

MEDALLION RESOURCES LTD.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018
(Unaudited)

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statement; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by, and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of the financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

MEDALLION RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	September 30, 2018	March 31, 2018
ASSETS		
Current		
Cash	\$ 22,139	\$ 122,805
Other Receivables	5,596	5,597
Prepaid Expenses (Note 5)	13,125	158,283
Total Assets	\$ 40,860	\$ 286,685
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities	\$ 30,604	\$ 25,133
Due to Related Parties (Note 6)	302,439	313,966
Promissory Note Payable (Note 6)	40,000	40,000
Total Liabilities	373,043	379,099
SHAREHOLDERS' EQUITY (DEFICIT)		
Share Capital (Note 8)	18,178,347	18,099,798
Warrants	763,958	850,942
Contributed Surplus	2,988,448	2,801,583
Deficit	(22,262,936)	(21,844,737)
Total Shareholders' Equity (Deficit)	(332,183)	(92,414)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 40,860	\$ 286,685

Corporate Information and Nature of Operations (Note 1)
Basis of Preparation (Note 2)
Commitments (Note 8)

Approved on behalf of the Board:

/s/ Donald M. Lay
Donald M. Lay – Director

/s/ Andrew Morden
Andrew Morden – Director

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

MEDALLION RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)

	For the Three Months Ended September 30		For the Six Months Ended September 30	
	2018	2017	2018	2017
Expenses				
Consulting Fees (Note 6)	\$ 78,458	\$ 48,246	\$ 185,600	\$ 57,122
Investor Relations	17,651	22,392	30,836	26,192
Management Fees (Note 6)	37,754	37,784	75,538	75,568
Office and General	5,825	8,988	18,317	14,922
Professional Fees (Note 6)	10,212	15,377	15,688	29,443
Project Investigation (Note 4)	24,698	1,350	40,840	5,822
Rent (Note 6)	3,975	3,975	7,950	7,950
Transfer Agent and Filing Fees	10,624	18,984	14,600	20,684
Share-based Compensation	28,830	-	28,830	-
	<u>(218,027)</u>	<u>(157,096)</u>	<u>(418,199)</u>	<u>(237,703)</u>
Net Loss and Comprehensive Loss for the Period	\$ (218,027)	\$ (157,096)	\$ (418,199)	\$ (237,703)
Loss per Common Share – Basic and Diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	30,944,733	21,250,554	30,719,204	21,137,385

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

MEDALLION RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the Year Ended March 31, 2018 and the Six Months Ended September 30, 2018
(Unaudited)

	Number of Common Shares	Amount	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficit)
Balance – March 31, 2017	21,022,972	\$ 17,530,630	\$ 334,854	\$ 2,654,645	\$ (21,019,232)	\$ (499,103)
Shares issued on:						
Private Placement (Note 7)	4,187,500	358,466	311,534	-	-	670,000
Finders' Warrants (Note 7)	-	-	5,616	-	-	5,616
Share issuance costs	-	(13,296)	-	-	-	(13,296)
Expiry of Warrants	-	-	(540)	540	-	-
Net Loss for the Period	-	-	-	-	(237,703)	(237,703)
Balance – September 30, 2017	25,210,472	17,875,800	651,464	2,655,185	(21,256,935)	(74,486)
Shares issued on:						
Private Placement (Note 7)	4,500,000	237,867	212,133	-	-	450,000
Finders' Warrants (Note 7)	-	-	1,980	-	-	1,980
Share Issuance Costs	-	(13,869)	-	-	-	(13,869)
Share-based Compensation	-	-	-	131,763	-	131,763
Expiry of Warrants	-	-	(14,635)	14,635	-	-
Net Loss for the Period	-	-	-	-	(587,802)	(587,802)
Balance – March 31, 2018	29,710,472	18,099,798	850,942	2,801,583	(21,844,737)	(92,414)
Shares issued on:						
Private Placement (Note 7)	500,000	26,577	23,423	-	-	50,000
Private Placement (Note 7)	1,000,000	53,049	46,951	-	-	100,000
Finders' Units (Note 7)	6,000	319	281	-	-	600
Finders' Warrants (Note 7)	-	-	396	-	-	396
Share Issuance Costs	-	(1,396)	-	-	-	(1,396)
Share-based Compensation	-	-	-	28,830	-	28,830
Expiry of Warrants	-	-	(158,035)	158,035	-	-
Net Loss for the Period	-	-	-	-	(418,199)	(418,199)
Balance – September 30, 2018	31,216,472	\$ 18,178,347	\$ 763,958	\$ 2,988,448	\$ (22,262,936)	\$ (332,183)

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

MEDALLION RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended September 30
(Unaudited)

	2018	2017
Cash Flow Provided By (Used in)		
Operating Activities		
Net Loss for the Period	\$ (418,199)	\$ (237,703)
Share-based Compensation	28,830	-
- Net change in non-cash working capital items:		
Other Receivables	1	572
Prepaid Expenses	145,158	(167,300)
Accounts Payable and Accrued Liabilities	5,471	262,379
Due to Related Parties	(11,527)	43,140
	(250,266)	(98,912)
Financing Activities		
Issuance of Share Capital and Warrants	150,000	670,000
Share Issuance Costs	(400)	(7,680)
Promissory Note		53,500
	149,600	715,820
Increase (decrease) in Cash	(100,666)	616,908
Cash, Beginning of the period	122,805	46,108
Cash, End of the period	\$ 22,139	\$ 663,016
Supplementary Cash-flow Information:		
Interest Paid	\$ -	\$ -
Income Taxes Paid	\$ -	\$ -
Non-Cash Investing and Financing Activities:		
Issuance of Finders' Warrants	\$ 396	\$ -
Issuance of Finders' Units	\$ 600	\$ 5,616

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

NOTE 1 – CORPORATE INFORMATION AND NATURE OF OPERATIONS

Medallion Resources Ltd. (the “Company”) was incorporated on December 8, 1989, under the Business Corporations Act (British Columbia).

The Company has historically been in the business of the acquisition and exploration of mineral properties. The Company’s operations consisted generally of mineral exploration and evaluation of new property acquisitions. This included acquiring mineral properties, evaluating the merits of these properties using various techniques such as sampling, trenching and geophysical and geochemical methods as well as drilling.

More recently, the Company has been increasingly and primarily focused on a rare earth element 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 elements from monazite. The Company is testing a variety of samples, which have been submitted by heavy-mineral-sands producers, to locate suitable quantities and qualities of monazite feedstock. This testing could lead to monazite purchase agreements to potentially provide feedstock for a planned rare earth element processing plant. Since no monazite purchase contracts or definitive 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 statement of loss and comprehensive loss.

The Company’s registered office is Suite 1160 – 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

NOTE 2 – BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at their fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements were authorized for issue by the Board of Directors on November 27, 2018.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of financial statements in conformity with IFRS 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 financial statements and the reported amounts of revenues and expenses during the period. Significant estimates and assumptions include those related to the valuation allowance on deferred income taxes and share-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.

On July 28, 2017, the Company consolidated its share capital on the basis of one new share for every four old shares. All share, share purchase warrant, stock option and per share amounts have been adjusted to reflect the share consolidation.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned inactive subsidiary Medallion Resources (USA) Inc. All intercompany transactions and balances have been eliminated on consolidation.

NOTE 2 – BASIS OF PREPARATION (continued)

Continuance of Operations

These consolidated financial statements are prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future and do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company has not generated revenue from operations. The Company incurred a net loss of \$418,199 for the six months ended September 30, 2018 and as of that date the Company's accumulated deficit was \$22,262,936. The Company does not generate any cashflow from operations to fund its future activities and has relied principally upon the issuance of securities to fund its operating and administrative expenditures. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary. Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the period-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the period-end date and the related translation differences are recognized in profit or loss.

Foreign denominated monetary assets and liabilities are translated to their Canadian-dollar equivalents using foreign exchange rates that prevailed at the statement of financial position date. Non-monetary items that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in profit or loss or other comprehensive income (loss) consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with maturities of three months or less when acquired which are readily convertible into cash. As at March 31, 2018 and September 30, 2018 the Company did not hold any cash equivalents.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

Government Assistance

Government assistance relates to the recovery of a portion of eligible expenditures from various government authorities and is recorded in the period in which it is received.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

i) Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Fair Value Through Profit or Loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Cash is classified as fair value through profit and loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses.

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale Investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale investments are recognized at fair value and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as current except if they are expected to be realized beyond twelve months of the statement of financial position date, where they are classified as non-current.

ii) Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred. These liabilities are initially recognized on the trade date at fair value when the Company becomes a party to the contractual provisions of the instrument and are subsequently carried at amortized cost using the effective interest rate method. The liabilities are derecognized when the Company's contractual obligations are discharged or cancelled or they expire. Accounts payable and accrued liabilities, due to related parties and promissory note payable are classified as other financial liabilities.

Impairment of Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital

Unit Offerings

The Company has adopted the relative fair value method with respect to the measurement of shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair values of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from warrants to share capital. If the warrants expire unexercised, the applicable amount is transferred to contributed surplus.

The Company has a choice as to whether to recognize the modification of warrants with an adjustment within equity between warrants and contributed surplus or to make no adjustment. The Company has elected to not make an adjustment within equity when the terms of warrants previously issued for proceeds are amended.

Loss Per Share

Basic income (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted income (loss) per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Basic and diluted loss per share are the same in periods where the Company recognizes a net loss, as the inclusion of common share equivalents would be anti-dilutive.

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 adjustment 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 the 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.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

New Accounting Standards

The Company adopted certain new accounting standards and amendments during the year ended March 31, 2018, none of which had a material impact on 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. The Company has analyzed the impact of adoption of this standard and does not anticipate that there will be any material impact on the consolidated financial statements.

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. The Company has analyzed the impact of adoption of this standard and does not anticipate that there will be any material impact on the consolidated financial statements.

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 this new standard on its consolidated financial statements.

NOTE 4 – PROJECT INVESTIGATION

Details of project investigation costs in connection with the Company's efforts to finance, develop and construct monazite processing facilities are as follows. These costs 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 elements:

	For the Three Months Ended September 30		For the Six Months Ended September 30	
	2018	2017	2018	2017
o				
Consulting	\$ 24,698	\$ 1,350	\$ 40,840	\$ 5,822
	<u>\$ 24,698</u>	<u>\$ 1,350</u>	<u>\$ 40,840</u>	<u>\$ 5,822</u>

MEDALLION RESOURCES LTD.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018

NOTE 5 – PREPAID EXPENSES

Prepaid expenses consist of:

	September 30, 2018	March 31, 2018
Insurance	\$ 3,000	\$ 7,500
Investor Relations	10,125	20,000
Consulting	-	130,783
	<u>\$ 13,125</u>	<u>\$ 158,283</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

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

- a) During the six months ended September 30, 2018, \$72,000 (2017 - \$72,000) was charged by a private company controlled by the Chief Executive Officer (the “CEO”) of the Company for management and consulting fees. At September 30, 2018, \$302,400 (September 30, 2017 - \$370,771) was owed to this company.
- b) During the six months ended September 30, 2018, the Company incurred \$4,445 (2017 - \$16,299) of legal fees to a law firm in which a director of the Company was associate counsel. At September 30, 2018, \$1,095 (September 30, 2017 - \$52,454) was owed to this firm.
- c) During the six months ended September 30, 2018, the Company paid \$7,950 (2017 – \$7,950) in rent in connection with an office sub-lease the Company entered into with a company owned by a director (see Note 8). At September 30, 2018, \$Nil (September 30, 2017 - \$40,897) was owed to this company.
- d) During the six months ended September 30, 2018, the Company incurred \$22,800 (2017 - \$22,320) of consulting fees to a company owned by the Chief Financial Officer of the Company. At September 30, 2018, a total of \$39 (September 30, 2017 – \$59,460) was owed to the CFO and the company owned by the CFO.
- e) During the six months ended September 30, 2018 the Company borrowed \$nil (2017 - \$nil) on an existing loan from a company owned by a director bearing an interest rate of prime plus 3.00%. As at September 30, 2018, a principal amount of \$40,000 (September 30, 2017 – \$105,000) plus interest of \$1,294 (September 30, 2017 - \$5,462) was outstanding on the loan.

NOTE 7 – SHARE CAPITAL

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

- a) On September 27, 2017 the Company completed a private placement financing consisting of 4,187,500 units at \$0.16 per unit for gross proceeds of \$670,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to acquire one common share for 3 years at an exercise price of \$0.32. Cash proceeds from the private placement were allocated as \$358,466 and \$311,534, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing date of the private placement. The Company paid \$15,917 in cash and issued 48,000 finders’ warrants (valued at \$5,616) each exercisable to acquire a common share at a price of \$0.16 per share for a period of 2 years from closing. In accordance with the Company’s accounting policy in regards to unit bifurcation, the Company calculated the fair value of the unit warrants with the use of the Black-Scholes option pricing model with the following assumptions: term of 3 years, dividend yield of 0%, expected volatility of 195% and a risk free interest rate of 0.69%. In addition, the Company calculated the fair value of the finders’ warrants with use of the Black-Scholes option pricing model with the following assumptions: term of 2 years, dividend yield of 0%, expected volatility of 187% and a risk free interest rate of 0.70%.

NOTE 7 – SHARE CAPITAL (continued)

- b) On March 9, 2018 the Company completed the first tranche of a private placement financing consisting of 4,500,000 units at \$0.10 per unit for gross proceeds of \$450,000. Each unit consists of one common share and one common share purchase warrant, with each warrant exercisable to acquire one common share for 3 years at an exercise price of \$0.15. Cash proceeds from the private placement were allocated as \$237,867 and \$212,133, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing date of the private placement. The Company paid \$3,652 in cash and issued 20,000 finders' warrants (valued at \$1,980) each exercisable to acquire a common share at a price of \$0.10 per share for a period of 2 years from closing. In accordance with the Company's accounting policy in regards to unit bifurcation, the Company calculated the relative fair value of the unit warrants with the use of the Black-Scholes option pricing model with the following assumptions: term of 3 years, dividend yield of 0%, expected volatility of 189% and a risk free interest rate of 2.08%. In addition, the Company calculated the fair value of the finders' warrants with use of the Black-Scholes option pricing model with the following assumptions: term of 2 years, dividend yield of 0%, expected volatility of 167% and a risk free interest rate of 1.88%.
- c) On April 26, 2018 the Company completed the second and final tranche of a private placement financing consisting of 500,000 units at \$0.10 per unit for gross proceeds of \$50,000. Each unit consists of one common share and one common share purchase warrant, with each warrant exercisable to acquire one common share for 3 years at an exercise price of \$0.15. Cash proceeds from the private placement were allocated as \$26,577 and \$23,423, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing date of the private placement. The Company issued 6,000 finders' units consisting of 6,000 common shares and 6,000 share purchase warrants, with each warrant exercisable to acquire one common share for 3 years at an exercise price of \$0.15 with the values allocated as \$319 and \$281, respectively, to the common shares and warrants issued based on their relative fair values at the closing date of the private placement. In addition, the Company issued 4,000 finders' warrants (value \$396) each exercisable to acquire a common share at a price of \$0.10 per share for a period of 2 years from closing.
- d) On July 25, 2018 the Company completed a private placement financing consisting of 1,000,000 units at \$0.10 per unit for gross proceeds of \$100,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to acquire one common share for 3 years at an exercise price of \$0.15. Cash proceeds from the private placement were allocated as \$53,049 and \$46,951, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing date of the private placement.

MEDALLION RESOURCES LTD.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018

NOTE 7 – SHARE CAPITAL (continued)

Warrants

A summary of the changes in the Company’s warrants is presented below:

	Number of Warrants	Weighted Average Exercise Price
Balance – March 31, 2017	5,901,427	\$ 0.54
Issued	8,755,500	0.23
Expired	(642,260)	0.78
Balance – March 31, 2018	14,014,667	0.33
Issued	1,510,000	0.15
Expired	(2,712,500)	0.80
Balance – September 30, 2018	12,812,167	\$ 0.22

As of September 30, 2018, the following warrants were outstanding:

Expiry Date	Number of Warrants Outstanding	Exercise Price
September 27, 2019	48,000	0.16
March 9, 2020	20,000	0.10
April 26, 2020	4,000	0.10
September 27, 2020	4,187,500	0.32
March 9, 2021	4,500,000	0.15
April 26, 2021	506,000	0.15
July 26, 2021	1,000,000	0.15
August 15, 2021	2,138,000	0.20
September 15, 2021	408,667	0.20
	12,812,167	\$ 0.22

MEDALLION RESOURCES LTD.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018

NOTE 7 – SHARE CAPITAL (continued)

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 at the time of grant. 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 are exercisable over a period not exceeding five years.

- a) On March 21, 2018, a total of 1,100,000 stock options with an exercise price of \$0.13 were granted to officers, directors and consultants to the Company with an expiry date of March 21, 2023. These options vested and were exercisable immediately, resulting in total share-based compensation of \$131,763.
- b) During the year ended March 31, 2018, 100,000 stock options with an exercise price of \$0.24 expired.
- c) On June 3, 2018, 50,000 stock options with an exercise price of \$0.82 expired
- d) During the three months ended September 30, 2018 a total of 177,500 stock options with exercise prices ranging from \$0.20 to \$1.64 expired.
- e) On August 3, 2018 a total of 250,000 stock options with an exercise price of \$0.125 were granted to consultants to the Company with an expiry date of August 3, 2023. These options vested and were exercisable immediately, resulting in total share-based compensation of \$28,860.
- f) The Company used the following assumptions to determine the fair value of stock options granted with use of the Black-Scholes option pricing model:

	2018	2017
Risk-free interest rate	2.10%	0.99%
Expected share price volatility	155%	132%
Expected option life in years	2	5
Dividend yield	Nil%	Nil%

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

	Number of Stock Options	Weighted Average Exercise Price
Balance – March 31, 2017	1,687,500	\$ 0.28
Granted	1,100,000	0.13
Expired	(100,000)	0.24
Balance – March 31, 2018	2,687,500	\$ 0.22
Granted	250,000	0.125
Expired	(227,500)	0.44
Balance – September 30, 2018 – Outstanding and exercisable	2,710,000	\$ 0.19

MEDALLION RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018

NOTE 7 – SHARE CAPITAL (continued)

As of September 30, 2018, the following options were outstanding:

Expiry Date	Number of Options Outstanding	Exercise Price
January 8, 2019	55,000	0.80
June 6, 2019	25,000	0.60
July 8, 2019	53,750	0.60
March 2, 2020	278,750	0.24
August 28, 2020	12,500	0.20
December 7, 2021	935,000	0.20
March 21, 2023	1,100,000	0.13
August 30, 2023	250,000	0.125
	2,710,000	\$ 0.19

NOTE 8 – 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 year to March 31, 2019 with monthly rent of \$1,325. The following is a summary of the future lease commitments:

Fiscal 2019	\$ 15,900
-------------	-----------

NOTE 9 – FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

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 consolidated 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, September 30, 2018
Cash	\$ 22,139	-	-	\$ 22,139

The fair value of the Company's accounts payable and accrued liabilities, due to related parties and promissory note payable 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.

NOTE 9 – FINANCIAL INSTRUMENTS (Cont'd)

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 as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities, due to related parties and promissory note payable are classified as other financial liabilities which are measured at amortized cost. As at September 30, 2018, 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 September 30, 2018, 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.

NOTE 10 – MANAGEMENT OF CAPITAL

The Company manages its cash, common shares, stock options and warrants as capital (Note 8). 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 business 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 business development 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 three months ended September 30, 2018.