area. The Company will maintain the property as it assesses further exploration plans.

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

SUMMARY OF QUARTERLY RESULTS

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

Quarter Ending	Revenue $	Expenses $	Net Loss $	Loss Per Share $
December 31, 2012	4,564	479,586	475,022	0.01
September 30, 2012	4,451	674,426	669,975	0.01
June 30, 2012	2,494	455,616	453,122	0.01
March 31, 2012	20,038	423,337	403,299	0.01
December 31, 2011	13,624	773,682	760,058	0.02
September 30, 2011	68,129	279,598	211,469	0.00
June 30, 2011	4,331	850,771	846,440	0.02
March 31, 2011	64,411	755,241	564,830	0.01

Results of operations for the three months ended December 31, 2012 compared to the three months ended December 31, 2011.

The Company's loss for the three months ended December 31, 2012 was $475,022 (loss per share – $0.01) compared to a loss of $760,058 (loss per share – $0.02) for the comparative period in 2011.

Significant factors that contributed to the decrease in the loss during the three months ended December 31, 2012 compared with the corresponding period in 2011 were:

- The Company has been pursuing its efforts to source monazite resources and pursue its strategy to finance and construct a large-scale, rare-earth processing facility within the Arab Gulf States and during the three months ended December 31, 2012, the Company incurred expenses of $265,208 related to this activity. During the three months ended December 31, 2011, the Company incurred increased expenses of $469,623 related to assessing a mineral sands property.

- Investor relations expenses were $31,987 for the three months ended December 31, 2012 compared with $109,069 for the same period in 2011. The decrease primarily reflects increased activity in the comparative period related to presentations to potential investors.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2012, the Company's working capital was $773,381 (March 31, 2012 - $2,004,002) a decrease of $1,230,621 due primarily to operating expenditures and property investigation expenses incurred during the nine months ended December 31, 2012.

Cash and short-term investments are made up of $42,794 in cash available in the bank accounts of the Company and $700,000 in short term investments for a total of $742,794 at December 31, 2012. This is a decrease of $1,204,681 from $1,947,475 as at March 31, 2012. Details of the change are disclosed in the accompanying interim condensed consolidated financial statements. Short term investments consist of a variable rate Guaranteed Investment Certificate ("GIC") issued by a Canadian chartered bank that matures on November 18, 2013. Should the Company require operating funds, above cash on hand, prior to the date of the maturity of the GIC, a portion of the GIC will be redeemed. The remaining portion of the GIC will continue to earn interest at the prime rate less 1.95%.

Contributed surplus totaled $1,544,304 as at December 31, 2012 (March 31, 2012 - $1,240,206). The increase is due to an increase in share-based compensation expense of $37,386 and the transfer of the fair value of expired warrant in the amount of $316,912, offset by the transfer of $50,200 to share capital on account of the exercise of stock options

The Company has in the past relied primarily upon the sale of equity securities for cash required for exploration 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. There can be no assurance that additional equity financing will be available to the Company in the required amount when needed or at all. Mining exploration is a capital-intensive business with lengthy periods elapsing from initial exploration to any prospect of revenues. The nature of the exploration business increases risks of insufficient capital resources above that of many other businesses.

The Company expects that its current working capital will be sufficient to fund its planned activities for the next five months. The Company is actively looking to raise additional funding.

COMMITMENTS

On June 1, 2010, the Company entered into a sub-lease agreement for its office premises 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 could be extended for an additional year under the same terms and conditions. On June 13, 2011, the Company exercised the option to extend the sub-lease agreement for another year to June 30, 2012. On April 1, 2012, the rent increased to $2,036 per month. On May 7, 2012, the Company exercised the option to extend the sub-lease agreement for another year to June 30, 2013.

The following is a summary of the future lease commitments for the fiscal years ended March 31, 2013 and 2014:

Fiscal 2013	$ 6,480
Fiscal 2014	6,480

OFF BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

The Company has certain transactions with related parties. For further details relating to transactions with related parties, please refer to Note 7 of the accompanying interim condensed consolidated financial statements for the nine months ended December 31, 2012.

DISCLOSURE OF OUTSTANDING SHARE DATA

Authorized share capital consists of an unlimited number of common shares without par value. As at December 31, 2012, the Company had 45,405,212 issued and outstanding common shares. No common shares of the Company have been issued since that date.

For further details relating to the issuance of shares, please refer to Note 8 of the interim condensed consolidated financial statements of the Company for the nine months ended December 31, 2012.

As at December 31, 2012 and February 21, 2013 the Company had 4,160,000 (March 31, 2012 – 3,992,193) stock options outstanding.

On April 3, 2012, the Company granted 267,807 stock options to a consultant of the Company with an exercise price of $0.24 and expiry date of March 1, 2014. The stock options will vest when the consultant meets certain financing related performance criteria. As at December 31, 2012 these criteria had not been met.

On April 3, 2012, the Company granted 150,000 stock options to a consultant of the Company with an exercise price of $0.24 and expiry date of April 3, 2014. The stock options vested immediately.

On August 13, 2012, 250,000 stock options were exercised for proceeds of $37,500.

For further details relating to outstanding options, please refer to Note 8 of the interim condensed consolidated financial statements for the nine months ended December 31, 2012.

As at December 31, 2012, the Company had 6,184,563 (March 31, 2012 – 6,992,177) warrants outstanding.

On May 7, 2012, 5,400 warrants were exercised for proceeds of $675.

On June 26, 2012, 27,603 warrants were exercised for proceeds of $3,825.

On July 5, 2012, 30,124 warrants were exercised for proceeds of $4,519.

On July 12, 2012, 16,650 warrants were exercised for proceeds of $2,081.

On October 25, 2012 391,667 warrants and on November 12, 2012, 336,170 warrants, all with an exercise price of $0.40, expired unexercised.

As at February 21, 2013 there were 6,184,563 warrants outstanding.

For further details relating to outstanding warrants, please refer to Note 8 of the interim condensed consolidated financial statements for the nine months ended December 31, 2012.

There are no shares subject to escrow or pooling agreements.

The Company’s common shares are listed for trading on the TSX Venture Exchange with the stock trading symbol of MDL.

The Company’s common shares are also listed for trading on the U.S. based OTCQX trading system with the stock trading symbol of MLLOF.

CRITICAL ACCOUNTING ESTIMATES

Mineral Properties

a) Pre-exploration costs

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

b) Pre-exploration costs

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

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

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

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

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

Impairment of Non-Financial Assets

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

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

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in net loss. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction.

The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

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

Share-based Compensation

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

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

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

FINANCIAL INSTRUMENTS

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

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance, December 31, 2012
Cash	$ 42,794	-	-	$ 42,794
Short-term investments	$ 700,000	-	-	$ 700,000

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

a) Credit risk

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

b) Liquidity risk

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

c) Commodity price risk

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

d) Sensitivity analysis

The Company has, for accounting purposes, designated its cash and short-term investments as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost. As at December 31, 2012, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected significantly by interest rate risk, foreign currency risk and price risk. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk. Commodity price risk could, however, affect the Company. In particular, the Company's future profitability and viability of development depends upon world markets for natural resources. As of December 31, 2012, the Company was not a producing entity. As a result, commodity price risk could affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken.

MANAGEMENT OF CAPITAL RISK

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may look to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not currently pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments issued by a major Canadian chartered bank.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

The Company's management is responsible for designing disclosure controls and procedures to provide reasonable assurance that: (a) material information relating to the Company is made known to management so as to allow for timely decisions to be made regarding disclosure, and (b) information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures as at December 31, 2012. Based on this evaluation, the CEO and CFO of the Company have concluded that the Company's disclosure controls and procedures in place as at December 31, 2012 are effective to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and that such information is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow for timely decisions regarding required disclosure.

Internal control over financial reporting

Management is responsible for designing, establishing and maintaining an adequate system of internal control over financial reporting. The CEO and CFO of the Company have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting as at December 31, 2012. Based on this evaluation, the CEO and CFO have concluded that as at December 31, 2012, the Company's internal control over financial reporting continues to be effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO of the Company have identified that due to the size of the Company there is limited segregation of duties. Companies of a similar size often have this limitation. Although it is possible, management of the Company does not believe that this lack of segregation of duties will lead to a material misstatement in the financial statements. Steps have been taken to minimize this risk such as ensuring that two senior officers or directors sign all cheques and outgoing wire transfer requests. In addition, senior management of the Company reviews quarterly and year-end financial statements on a regular basis.

There was no change in the Company's internal control over financial reporting during the nine months ended December 31, 2012 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. Additional risks include: uncertainty regarding the rare-earth market in the future, risk that the title to properties being explored are free of defect, uncertainty regarding current and future environmental regulations that may affect existing and future properties, requirements to acquire licenses and permits to explore and or develop properties, competition from other companies undertaking similar exploration, current and future political environment in areas being explored, loss of key members of management of the Company, access to necessary financing on an ongoing basis and volatility of prices of publicly traded securities.

OUTLOOK

Medallion's acquisition and exploration program targets those rare-earth potential-production and mineral-exploration projects that offer a reasonable solution to the two most-critical rare-earth-supply issues. These are, in Medallion's view:

1. a near-term shortage of rare-earth supplies from sources outside of China, and
2. a lack of low-production-cost projects that can supply long-term sustainable rare-earth supplies.

To solve the critical rare-earth near-term and low-cost long-term supply issues, Medallion is focusing on the purchase of the mineral monazite, which is available as a by-product mineral, and it is seeking monazite processing partnerships in which to extract and produce the rare earths. Monazite, a rare-earth phosphate, was the world's original source for rare-earths. In the 1950s, with the discovery of the Mountain Pass mine in California, the mineral bastnaesite replaced monazite as the leading rare-earth source. Today, according the US Geological Survey, monazite and bastnaesite account for about 95% of the world's rare-earth resources (roughly evenly split between the two minerals).

New rare-earth production from monazite, in Medallion's view, potentially could be developed quickly and relatively inexpensively, because monazite is available in large quantities as a by-product of several large heavy-mineral-sands mines around the world. The heavy-mineral-sands industry provides the world's main source of titanium and zirconium. Many of these mines reportedly maintain total reserves in excess of one billion tonnes, which typically translates into 20 to 40 years of production life per mine. The by-product monazite from just one of these large mines could potentially produce more rare earths, and for more years than many of the current or planned rare-earth mines outside of China.

By-product monazite from existing mines does not require exploration, proving of mineral reserves, mining or most milling processes. Monazite metallurgy is relatively simple, when compared to other rare-earth minerals, and the well-understood metallurgical processes have successfully produced commercial rare earths for over 100 years. No other rare-earth mineral, except bastnaesite, has such a record of commercial success. These are significant cost-saving and time-saving attributes.

Medallion is taking complementary approaches to acquire and process monazite for rare earths. The Company is in discussions with several Asian, African, and Australian heavy-mineral-sands producers, as potential suppliers of monazite-rich feedstocks. In this area, Medallion is testing a variety of samples, which have been submitted by heavy-mineral-sands producers, to locate suitable quantities and qualities of monazite feed. This testing is an important step in negotiations, which could lead to monazite purchase agreements and potentially provide feedstock on a large scale, for a planned rare-earth extraction plant.

In January 2012, Medallion received a report from SENES Consultants Ltd., an internationally recognized energy, radiological and environmental consultancy, which reviewed its proposed extraction plant plans. The report supports the Company's supposition that, with the proper operational controls, and the use of modern handling and waste disposal systems, a large-scale monazite-extraction plant can be operated safely and effectively, while complying with all major national and international mining and environmental safety standards. This is an important step, since the safe handling and disposal of the various resulting wastes, including the radioactive elements, such as thorium, are a concern with processing ore from any rare-earth mineral occurrences.

The Company is also undertaking sampling, analytical and due-diligence studies in support of negotiations to potentially acquire its own heavy-mineral-sands property for the production of rare-earth-bearing monazite and of other valuable heavy-mineral products.

During the last quarter of the year ended March 31, 2012, the Company engaged, as consultants, experienced engineers, a marketing and procurement specialist, a regional finance specialist and other experts in the rare-earth and heavy-mineral-sands industries to advance its three monazite acquisition and development approaches. Negotiations are underway to acquire monazite from major sources, primarily in the Indian Ocean basin. Discussions are in progress, with sources of finance, which would provide both the capital and the facility site necessary to build a plant to process the monazite feedstock. On July 11, 2012, the Company announced it is looking to construct a proposed large-scale, rare-earth processing facility within the Arab Gulf States. Engineering firms have been contacted to begin the initial planning necessary to assess the economic feasibility of, and design and construct a monazite-processing facility.

In November 2012, the Company announced that it has produced preliminary processing technical plans, including flow sheets and initial capital and operating financial models, for a monazite-based rare-earth processing facility, which is expected to be constructed in the Middle East. The proposed facility, based on assumed annual rare-earth-oxide production of 10,000 tonnes per year, incorporates modules for monazite feedstock upgrading, total rare-earth extraction from monazite, and separation of individual light and heavy rare-earth oxides.

With rare-earth production from by-product monazite, Medallion believes that it could advance the rare-earth production timeline, save significantly on capital and operating costs and provide a near-term payback to investors.

As the Company's strategies advance, both in terms of the monazite purchase and processing approach and any new property acquisitions, additional funding will be required.

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", "could", "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 the Company's 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, the entering into of monazite purchase agreements and the ability of the Company to finance and advance a monazite processing facility, and other statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, including the risks of price fluctuations of rare earths, risks of obtaining required financing on suitable terms, or at all, risks of competition from larger, financially stronger competitors, and other mineral resource industry risks 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, the Company's 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 Company documents filed on SEDAR (www.SEDAR.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

BY ORDER OF THE BOARD

"*William H Bird*"

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WILLIAM H. BIRD