



MEDALLION RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Medallion Resources Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Medallion Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2021 and 2020 and the consolidated statements of comprehensive loss, changes in shareholders' equity (deficit), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$1,901,250 during the year ended March 31, 2021 and, as of that date, the Company had an accumulated deficit of \$25,638,826. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

July 29, 2021

**MEDALLION RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)**

	Note	March 31, 2021	March 31, 2020
ASSETS			
Current			
Cash		\$ 2,081,232	\$ 138,104
Other receivables		2,654	6,213
Prepaid expenses	6	51,538	21,208
		\$ 2,135,424	\$ 165,525
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 73,353	\$ 101,866
Due to related parties	7	5,681	214,200
Promissory note payable	7	-	20,000
		79,034	336,066
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	8	23,011,915	19,321,993
Reserves	8	4,683,301	4,245,042
Deficit		(25,638,826)	(23,737,576)
		2,056,390	(170,541)
		\$ 2,135,424	\$ 165,525

Events After the Reporting Period (Note 12)

These consolidated financial statements were authorized for issue by the Board of Directors on July 29, 2021.

Approved on behalf of the Board:

/s/ Rod C. McKeen

Rod C. McKeen – Director

/s/ Andrew Morden

Andrew Morden – Director

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

MEDALLION RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

		For the years ended	
		March 31	
	Note	2021	2020
Expenses			
Consulting fees	7	\$ 242,535	\$ 422,812
Director fees		22,500	-
Investor relations		182,556	108,225
Management fees	7	222,981	149,728
Office and general		26,542	68,141
Professional fees	7	126,738	26,855
Research costs	4	275,787	283,597
Rent	7	11,300	15,900
Transfer agent and filing fees		65,153	35,360
Share-based compensation	7,8	715,522	166,413
		<u>(1,891,614)</u>	<u>(1,277,031)</u>
Other items			
Foreign exchange loss		(9,636)	-
Government assistance	5	-	83,104
		<u>(9,636)</u>	<u>83,104</u>
Net loss and comprehensive loss for the year		<u>\$ (1,901,250)</u>	<u>\$ (1,193,927)</u>
Basic and diluted loss per share		<u>\$ (0.03)</u>	<u>\$ (0.03)</u>
Weighted average number of common shares outstanding		<u>57,170,225</u>	<u>42,965,302</u>

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

MEDALLION RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Expressed in Canadian dollars)

	Note	Share capital		Reserves			Total shareholders' equity (Deficit)	
		Number of shares	Amount	Warrants	Contributed surplus	Total		Deficit
Balance as at March 31, 2019		37,855,472	\$ 18,610,174	\$ 948,900	\$ 2,959,809	\$ 3,908,709	\$ (22,543,649)	\$ (24,766)
Shares issued on:								
Private placement	8	410,167	27,601	9,314	-	9,314	-	36,915
Private placement	8	5,372,572	420,009	144,111	-	144,111	-	564,120
Private placement	8	2,197,657	174,122	56,632	-	56,632	-	230,754
Warrants exercised	8	518,000	127,875	(51,095)	-	(51,095)	-	76,780
Finders' warrants	8	-	-	10,958	-	10,958	-	10,958
Share issuance costs		-	(37,788)	-	-	-	-	(37,788)
Share-based compensation		-	-	-	166,413	166,413	-	166,413
Expiry of warrants		-	-	(4,680)	4,680	-	-	-
Net loss and comprehensive loss		-	-	-	-	-	(1,193,927)	(1,193,927)
Balance as at March 31, 2020		46,353,868	19,321,993	1,114,140	3,130,902	4,245,042	(23,737,576)	(170,541)
Shares issued on:								
Private placement	8	2,500,000	193,300	56,700	-	56,700	-	250,000
Private placement		10,666,667	1,162,800	437,200	-	437,200	-	1,600,000
Warrants exercised		7,693,902	2,334,299	(766,414)	-	(766,414)	-	1,567,885
Stock options exercised		727,500	184,434	-	(72,949)	(72,949)	-	111,485
Finders' warrants		-	-	68,200	-	68,200	-	68,200
Share issuance costs		-	(188,661)	-	-	-	-	(188,661)
Commitment to issue shares		-	3,750	-	-	-	-	3,750
Share-based payments	8	-	-	-	715,522	715,522	-	715,522
Expiry of warrants		-	-	(418,830)	418,830	-	-	-
Net loss and comprehensive loss		-	-	-	-	-	(1,901,250)	(1,901,250)
Balance as at March 31, 2021		67,941,937	\$ 23,011,915	\$ 490,996	\$ 4,192,305	\$ 4,683,301	\$ (25,638,826)	\$ 2,056,390

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

MEDALLION RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For the years ended	
	March 31	
	2021	2020
Cash provided by (used for):		
Operating activities		
Net loss	\$ (1,901,250)	\$ (1,193,927)
Items not involving cash:		
Share-based compensation	715,522	166,413
Changes in non-cash working capital items:		
Other receivables	3,559	1,768
Prepaid expenses	(30,330)	75,767
Accounts payable and accrued liabilities	(28,513)	38,700
Due to related parties	(208,519)	(74,506)
Cash used in operating activities	(1,449,531)	(985,785)
Financing activities		
Issuance of share capital	1,850,000	908,569
Warrants exercised	1,567,885	-
Stock options exercised	111,485	-
Share issuance costs	(120,461)	(33,690)
Commitment to Issue Shares	3,750	-
Promissory Note	(20,000)	(20,000)
Cash provided by financing activities	3,392,659	854,879
Net increase (decrease) in cash	1,943,128	(130,906)
Cash - beginning of the year	138,104	269,010
Cash - end of the year	\$ 2,081,232	\$ 138,104
 Supplemental cash flow information:		
Interest paid	\$ 7,555	\$ 17,854
 Non-cash investing and financing activities:		
Issuance of finders' warrants	\$ 68,200	\$ 10,958
Expiry of warrants	418,830	4,680
Fair value reversal on exercise of warrants	766,414	51,095

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).

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. Furthermore, the Company is investing in the development of a chromatography based REE separation technology developed by Purdue University (Note 12). 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 statements of comprehensive loss.

The Company’s registered office is Suite 410 – 325 Howe Street, Vancouver, British Columbia, V6C 1Z7.

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 fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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, and its subsidiary’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.

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 (cont'd)

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 \$1,901,250 for the year ended March 31, 2021 and as of that date the Company's accumulated deficit was \$25,638,826. 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.

Starting in March 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, amongst others, could have a significant impact on the Company's operations.

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 and 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, 2021, the Company did not hold any cash equivalents.

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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of Non-Financial Assets (cont'd)

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.

Research and development

Expenditures on research are recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditures are recognized in loss and comprehensive loss in the period in which the expenditure is incurred.

Subsequent to initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. At March 31, 2021, the Company has not recognized any internally-generated intangible assets and had recorded all expenditures incurred as research costs.

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

(i) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

(i) Financial assets (cont'd)

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principle and interest on the principle amount outstanding, and it is not designated as FVTPL. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. The Company's cash is classified as FVTPL.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. None of the Company's financial assets are classified as FVTOCI.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. The Company's financial assets at amortized cost comprise other receivables.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

(ii) Financial liabilities

The Company classifies its financial liabilities as subsequently measured at amortized cost which include accounts payable and accrued liabilities, due to related parties and promissory notes payable. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

(iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables the Company has no material loss allowance as at March 31, 2021.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 is 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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Taxes (cont'd)

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.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2021 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

- Amendments to IAS 1, Presentation of Financial Statements (effective January 1, 2022)
- Amendments to IAS 16, Property, Plant and Equipment (effective January 1, 2022)

IAS 1, Presentation of Financial Statements

The amendment clarifies the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period.

IAS 16, Property, Plant and Equipment

The amendments clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment ("PPE") to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit entities from deducting amounts received from selling items produced from the cost of PPE while the asset is being prepared for its intended use. Instead, sales proceeds and the cost of producing these items will be recognized in profit or loss.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

Effective April 1, 2020, the Company adopted an amendment to IFRS 3 – Business Combinations, which clarifies the definition of a business and provides guidance in determining whether an acquisition is a business combination or a combination of a group of assets.

The adoption of the amendment to IFRS 3 had no impact on the Company's results and financial position.

MEDALLION RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the years ended March 31, 2021 and 2020

NOTE 4 – RESEARCH COSTS

Details of research 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 products:

	For the years ended March 31,	
	2021	2020
Consulting	\$ 221,383	\$ 176,486
Geological consulting	3,053	-
Legal and other	26,223	-
Process testing	25,128	107,111
	<u>\$ 275,787</u>	<u>\$ 283,597</u>

On February 18, 2021, the Company announced the acquisition of a license for exclusive rights to Purdue University-developed rare earth element (REE) separation and purification technologies, from Hasler Ventures LLC. The Company will further develop and commercialize this process technology which is complementary to the Company's existing business focus. In consideration for the license transfer agreement, the Company agreed to issue 1,000,000 fully paid shares (issued subsequent to year end) to Hasler Ventures LLC or its nominee on closing of the transaction.

As part of the exclusive patent license for its fields of use, the Company has committed to a three-year US\$150,000 per annum sponsored research program with Purdue University to further advance the technologies, and achieve various technical milestones including operation of a demonstration plant. On commercial operation, royalty fees or sub-license fees will be payable at standard industry rates.

NOTE 5 – GOVERNMENT ASSISTANCE

Government assistance relates to the recovery of a portion of eligible expenditures on project investigation from various government authorities and are recorded in the period in which they are received. During the year ended March 31, 2021, the Company received government assistance in the amount of \$Nil (2020 - \$83,104) as a recovery of certain process testing and consulting expenditures incurred during the period, which were recorded as Project Investigation expenses (Note 4).

NOTE 6 – PREPAID EXPENSES

Prepaid expenses consist of:

	March 31, 2021	March 31, 2020
Insurance	\$ 9,583	\$ 7,875
Investor relations	\$ 20,834	-
Consulting and other	\$ 21,121	13,333
	<u>\$ 51,538</u>	<u>\$ 21,208</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

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

- a) During the year ended March 31, 2021, \$88,000 (2020 - \$144,000) was charged by a private company controlled by a former director of the Company for management and consulting fees. At March 31, 2021, \$378 (March 31, 2020 - \$214,200) was owed to this company on account of management and consulting fees.

NOTE 7 – RELATED PARTY TRANSACTIONS (cont'd)

- b) Effective October 1, 2018 the Company began accruing interest owed to a private company controlled by a former director of the Company on account of management and consulting fees owed at an interest rate of prime plus 3.00%. During the year ended March 31, 2021, \$6,925 (2020 - \$15,885) was paid to this company on account of interest. At March 31, 2021, \$Nil (March 31, 2020 - \$Nil) was owed to this company on account of interest.
- c) During the year ended March 31, 2021, the Company incurred \$9,875 (2020 – \$15,900) in rent in connection with an office sub-lease the Company entered into with a company owned by a former director of the Company. At March 31, 2021, \$Nil (March 31, 2020 - \$Nil) was owed to this company.
- d) During the year ended March 31, 2021, the Company incurred \$14,000 (2020 - \$46,940) of consulting fees to a company owned by the former Chief Financial Officer of the Company. At March 31, 2021, a total of \$Nil (March 31, 2020 – \$Nil) was owed to this company.
- e) During the year ended March 31, 2021, the Company incurred \$40,000 (2020 - \$Nil) of accounting and consulting fees to a company of which the Company's CFO, is a shareholder. At March 31, 2021, a total of \$5,303 (March 31, 2020 – \$Nil) was owed to this company.
- f) As at March 31, 2021, a principal amount of \$Nil (March 31, 2020 – \$20,000) was outstanding on the promissory note, payable to a company owned by a former director of the Company, bearing interest at a rate of prime plus 3.00%. During the year ended March 31, 2021, the Company paid the principal amount of \$20,000 and interest totaling \$630 (2020 - \$1,969).
- g) During the year ended March 31, 2021, \$129,161 (2020 - \$Nil) was charged by a private company controlled by the Chief Executive Officer of the Company for management and consulting fees. At March 31, 2021, \$Nil (March 31, 2020 - \$Nil) was owed to this company on account of management and consulting fees.
- h) During the year ended March 31, 2021, \$22,500 (2020 - \$Nil) was paid to independent directors for director fees.
- i) On May 20, 2020, 1,100,000 stock options with a fair value of \$107,807 were granted to the Chief Executive Officer of the Company, which can be exercised at a price of \$0.105 per share. The options are exercisable for 5 years and vested immediately.
- j) On July 22, 2020, the Company granted 442,500 stock options with a fair value of \$75,885 to officers and directors of the Company that can be exercised at a price of \$0.195 per share. The options are exercisable for 5 years and vested immediately.
- k) On September 18, 2020, the Company granted 780,000 stock options with a fair value of \$250,659 to officers and directors of the Company that can be exercised at a price of \$0.33 per share. The options are exercisable for 5 years and vested immediately.
- l) On March 29, 2021, the Company granted 183,750 stock options with a fair value of \$63,738 to directors of the Company that can be exercised at a price of \$0.415 per share. The options are exercisable for 5 years and vested immediately.

NOTE 8 – SHARE CAPITAL

Authorized share capital

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

Fiscal 2021

- a) On June 26, 2020, the Company completed a non-brokered private placement issuing 2,500,000 units at a price of \$0.10 per Unit for aggregate gross proceeds of \$250,000. Each Unit consisted of one common share of the Company and one-half transferable common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of \$0.15 for two years from the date of issuance. The warrants were ascribed a value of \$56,700 under the Black-Scholes valuation model with the residual of \$193,300 being allocated to share capital. 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 2 years, dividend yield of 0%, expected volatility of 114% and a risk free interest rate of 0.29%.
- b) On August 25, 2020 the Company completed a non-brokered private placement consisting of 10,666,667 units at \$0.15 per unit for gross proceeds of \$1,600,000. Each unit consisted of one common share and one-half transferable common share purchase warrant, with each warrant exercisable to acquire one common share for 3 years at an exercise price of \$0.20. The Company paid finders' fees of \$65,620 and granted 437,467 finders' warrants (valued at \$68,200), each finders' warrant exercisable to acquire one common share at an exercise price of \$0.25 until August 25, 2022. The warrants were ascribed a value of \$437,200 under the Black-Scholes valuation model with the residual of \$1,162,800 being allocated to share capital. 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 123.49% and a risk free interest rate of 1.53%. 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 123.72% and a risk free interest rate of 1.38%. The Company also incurred another \$54,841 share issue costs related to this private placement.

Fiscal 2020

- a) On April 9, 2019, the Company completed the second and final tranche of a private placement financing consisting of 410,167 units at \$0.09 per unit for gross proceeds of \$36,915. Each unit consists of one common share and one half 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 \$27,601 and \$9,314, 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 incurred share issuance costs of \$6,280 cash and issued 16,480 finders' warrants (valued at \$1,095) each exercisable to acquire a common share at a price of \$0.09 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 129% and a risk free interest rate of 1.60%. 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 129% and a risk free interest rate of 1.60%.

NOTE 8 – SHARE CAPITAL (cont'd)

Fiscal 2020 (cont'd)

- b) On August 23, 2019 the Company completed the first tranche of a private placement financing consisting of 5,372,572 units at \$0.105 per unit for gross proceeds of \$564,120. Each unit consists of one common share and one half common share purchase warrant, with each warrant exercisable to acquire one common share for 3 years at an exercise price of \$0.165. Cash proceeds from the private placement were allocated as \$420,009 and \$144,111, 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 incurred share issuance costs of \$18,830 cash and issued 164,686 finders' warrants (valued at \$9,629) each exercisable to acquire a common share at a price of \$0.165 per share for a period of 3 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 127% and a risk free interest rate of 1.41%. 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 127% and a risk free interest rate of 1.41%.
- c) On October 9, 2019 the Company completed the second and final tranche of a private placement financing consisting of 2,197,657 units at \$0.105 per unit for gross proceeds of \$230,754. Each unit consists of one common share and one half common share purchase warrant, with each warrant exercisable to acquire one common share for 3 years at an exercise price of \$0.165. Cash proceeds from the private placement were allocated as \$174,122 and \$56,632, 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 incurred share issuance costs of \$1,720 cash and issued 4,000 finders' warrants (valued at \$234) each exercisable to acquire a common share at a price of \$0.165 per share for a period of 3 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 128% and a risk free interest rate of 1.59%. 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 128% and a risk free interest rate of 1.59%.

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance - March 31, 2019	16,159,667	\$ 0.20
Issued	4,175,365	0.16
Exercised	(518,000)	0.15
Expired	(40,000)	0.16
Balance - March 31, 2020	19,777,032	\$ 0.20
Issued	7,020,800	0.19
Exercised	(7,693,902)	0.20
Expired	(3,379,230)	0.30
Balance - March 31, 2021	15,724,700	\$ 0.18

MEDALLION RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the years ended March 31, 2021 and 2020

NOTE 8 – SHARE CAPITAL (cont'd)

Warrants (cont'd)

As of March 31, 2021 the following warrants were outstanding:

Expiry Date	Number of Warrants Outstanding	Exercise Price
April 26, 2021 ^(a)	260,000	\$ 0.15
July 25, 2021 ^(b)	1,000,000	0.15
August 15, 2021	1,481,750	0.40
September 15, 2021	359,792	0.40
March 26, 2022	2,452,000	0.15
April 9, 2022	177,084	0.15
June 26, 2022	1,250,000	0.15
August 22, 2022	2,455,572	0.165
August 25, 2022	429,467	0.25
October 9, 2022	835,686	0.165
August 25, 2023 ^(c)	5,023,349	0.20
	15,724,700	\$ 0.18

^(a) 210,000 warrants were exercised and 50,000 warrants expired unexercised subsequent to year end.

^(b) 1,000,000 warrants were exercised subsequent to year end

^(c) 17,500 warrants were exercised subsequent to year end

As at March 31, 2021, the weighted average remaining life of the outstanding warrants is 1.44 years (March 31, 2020 – 1.41 years).

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

	Number of Stock Options	Weighted Average Exercise Price
Balance – March 31, 2019	2,655,000	\$ 0.18
Granted	1,259,028	0.17
Expired/cancelled	(377,500)	0.31
Balance – March 31, 2020	3,536,528	\$ 0.16
Granted	3,436,250	0.23
Exercised	(727,500)	0.15
Expired/cancelled	(620,000)	0.17
Balance – March 31, 2021 – Outstanding and exercisable	5,625,278	\$ 0.21

MEDALLION RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the years ended March 31, 2021 and 2020

NOTE 8 – SHARE CAPITAL (cont'd)

Stock Options (cont'd)

On May 20, 2020, the Company granted 1,500,000 stock options to an officer and consultants of the Company that can be exercised at a price of \$0.105 per share until May 20, 2025. These options vested and were exercisable immediately, resulting in total share-based compensation of \$147,010.

On July 22, 2020, the Company granted 442,500 stock options to officers and directors of the Company that can be exercised at a price of \$0.195 per share until July 22, 2025. These options vested and were exercisable immediately, resulting in total share-based compensation of \$75,885.

On September 18, 2020, the Company granted 1,000,000 stock options to officers, directors and consultants of the Company that can be exercised at a price of \$0.33 per share until September 18, 2025. These options vested and were exercisable immediately, resulting in total share-based compensation of \$321,358.

On March 29, 2021, the Company granted 493,750 stock options to directors and consultants of the Company that can be exercised at a price of \$0.415 per share until March 29, 2026. These options vested and were exercisable immediately, resulting in total share-based compensation of \$171,269.

The fair value of stock options granted during the year ended March 31, 2021 was \$715,522 (March 31, 2020 - \$166,413).

As of March 31, 2021, the following stock options were outstanding:

Expiry Date	Number of Stock Options Outstanding and Exercisable	Exercise Price
December 7, 2021 ^(a)	378,750	\$ 0.20
April 18, 2022	277,778	0.15
March 21, 2023	593,250	0.13
August 3, 2023	100,000	0.125
April 18, 2024 ^(b)	60,000	0.10
July 8, 2024	809,250	0.185
May 25, 2025	1,500,000	0.105
July 22, 2025	412,500	0.195
September 18, 2025	1,000,000	0.33
March 29, 2026	493,750	0.415
	5,625,278	\$ 0.21

^(a) 12,500 options were exercised subsequent to year end

^(b) 12,500 options were exercised subsequent to year end

As at March 31, 2021, the weighted average remaining life of the outstanding and exercisable options is 3.51 years (March 31, 2020 – 2.89 years).

The assumptions used in the Black Scholes Option Pricing Model to estimate the fair value of options were:

	2021	2020
Risk-free interest rate	1.27% - 1.33%	1.58%
Expected stock price volatility	143% - 163%	145%
Expected option life in years	5 years	5 years
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

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 March 31, 2021
Cash	\$ 2,081,232	\$ -	\$ -	\$ 2,081,232

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.

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 FVTPL. Accounts payable and accrued liabilities, amounts due to related parties and promissory notes payable are measured at amortized cost. As at March 31, 2021, 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 March 31, 2021, 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.

MEDALLION RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the years ended March 31, 2021 and 2020

NOTE 10 – INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2021	2020
Net loss for the year	\$ (1,901,250)	\$ (1,193,927)
Expected income tax (recovery)	(513,000)	(322,000)
Change in statutory, foreign tax, foreign exchange rates and other	(3,000)	(1,000)
Permanent difference	193,000	46,000
Share issue costs	(33,000)	(7,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	-	(41,000)
Change in unrecognized deductible temporary differences	356,000	325,000
Total income tax expense (recovery)	\$ -	\$ -
Current income tax	\$ -	\$ -
Deferred tax recovery	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2021	2020
Deferred tax assets (liabilities)		
Mineral properties	\$ 1,299,000	\$ 1,299,000
Equipment	3,000	3,000
Share issue costs	33,000	10,000
Allowable capital losses	18,000	18,000
Non-capital losses available for future periods	3,461,000	3,128,000
Valuation allowance	4,814,000	4,458,000
Unrecognized deferred tax assets	(4,814,000)	(4,458,000)
Net deferred income tax assets	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2021	Expiry date range	2020	Expiry date range
Temporary differences				
Mineral properties	\$ 4,810,000	No expiry date	\$ 4,810,000	No expiry date
Equipment	\$ 12,000	No expiry date	\$ 12,000	No expiry date
Share issue costs	\$ 121,000	2040 to 2045	\$ 38,000	2040 to 2043
Allowable capital losses	\$ 65,000	No expiry date	\$ 65,000	No expiry date
Non-capital losses available for future periods	\$ 12,819,000	2027 to 2041	\$ 11,585,000	2027 to 2040

Tax attributes are subject to review, and potential adjustment, by tax authorities.

NOTE 11 – 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 year ended March 31, 2021.

NOTE 12 – EVENTS AFTER THE REPORTING PERIOD

The Company issued an aggregate of 1,227,500 common shares for gross proceeds of \$185,000 pursuant to the exercise of warrants.

The Company issued an aggregate of 25,000 common shares for gross proceeds of \$3,750 pursuant to the exercise of stock options.

On April 26, 2021, 50,000 warrants expired unexercised.

The Company made the first sponsorship payment of US\$150,000 to Purdue University in connection with the acquisition of a license for exclusive rights to Purdue University-developed REE separation and purification technologies (Note 4).

The Company issued 1,000,000 common shares at a price of \$0.30 per share to Hasler Ventures LLC in connection with the acquisition of a license for exclusive rights to Purdue University-developed REE separation and purification technologies (Note 4).