

MEDALLION RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS
For the Nine Months December 31, 2016
Containing information up to and including February 21, 2017

The following Management Discussion and Analysis (“MD&A”) is prepared as at February 21, 2017 and is intended to help the reader understand the accompanying interim unaudited consolidated financial statements of Medallion Resources Ltd. (the “Company” or “Medallion”). The information provided herein should be read in conjunction with the Company’s interim unaudited consolidated financial statements and notes for the nine months ended December 31, 2016.

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 unaudited consolidated financial statements and this MD&A, is complete and reliable.

The financial statements of the Company for the nine months ended December 31, 2016 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 evaluation of mineral resource projects. The Company is seeking monazite processing partnerships by which to extract and produce rare-earths from monazite.

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.

OPERATIONS

The Company’s operations have historically consisted 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 more recently focused primarily on a rare-earth business strategy involving the mineral monazite, which is available as a by-product mineral from large heavy-mineral-sands mining operations, and it is seeking monazite processing partnerships by which to process and produce rare-earth products from monazite. 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 could lead to monazite purchase agreements and potentially provide feedstock for a planned rare-earth processing plant. Since no monazite purchase contracts or processing plant financing and development agreements are in place at this time, all expenses associated with this strategy are being written off in the Company’s consolidated statements of loss and comprehensive loss.

The Company has no commercial production at this time and accordingly the Company has no revenue from operations.

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RESULTS OF OPERATIONS FOR THE PERIOD

Results of operations for the three months ended December 31, 2016 compared to the three months ended December 31, 2015

The Company's loss for the three months ended December 31, 2016 was \$130,874 (loss per share – \$0.00) compared to a loss of \$198,483 (loss per share – \$0.00) for the three months ended December 31, 2015.

The significant factors that contributed to the decrease in the loss during the three months ended December 31, 2016 compared with the corresponding period in 2015 were:

- Consulting Fees expenses for the three month period ended December 31, 2016 were \$8,178 compared with \$72,729 for the three months ended December 31, 2015. This is due to reduced outside technical services consulting requirements, and corresponding fees paid, during the current three month period compared with the same period in 2015.
- Investor Relations expenses for the three month period ended December 31, 2016 were \$3,275 compared with \$35,062 for the three months ended December 31, 2015. This is due to reduced corporate news-flow and tighter capital markets internal budgets, and the corresponding fees paid, during the current three month period compared with the same period in 2015.
- Management Fees for the three months ended December 31, 2016 were \$37,784 compared with \$55,821 for the corresponding period in the prior year. This is due the fact that no compensation was paid to the Company's former Chief Technical Advisor during the current three month period.

The significant factors that contributed to offsetting the decrease in the loss during the three months ended December 31, 2016 compared with the corresponding period in 2015 were:

- Share-based Compensation for the three months ended December 31, 2016 was \$50,202 compared with \$nil for same period in 2015. The expense in the 2016 period arose due to common share stock options being granted to officers and directors of the Company. No common share stock options were granted during the 2015 period.

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MINERAL PROPERTIES

	Red Wine Property
Balance at March 31, 2015	<u>\$ -</u>
Claims maintenance costs	3,623
Impairment	<u>(3,623)</u>
Balance at March 31 and December 31, 2016	<u>\$ -</u>

Red Wine Property, Labrador

On April 10, 2010, the Company signed a letter agreement with Polaris Capital Ltd. (the “vendor”), a private corporation, to acquire a 100% interest in four mineral licenses comprising the Red Wine rare earth mineral property located in the province of Newfoundland and Labrador. The letter agreement was amended to include three additional mineral licenses which were staked by the vendor and to make certain other minor changes to the letter agreement. As a result, the Company was acquiring a 100% interest in a total of seven mineral claims in Labrador, Canada. Of these seven mineral claims, five were subsequently abandoned by the Company leaving two claims covering a total of 525 hectares.

Prior to February 26, 2016, the date by which the Company was required to make a cash payment of \$50,000 and issue 100,000 common shares to the vendor and to incur expenditures of \$50,000 on the property, the Company decided to abandon the final two claims in which it had an interest and thereby gave up its contractual rights in respect of the Red Wine Property.

PROJECT INVESTIGATION

To support the Company’s current strategy of focusing on the purchase of the mineral monazite and the search for monazite processing partnerships by which to process and produce rare-earth products, consulting, travel, legal and other expenses have been incurred by the Company. The Company expects to continue to incur such expenses during the current year. Since no monazite purchase contracts or process-plant financing and development agreements are in place at this time, all expenses associated with this strategy are being written off in the Company’s consolidated statements of loss and comprehensive loss.

For further details relating to project investigation expenses, please refer to Note 5 of the accompanying interim unaudited consolidated financial statements for the nine months ended December 31, 2016.

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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 \$	Other Income \$	Expenses	Net Loss \$	Loss Per Share \$
December 31, 2016	Nil	Nil	130,874	130,874	0.00
September 30, 2016	Nil	Nil	133,655	133,655	0.00
June 30, 2016	Nil	Nil	90,088	90,088	0.00
March 31, 2016	Nil	Nil	120,541	120,541	0.00
December 31, 2015	Nil	Nil	198,483	198,483	0.00
September 30, 2015	Nil	Nil	173,455	173,955	0.00
June 30, 2015	Nil	Nil	232,604	234,727	0.00
March 31, 2015	Nil	Nil	259,663	263,663	0.00
December 31, 2014	Nil	Nil	216,235	216,235	0.00

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Company had a working capital deficiency of \$399,125 (March 31, 2016 – deficiency of \$394,808) a slight increase in the working capital deficiency of \$4,317. The working capital deficiency was maintained at a similar level due to an increase in cash resulting from proceeds of a private placement offset by operating expenses incurred during the nine months ended December 31, 2016. Of the \$520,837 of total current liabilities as at December 31, 2016, \$476,630 is owed directly or indirectly to directors and officers of the Company.

Cash is made up of \$99,816 (March 31, 2016 - \$1,777) in cash available in the bank accounts of the Company at December 31, 2016.

In the previous fiscal year, on April 30, 2015 the Company completed a private placement financing consisting of 6,500,000 units at \$0.05 per unit for gross proceeds of \$325,000. Each unit consisted of one common share and one half of one common share purchase warrant, with each whole warrant exercisable to acquire one common share at a price of \$0.20 for a period of 3 years from the closing date. The Company paid a total of \$1,452 in cash finders' fees, issued a total of 40,000 finders' units having the same terms as the placement units and issued 69,040 finders' warrants each exercisable to acquire a common share at a price of \$0.05 per share for a period of 2 years from closing.

On October 15, 2015 the Company completed a second private placement financing consisting of 7,500,000 units at \$0.03 per unit for gross proceeds of \$225,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to acquire one common share at a price of \$0.20 with an expiry date of May 1, 2018. The Company paid a total of \$360 in cash finders' fees.

In the current fiscal year, on August 15 and September 15, 2016 the Company completed a private placement financing consisting of 10,000,000 units at \$0.03 per unit for gross proceeds of \$300,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to acquire one common share for five years at an initial exercise price of \$0.05 for 30 months and an exercise price of \$0.10 thereafter. The Company issued a total of 186,667 finders' units (value of \$5,600) having the same terms as the placement units and issued 80,000 finders' warrants each exercisable to acquire a common share at a price of \$0.05 per share for a period of 2 years from closing.

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Contributed surplus totaled \$2,626,894 as at December 31, 2016 (March 31, 2016 - \$2,439,629). The increase is due to warrants that expired since March 31, 2016 and the grant by the Company of common share stock options to officers and directors on December 7, 2016.

The Company has in the past relied primarily upon the sale of equity securities for cash required for business 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. Mineral processing is a capital-intensive business with lengthy periods elapsing from initial investigation to any prospect of revenues. The nature of the mineral processing business increases risks of insufficient capital resources above that of many other businesses.

The Company requires additional working capital and is in discussions with parties with respect to a private placement for working capital financing.

COMMITMENTS

The Company has entered into a sub-lease with a company owned by a director for office premises which has been renewed for an additional nine months to March 31, 2017 with monthly rent of \$1,155. The following is a summary of the future lease commitments:

Fiscal 2017	\$ 3,465
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The Company had entered into a consulting agreement whereby should the consultant assist with sourcing, negotiating, and entering into an agreement for financing the construction and operation of a monazite-based rare-earth processing facility in the Middle East, a fee of 2.0% of any financing of \$10,000,000 or more will be payable. The agreement also provides for the payment of a standby success fee of 0.5% should the consultant arrange financing that the Company does not proceed with as a result of entering into an alternative financing arrangement.

The Company had entered into a consulting agreement whereby should the Company enter into an agreement with any party to invest in the construction and operation of a monazite-based rare-earth processing facility in Oman a fee of 2.0% of any equity funds contributed by the party and 1% of any debt financing provided by a specified bank will be payable.

Both of the above noted consulting agreements have been terminated, however, the provisions with respect to financing fees that would become payable should certain financing arrangements take place remained in effect for a period of two years from the date of the termination of the respective agreements, expiring in January, 2017. Subsequent to December 31, 2016 the two year period after the termination of the agreements was reached with no amount becoming payable.

OFF BALANCE SHEET ARRANGEMENTS

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

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TRANSACTIONS WITH RELATED PARTIES

The Company has certain transactions with related parties as follows:

Related party transactions not disclosed elsewhere in this document are as follows:

- a) During the nine months ended December 31, 2016, \$108,000 (2015 - \$113,378) was charged by a private company controlled by the Chief Executive Officer (the “CEO”) of the Company for management and consulting fees. At December 31, 2016, \$270,953 (2015 - \$130,400) was owed to this company.
- b) During the nine months ended December 31, 2016, the Company incurred \$14,412 (2015 - \$40,205) of legal fees to a law firm in which a director of the Company is a principal. At December 31, 2016, \$29,485 (2015 - \$26,523) was owed to this firm.
- c) During the nine months ended December 31, 2016, \$Nil (2015 - \$66,000) was charged by a private company controlled by the former Chief Technical Advisor of the Company for management fees. At December 31, 2016, \$79,380 (2015 - \$73,080) was owed to this company.
- d) During the nine months ended December 31, 2016, the Company paid \$10,395 (2015 - \$10,395) in rent in connection with an office sub-lease the Company entered into with a company owned by a director (see Note 9). At December 31, 2016, \$18,099 (2015 - \$5,460) was owed to this company.
- e) During the nine months ended December 31, 2016, the Company incurred \$31,620 (2015 - \$40,980) of consulting fees to the Chief Financial Officer (the “CFO”) of the Company. At December 31, 2016, \$27,214 (2015 - \$13,328) was owed to the CFO.
- f) During the nine months ended December 31, 2016, the Company borrowed a total of \$11,500 in three separate amounts of \$4,500, \$4,500 and \$2,500 from a company owned by a director at an interest rate of prime plus 3.00%, in addition to \$40,000 that had previously been borrowed. As at December 31, 2016, an amount of \$51,500 plus interest of \$2,848 (included in accounts payable and accrued liabilities) was outstanding.

DISCLOSURE OF OUTSTANDING SHARE DATA

Common Shares

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

As at December 31, 2016 and February 21, 2017 there were 84,091,933 common shares outstanding.

For further details relating to the issuance of shares, please refer to Note 8 of the accompanying interim unaudited consolidated financial statements of the Company for the nine months ended December 31, 2016.

Stock Options

As at December 31, 2016 and February 21, 2017 there were 6,750,000 stock options outstanding.

For further details relating to outstanding stock options, please refer to Note 8 of the accompanying interim unaudited consolidated financial statements of the Company for the nine months ended December 31, 2016.

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Warrants

As at December 31, 2016 there were 23,685,707 share purchase warrants outstanding.

On January 12, 2017, 80,000 share purchase warrants with an exercise price of \$0.05 expired.

As at February 21, 2017 there were 23,605,707 share purchase warrants outstanding.

For further details relating to outstanding warrants, please refer to Note 8 of the accompanying interim unaudited consolidated financial statements of the Company for the nine months ended December 31, 2016.

Other Share Information

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.

CRITICAL ACCOUNTING ESTIMATES

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 no 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.

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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.

CHANGES IN ACCOUNTING POLICIES

New Accounting Standards

On April 1, 2015 the Company adopted IAS 32, Financial Instruments: Presentation (“IAS 32”) which was amended to clarify requirements for offsetting of financial assets and financial liabilities. The Company has adopted the amendments to IAS 1 Presentation of Financial Statements (“IAS 1”). These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to the Company’s consolidated financial statements.

Future Accounting Pronouncements

IFRS 9, Financial Instruments (“IFRS 9”), addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The new standard states that an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity’s own credit risk in the other comprehensive income or loss section of the entity’s statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue - Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 Leases (“IFRS 16”) specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset has an insignificant value. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact of all the new standards on its consolidated financial statements.

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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, 2016
Cash	\$ 99,816	-	-	\$ 99,816

The fair value of the Company's accounts payables and accrued liabilities and amounts due to related parties approximates their carrying values due to the short-term nature of these instruments. 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 is held in a major Canadian financial institution. The Company does not have any significant exposure to credit risk.

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 business 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, 2016, 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, 2016, 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.

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MANAGEMENT OF CAPITAL RISK

The Company manages its cash, common shares, stock 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.

There has been no change in the Company's management of capital risk during the period ended December 31, 2016.

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, 2016. 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, 2016 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, 2016. Based on this evaluation, the CEO and CFO have concluded that as at December 31, 2016, 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

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two senior officers or directors sign all cheques and outgoing wire transfer requests. In addition, senior management and the directors of the Company review 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 period ended December 31, 2016 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 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: access to necessary financing on an ongoing basis, volatility of prices of publicly traded securities, current and future political environment in areas where projects are being pursued, uncertainty regarding current and future environmental regulations that may affect existing and future projects, uncertainty regarding the rare-earth market in the future, competition from other companies undertaking similar business strategies, requirements to acquire licenses and permits to develop projects and loss of key members of management of the Company.

OUTLOOK

Medallion's has developed a business plan that targets expedited rare-earth element (REE) production with the purchase of the by-product rare-earth phosphate mineral monazite, and subsequent extraction, production and marketing of REE concentrate products.

Monazite is the world's original commercial source for REEs. According to the US Geological Survey, the minerals monazite and bastnaesite account for about 95% of the world's rare-earth resources (approximately evenly split between these two minerals). Only these two minerals that have ever produced significant quantities of rare earths.

Because monazite sand feedstock is available in large quantities as a by-product from heavy-mineral-sand (HMS) mines, development of new REE production from by-product monazite could, in Medallion's view, be done relatively quickly and inexpensively. These HMS mines excavate and process the bulk of world's titanium and zirconium. Many HMS mines report total reserves in excess of one billion tonnes. This typically translates into 20 to 40 years of production life per mine. As a result, there are potential long-term by-product supplies of monazite that could be exploited to produce a steady supply of REE concentrates for many years into the future.

Importantly, as monazite is produced as a by-product from existing mining operations, there is no requirement for exploration, proving of mineral reserves, metallurgical process development, mining or most milling processes. The metallurgy necessary to extract REEs from monazite is well understood compared to that of many other REE minerals, and industry-standard metallurgical processes have produced significant commercial REEs for over 100 years. These are significant cost-saving and timesaving attributes.

Safe environmental procedures are an important part of REE production. In 2012, Medallion received a report from SENES Consultants Limited, internationally recognized specialists in mining, nuclear and environmental sciences, which reviewed the health and safety aspects of Medallion's proposed monazite processing plant plans. The report supported the Company's view that, with the proper operational controls and the use of modern handling and waste disposal systems, a large-scale monazite processing plant can be operated safely and effectively while complying with all major national and international mineral processing and environmental safety standards. This is an important step, since the safe handling and disposal of the various resulting wastes, including the naturally-occurring radioactive elements thorium and uranium, is a concern with processing minerals from any natural REE occurrence.

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The Company has produced preliminary processing technical plans, including flow sheets and initial internal capital and operating cost estimates for a monazite-based REE processing facility. The currently proposed facility is based on assumed annual rare-earth-oxide production of approximately 3,000 tonnes per year. Discussions are underway to acquire monazite from major HMS mining operations to feed the proposed plant. Based on these discussions and information provided by HMS industry, Medallion is confident that there are suitable monazite feed-stocks available from HMS operations in Australia, south-east Asia, Africa and North America and commercial contracts could be successfully negotiated for these supplies.

On January 29, 2015, the Company announced it was evaluating North American jurisdictions to expedite the approval, construction, and operation of a proposed monazite based REE processing facility. The Company also reported that it expects to be able to purchase near-pure monazite feedstock in order to extract and market a mixed REE concentrate product, the pre-cursor to marketable individual REE oxides. A near-pure monazite feed-stock would reduce transportation costs and the capital costs associated with the front-end monazite tailings upgrading component of the processing facility, as had been considered previously.

On May 20, 2015, Medallion reported that its lab-scale extraction testing had confirmed Medallion's caustic-route metallurgical process flow-sheet; a subsequent release reported that the tests recovered an average of 91% of the ten important commercial REEs and yielded a mixed REE chemical concentrate. The tests indicated that the economically important magnet-related elements (neodymium, praseodymium, dysprosium, terbium) represent 86% of the value of the resulting concentrate, using then current standard Chinese FOB prices (source: Asian Metal August 2015). On August 25, 2015 Medallion announced that follow-on work from the lab-scale tests produced a sample calcium phosphate by-product, a commonly-used animal feed supplement that sells in North America currently at about \$400 per tonne. Medallion believes that calcium phosphate, once its proposed plant is in production, could represent a viable additional revenue stream for the Company.

Medallion reported on December 8, 2015 that it had received positive feedback that its high-purity REE concentrate samples were suitable, once available in commercial quantities, as input material to standard commercial REE refineries. These refineries, or separation plants, separate the REE concentrate into individual marketable REE oxides and other commercial REE products. Previously the Company had provided product specification sheets and product samples from its bench-level metallurgical tests to refineries and other interested parties under confidentiality agreements.

In August and September 2016 the Company completed a private placement financing consisting of 10,000,000 units at \$0.03 per unit for gross proceeds of \$300,000, to start execution of a pilot-scale metallurgical test program. Funds were also raised for business development efforts, jurisdiction and site analysis for the Company's proposed REE extraction plant, and working capital.

On February 7, 2017, Medallion announced the Mineral Processing and Metallurgical Testing section of Saskatchewan Research Council ("SRC") has been engaged to perform advanced process test-work for further development of the Company's REE extraction process. A chemist / metallurgist to manage the process development work for the Company has been identified and contracted. New monazite sample feed-stock material was received by the SRC providing input for the test-work program. This program includes including bench level confirmation, locked cycle tests, cerium removal and phosphate by-product development work. It is expected to lead towards an integrated pilot plant test program. Data from a pilot plant operation is required to form the foundation of an engineering study to confirm commercial viability of the proposed monazite processing facility.

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The Company's activities are focused on making progress in the following areas:

Process Development – using qualified mineral labs to scale up its confirmed processing flow-sheet in order to further optimize the flow-sheet, producing new larger sample volumes of products for customer evaluation.

Customer Engagement – building relationships with both established solvent extraction-based refiners and new technology groups working to commercialize alternative REE separation technologies.

Monazite Feedstock – The Company has invested considerable time establishing business and technical relationships with a number of HMS mining operators in order to assess and source monazite-sand concentrate as feedstock for the Company's proposed REE extraction plant. Finalized arrangements are expected to require that Medallion demonstrate additional progress towards production, such as the completion of a pilot plant and customer agreements for the concentrate product.

Financing – efforts on capital-raising to proceed with process development work and business-development activities. The Company has reported that it is open to equity investment, strategic partnerships or alternative financial approaches to provide minimally dilutive capital to develop the business. In addition, various non-dilutive government programs are being reviewed as possible sources of funds for particular initiatives.

FORWARD LOOKING STATEMENTS

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward-looking statements are usually identified by the 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

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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

“David Haber”

DAVID HABER