

MEDINAH MINERALS, INC.
NOTES TO UNAUDITED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011 AND 2010

NOTE 1—BUSINESS AND HISTORY

The Company was incorporated May 6, 1999 under the laws of the State of Nevada as Medinah Energy, Inc. In 2001, it changed its name to Medinah Mining, Inc. and in 2008 to Medinah Minerals, Inc. The Company is and has been in the business of acquiring, exploring and developing mining properties, some of which are held in a 50 percent owned company—Medinah Minerals (Chile), S.A.

NOTE 2—ACCOUNTING POLICIES

The Company uses the accrual accounting method as required by Generally Accepted Accounting Principles.

The Company has no depreciable assets, so there is no depreciation or depreciation policy.

The Company considers that “cash and cash equivalents” is composed of cash on hand, demand deposits, and time deposits with less than ninety days to maturity.

The Company has significant operating loss carry-forwards available to apply against future taxable earnings. However, there is no deferred tax asset because any future benefit is considered to be impaired by the Company’s history of unprofitability.

The Company has recorded its investment in 50 percent of Medinah Minerals (Chile), S.A. at cost under the purchase method. See Note 4.

NOTE 3—LOANS FROM STOCKHOLDERS

In 2002, the Board of Directors passed a resolution that the stockholder loans would bear an interest rate of 10%, with no specific terms of repayment. The stockholder loans consist of the following: Juan Jose Quijano Fernandez, president, director, and stockholder, as to \$73,000; Greg Chapin, director and stockholder, as to \$335,963; and GXK Venture, Inc. (Les Price), stockholder, as to \$1,142,336. See Note 6 for a related subsequent event.

NOTE 4—MEDINAH MINERALS (CHILE), S.A.

Many of the Company’s Chilean mining properties are owned by Medinah Minerals (Chile), S.A., which is owned 50% by the Company, and 50% by the Company’s president, Juan Jose Quijano Fernandez and his family. See accounting policies in Note 2.

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NOTE 5—COMMITMENTS AND CONTINGENCIES

The Company is involved as a co-defendant, along with Juan Jose Quijano and Les Price, in a Supreme Court of British Columbia suit (Vancouver Supreme Court No. s081066) which was commenced February 22, 2008 by Russell K Godwin and RGM Communications.

The plaintiffs' claim against Medinah and the other defendants is that damages and monies are owing on the basis of alleged contracts between an individual named Gordon David House, deceased, and Medinah. Mr. Godwin, who is also an executor of Mr. House's estate, purchased the right to sue on these contracts from the estate for the sum of one dollar. The defendants are countersuing Mr. Godwin and the other executors (being Ben Ainsworth and Helga Hansen) for improperly selling these contracts to their co-executor.

Mr. Godwin subsequently bundled the House contracts with his own contracts with Medinah and incorporated all of them in the lawsuit as well.

With respect to what these contracts precisely were, the defendant takes the position that they are all unauthorized, non-binding and unratified debts that Godwin and House attempted to saddle Medinah with just prior to their being relieved of their directorships of Medinah in 2004, and have no merit.

The amounts involved in the Claim, Counterclaim and third Party Claim exceed three million dollars. There is also the question of the repayment by Godwin and the estate of the value of those Medinah shares which Godwin and House apparently allotted to each other and sold without advising Medinah of the same.

The plaintiffs have not taken any subsequent steps in this litigation, and while it remains a possible liability to Medinah, the Company has not booked any loss there might eventually be in this matter since it seems more likely than not that any settlement, adjudication or other conclusion will not result in a loss.

Medinah, et. al. is now proceeding against the plaintiffs with Examinations of Discovery slated to begin March 27, 2012, with a view to an early trial date.

The Company has no other commitments or contingencies, including environmental remediation matters, of which it is aware.

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NOTE 6—SUBSEQUENT EVENTS

Several significant events have happened since the balance sheet date:

By directors' resolution on February 10, 2012, a series of preferred, redeemable shares was authorized and the inside stockholders/creditors agreed to accept these in exchange for the monies the Company owed them (see also Note 3).

On January 27, 2012, it was announced that the LDM property was going into production at an approximate cost of one million dollars, funded by the company, LDM, Chile. Medinah's net position in this will be 37.5% with no capital outlay.

On February 7, 2012 a joint venture agreement was signed on the alto de lepanque properties as to an option to sell 85 percent of these properties for \$180,000,000 to be received over a three year period. Medinah's net position will be about fifty percent of the total.

Since the balance sheet date, the Company has issued twenty million of its common shares in exchange for a twenty percent interest in the Ciclon 1 and 2 properties.

On February 16, 2012 the Company increased its authorized common shares to three billion and its authorized preferable, non-voting, redeemable shares were set at one million.

See also Note 7.

NOTE 7—INVESTMENT IN MEDINAH GOLD, INC.

In December 2011, the Company settled its advances to affiliated companies by taking 4,500,000 shares of Medinah Gold, Inc. at a deemed value of \$.10 per share.

At a directors' meeting of Medinah Gold, Inc. on February 10, 2012 they approved an additional 5,500,000 shares of their stock to come to the Company in exchange for accrued interest on the indebtedness that was retired in December, 2011.