



**MEDALLION RESOURCES LTD.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited)**

**September 30, 2023**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(DEFICIENCY)**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

	Note	September 30, 2023	March 31, 2023
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 24,298	\$ 183,456
Other receivables		9,217	7,899
Prepaid expenses	5	9,771	40,745
Investments	9	9,645	17,667
		52,931	249,767
<b>Non-current</b>			
Equipment	6	124,976	135,844
Investments	9	298,988	547,677
Technology license	4	-	276,913
		423,964	960,434
		\$ 476,895	\$ 1,210,201
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 365,931	\$ 44,442
Convertible debentures	10	1,610,201	1,527,916
Due to related parties	7	-	-
		1,976,132	1,572,358
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	8	23,563,179	23,563,179
Reserves	8	4,803,809	4,803,809
Deficit		(29,866,225)	(28,729,145)
		(1,499,237)	(362,157)
		\$ 476,895	\$ 1,210,201

Corporate information and nature of operations (Note 1)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 29, 2023.

**Approved on behalf of the Board:**

/s/ Mark Saxon  
Mark Saxon – Director

/s/ David Shaw  
David Shaw – Director

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

**MEDALLION RESOURCES LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2023**  
(Expressed in Canadian dollars)  
(Unaudited)

	Note	Three months ended September 30		For the six months ended September 30	
		2023	2022	2023	2022
Expenses					
Amortization and depreciation	4,6	\$ 9,307	\$ 5,434	\$ 18,614	\$ 5,434
Consulting fees	7	-	225	-	14,265
Director fees	7	22,500	18,000	45,000	40,800
Investor relations		21,937	44,070	36,125	70,015
Management fees and salaries	7	-	75,714	264,897	141,838
Office and general		7,968	13,210	21,542	24,175
Professional fees	7	13,405	55,094	41,270	159,532
Research costs	4	-	35,815	74,563	269,171
Transfer agent and filing fees		10,371	7,663	18,768	56,747
Travel and accommodation		2,609	2,847	17,923	13,386
		<u>(88,097)</u>	<u>(258,072)</u>	<u>(538,702)</u>	<u>(795,362)</u>
Interest and accretion expense	10	(27,559)	(18,112)	(105,179)	(18,112)
Foreign exchange gain (loss)		(8,421)	(5,625)	32,679	(4,925)
Fair value loss on investments	9	(34,055)	(15,504)	(256,711)	(15,504)
Write of of the technology license	4	-	-	(269,167)	-
		<u>(70,035)</u>	<u>(39,241)</u>	<u>(598,378)</u>	<u>(38,541)</u>
Net loss and comprehensive loss for the period		<u>\$ (158,132)</u>	<u>\$ (297,313)</u>	<u>\$ (1,137,080)</u>	<u>\$ (833,903)</u>
Basic and diluted earnings (loss) per share		<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding - basic and diluted		<u>70,194,437</u>	<u>69,194,437</u>	<u>70,194,437</u>	<u>70,194,437</u>

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

**MEDALLION RESOURCES LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian dollars)  
(Unaudited)

	Note	Number of shares	Amount	Reserves	Deficit	Total shareholders' equity (deficiency)
<b>Balance as at March 31, 2022</b>		70,194,437	\$ 23,563,179	\$ 4,707,556	\$ (26,636,087)	\$ 1,634,648
Share-based payments		-	-	-	-	-
Net loss and comprehensive loss		-	-	-	(833,903)	(833,903)
<b>Balance as at September 30, 2022</b>		70,194,437	23,563,179	4,707,556	(27,469,990)	800,744
Share-based payments		-	-	96,253	-	96,253
Net loss and comprehensive loss		-	-	-	(1,259,155)	(1,259,155)
<b>Balance as at March 31, 2023</b>		70,194,437	23,563,179	4,803,809	(28,729,145)	(362,157)
Share-based payments		-	-	-	-	-
Net loss and comprehensive loss		-	-	-	(1,137,080)	(1,137,080)
<b>Balance as at September 30, 2023</b>		<b>70,194,437</b>	<b>\$ 23,563,179</b>	<b>\$ 4,803,809</b>	<b>\$ (29,866,225)</b>	<b>\$ (1,499,237)</b>

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

**MEDALLION RESOURCES LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2023**  
(Expressed in Canadian dollars)  
(Unaudited)

		<b>For the six months ended September 30</b>	
<b>Cash provided by (used for):</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>			
Net loss		\$ (1,137,080)	\$ (833,903)
Items not involving cash:			
Amortization and depreciation	4,6	18,614	5,434
Fair value loss (gain) on investments	9	256,711	15,504
Foreign exchange loss (gain)		52,375	4,925
Interest and accretion expense	10	105,179	18,112
Write of of the technology license	4	269,167	
Changes in non-cash working capital items:			
Other receivables		(1,318)	603
Prepaid expenses		30,974	(44,091)
Accounts payable and accrued liabilities		321,489	(19,559)
Due to related parties		-	1,104
Cash used in operating activities		(83,889)	(851,872)
<b>Financing activities</b>			
Convertible debentures	10	-	1,253,265
Cash provided by financing activities		-	1,253,265
Effect of exchange rate changes on cash		(75,269)	81,536
<b>Net increase (decrease) in cash</b>		(159,158)	482,929
<b>Cash - beginning of the period</b>		\$ 183,456	\$ 828,194
<b>Cash - end of the period</b>		\$ 24,298	\$ 1,311,123

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

**MEDALLION RESOURCES LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars, unaudited)**  
**For the six months ended September 30, 2023 and 2022**

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**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 is focused on mid-stream separation and purification of rare earth oxides and salts (“REOs”) based on Ligand Assisted Displacement (“LAD”) Chromatography, enablement of upstream processing using the Company’s proprietary Medallion Monazite Process (“MMP”) technology, and marketing of magnetic REOs (neodymium, praseodymium, dysprosium, and terbium) to downstream rare earth permanent magnet producers and consumers.

The Company holds exclusive rights (the “Technology License”) to the patented LAD Chromatography process initially developed by Purdue University and licensed by the Company from Purdue Research Foundation (together with Purdue University, “Purdue”) for the separation of rare earth elements (“REEs”) and other minerals from all raw material feed stocks excluding coal sources and recycled materials from manufacturing wastes and recyclates from battery and magnet sources. Subsequent to the quarter end, the Company received a notice of termination of the agreement with Purdue.

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 condensed consolidated interim financial statements (the “financial statements”), including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

**Basis of Measurement**

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

These financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Principles of Consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries Medallion Research USA, Inc. and Medallion Innovations UK Limited. All intercompany transactions and balances have been eliminated on consolidation.

## **NOTE 2 – BASIS OF PREPARATION (cont'd)**

### **Continuance of Operations**

These condensed consolidated interim 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 \$867,913 for the six months ended September 30, 2023, and as at that date the Company's accumulated deficit was \$29,597,058. 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. The Company issued US\$1,150,000 principal value unsecured convertible debentures due August 2, 2023 (see Note 10).

Purdue has the right to declare the Company in default under the Technology License if the Company has not secured US\$5 million in funding by September 30, 2023, at which time the Company would have ten days to either cure the default or the Technology License would be terminated. Subsequent to the quarter end, the Company received a notice of termination of the agreement with Purdue.

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 cast significant doubt upon the Company's ability to continue as a going concern.

## **NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statements for the year ended March 31, 2023. These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended March 31, 2023. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the six-month period ended September 30, 2023 are not necessarily indicative of the results that may be expected for the current fiscal year ending March 31, 2024.

### **Intangible assets**

The Company acquired a license for exclusive rights to Purdue University-developed rare earth element (REE) separation and purification technologies (see Note 4) on February 17, 2021. The Company, unless separately acquired, expenses patent costs, including license fees and other maintenance costs, until such time as the Company has certainty over the future recoverability of the intellectual property at which time it capitalizes the costs incurred.

The Company does not hold any intangible asset with an indefinite life.

Intangible assets with finite lives that are acquired separately are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

**MEDALLION RESOURCES LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars, unaudited)  
For the six months ended September 30, 2023 and 2022

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES**

**Intangible assets (cont'd)**

Amortization of the intellectual property commenced in fiscal 2023 using the straight-line method over the 20-year remaining term of the Technology License. Subsequent to the quarter end, the Company received a notice of termination of the agreement with Purdue and therefore the balance of the Technology License has been expensed during the period ended September 30, 2023.

**NOTE 4 – RESEARCH COSTS & TECHNOLOGY LICENSE**

Details of research costs in connection with the Company's efforts to finance, develop and construct LAD Chromatography and MMP processing facilities and/or enter into commercial partnerships are set out below. These costs support the Company's strategy of focusing on mid-stream separation and purification of magnetic REOs.

	Three months ended September 30		For the six months ended September 30	
	2023	2022	2023	2022
Consulting	\$ -	\$ 29,896	\$ 74,563	\$ 66,560
Legal and other	-	191	-	3,412
Process testing	-	5,728	-	5,728
LAD Chromatography	-	-	-	193,470
	\$ -	\$ 35,815	\$ 74,563	\$ 269,171

On February 17, 2021, the Company acquired the Technology License from Hasler Ventures LLC under which the Company has exclusive rights to LAD Chromatography developed by Purdue to separate minerals from all raw material feed stocks excluding coal sources and recycled materials from manufacturing wastes and recycles from battery and magnet sources. On March 30, 2023, the Company and Purdue amended the Technology License such that the Company committed to raise at least US\$5,000,000 by September 30, 2023.

In consideration for acquisition of the Technology License, the Company issued 1,000,000 fully paid shares to a nominee of Hasler Ventures LLC at a fair value of \$300,000 (Note 8) and paid cash consideration of \$9,833. The Technology License is an intangible asset and is amortized over the 20-year term of the license. Subsequent to the quarter end, the Company received a notice of termination of the agreement with Purdue and therefore the balance of the Technology License was written off at September 30, 2023.

<b>Cost - Technology license</b>	
Balance, March 31, 2022	\$ 309,833
Additions	-
Balance, March 31, 2023	\$ 309,833
Additions	-
Write of of the technology license	(269,167)
Balance, September 30, 2023	\$ 40,666

<b>Accumulated amortization</b>	
Balance, March 31, 2022	\$ -
Amortization	32,920
Balance, March 31, 2023	\$ 32,920
Amortization	7,746
Balance, September 30, 2023	\$ 40,666

<b>Net book value, March 31, 2023</b>	<b>\$ 276,913</b>
<b>Net book value, September 30, 2023</b>	<b>\$ -</b>

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**NOTE 4 – RESEARCH COSTS & TECHNOLOGY LICENSE (cont'd)**

**Research Commitment:** Under the amended and restated Technology License, the Company has completed its sponsored research program with Purdue and has agreed to pay Purdue an annual maintenance fee of US\$50,000 through 2026 and a minimum annual royalty of US\$75,000 in 2027, US\$150,000 in each of 2028 and 2029, US\$150,000 in 2030 and US\$300,000 each year thereafter. The Company may terminate the Technology License at any time upon a four-month written notice to Purdue.

On commercial operation, royalty fees or sub-license fees will be payable at standard industry rates.

In support of the research program, the Company has purchased specialized equipment to be used by Purdue University for \$152,146 (see Notes 2 and 6).

**NOTE 5 – PREPAID EXPENSES**

	September 30, 2023	March 31, 2023
Insurance	\$ 9,995	\$ 9,500
Investor relations	-	21,704
Consulting and other	(225)	9,541
	<u>\$ 9,770</u>	<u>\$ 40,745</u>

**NOTE 6 – EQUIPMENT**

<b>Cost - Research equipment</b>	
Balance, March 31, 2022	\$ 152,146
Additions	-
Balance, March 31, 2023	\$ 152,146
Additions	-
Balance, September 30, 2023	<u>\$ 152,146</u>
<b>Accumulated amortization</b>	
Balance, March 31, 2022	\$ -
Depreciation	16,302
Balance, March 31, 2023	\$ 16,302
Depreciation	10,868
Balance, September 30, 2023	<u>\$ 27,170</u>
<b>Net book value, March 31, 2023</b>	<b>\$ 135,844</b>
<b>Net book value, September 30, 2023</b>	<b>\$ 124,976</b>

**NOTE 7 – 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, 2023, \$Nil (2022 - \$72,000) was charged by a private company controlled by the former Chief Executive Officer of the Company for management and consulting fees. At September 30, 2023 \$Nil (March 31, 2023 – Nil) was owed to this company.
- b) During the six months ended September 30, 2023, \$119,875 (2022 - \$Nil) was incurred in management fees and salaries to the former Chief Executive Officer of the Company. At September 30, 2023 \$107,390 (March 31, 2023 – Nil) was owed to this person.

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**NOTE 7 – RELATED PARTY TRANSACTIONS (cont'd)**

- c) During the six months ended September 30, 2023, \$80,568 (2022 - \$64,734) was charged by a private company controlled by the former Chief Financial Officer of the Company for management and consulting fees. At September 30, 2023 \$80,568 (March 31, 2023 – Nil) was owed to this company.
- d) During the six months ended September 30, the Company incurred \$Nil (2022 - \$12,000) of accounting and consulting fees to a company of which the Company's former CFO is a shareholder. At September 30, 2023 \$Nil (March 31, 2023 – Nil) was owed to this company.
- e) During the six months ended September 30, 2023, the Company incurred \$64,454 (2022 - \$64,310) of management and consulting fees to a private company controlled by a former director of the Company. At September 30, 2023 \$63,080 (March 31, 2023 – Nil) was owed to this company.
- f) During the six months ended September 30, 2023, \$20,250 (2022 - \$39,348) was charged by a private company controlled by a director of the Company for marketing and consulting fees. At September 30, 2023 \$1,000 (March 31, 2023 – Nil) was owed to this company.
- g) During the six months ended September 30, 2023, \$45,000 (2022 - \$40,800) was incurred to independent directors for director fees. At September 30, 2023 \$45,000 (March 31, 2023 – Nil) was owed to directors.

All related parties agreed to defer amounts due since April 1, 2023.

**NOTE 8 – SHARE CAPITAL**

**Authorized share capital**

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

**Fiscal 2024**

There were no common shares issued during the six months ended September 30, 2023.

**Fiscal 2023**

There were no common shares issued during the year ended March 31, 2023.

**Warrants**

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

	Number of Warrants	Weighted Average Exercise Price
Balance - March 31, 2022	10,153,658	\$ 0.18
Expired	(5,147,809)	0.17
Balance - March 31, 2023	5,005,849	\$ 0.20
Expired	(5,005,849)	0.20
Balance - September 30, 2023	-	\$ -

**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.

**MEDALLION RESOURCES LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars, unaudited)**  
**For the six months ended September 30, 2023 and 2022**

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**NOTE 8 – SHARE CAPITAL (cont'd)**

**Stock Options (cont'd)**

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, 2022	5,894,028	\$ 0.20
Granted	1,859,000	0.09
Expired/cancelled	(1,052,778)	0.14
Balance – March 31, 2023	6,700,250	\$ 0.175
Expired/cancelled	(1,741,000)	\$ 0.10
Balance – September 30, 2023 – Outstanding and exercisable	4,959,250	\$ 0.175

As of September 30, 2023, the following stock options were outstanding:

Expiry Date	Number of Stock Options Outstanding	Exercise Price
April 18, 2024 <sup>(a)</sup>	40,000	0.10
July 8, 2024 <sup>(b)</sup>	307,500	0.185
January 26, 2025	100,000	0.095
May 25, 2025	1,400,000	0.105
July 22, 2025 <sup>(c)</sup>	390,000	0.195
September 18, 2025 <sup>(d)</sup>	965,000	0.33
March 29, 2026 <sup>(e)</sup>	493,750	0.415
August 18, 2026	500,000	0.17
December 7, 2026	60,000	0.105
October 24, 2027 <sup>(f)</sup>	703,000	0.09
	4,959,250	\$ 0.18

<sup>(a)</sup> Subsequently expired unchanged

<sup>(b)</sup> 60,000 options subsequently expired unchanged

<sup>(c)</sup> 52,500 options subsequently expired unchanged

<sup>(d)</sup> 435,000 options subsequently expired unchanged

<sup>(e)</sup> 90,000 options subsequently expired unchanged

<sup>(f)</sup> Subsequently expired unchanged

As at September 30, 2023, the weighted average remaining life of the outstanding and exercisable options is 2.23 years (March 31, 2023 – 2.92 years).

## **NOTE 9 – INVESTMENTS**

In a letter of intent dated July 22, 2021 ("Letter of Intent"), ACDC Metals Ltd (ACDC) agreed to issue to Medallion 4,500,000 founder shares, which were issued on November 1, 2021 at AU\$0.001 per share, in exchange for the right to use the Medallion Monazite Process (MMP) to extract rare earth elements (REEs) from monazite produced in eastern Australia.

On December 8, 2021 the Company purchased an additional 300,000 shares of ACDC at AU\$0.10 per share.

On October 2, 2022 the Company entered into a definitive agreement with ACDC, replacing the Letter of Intent, whereby ACDC has the exclusive right to use MMP to extract REEs from monazite sourced as a byproduct of heavy mineral sand production in the states of Victoria, New South Wales, South Australia. And the Northern Territory, Australia.

In addition to the initial founder shares, ACDC issued 2,500,000 Class C performance rights convertible into the same number of ACDC's common shares upon completion of a pilot plant using the MMP, and 750,000 Class D performance rights convertible into the same number of ACDC's common shares upon commercial production of REEs from a MMP facility, and ACDC will pay the Company a royalty of 2% on the sale of mixed REE compounds and other minerals produced by ACDC and processed using the MMP.

On November 9, 2022 ACDC lodged a prospectus with the Australian Securities & Investment Commission whereby ACDC offered 40,000,000 shares at AU\$0.20 per share in an initial public offering (IPO).

On December 9, 2022 the Company and ACDC entered into a Restriction Deed whereby the Company agreed that 4,650,000 of the ACDC common shares (the "Restricted Shares"), 2,500,000 Class C performance rights, 750,000 Class D performance rights, or any common shares issued upon conversion of performance rights, shall be escrowed for 24 months from the first trading day of the ordinary shares.

The cost base of Medallion's 4,800,000 common shares of ACDC is \$31,746.

As at September 30, 2023, the 150,000 shares of ACDC designated as free trading (the "Trading Shares") were carried at a fair value of \$9,645 (\$0.06 per share), and are presented as a current asset on the condensed consolidated interim statement of financial position. The Restricted Shares were carried at a fair value of \$298,988 (\$0.06 per share), however, the Restricted Shares are presented as a non-current asset due to the fact that the escrow provisions restrict the Company's ability to sell the Restricted Shares within twelve months.

As at September 30, 2023, no value was attributed to the performance rights as management of the Company has determined that there is insufficient support for whether ACDC will achieve either of the performance milestones. [Gabe, is this still true?]

The Company will continue to reassess the likelihood of ACDC achieving the milestones on a periodic basis and record the fair value of the performance rights if and when supporting indicators are present.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars, unaudited)  
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**NOTE 9 – INVESTMENTS (cont'd)**

	<b>Current Asset (\$)</b>	<b>Non-current Asset (\$)</b>	<b>Total (\$)</b>
<b><u>Cost</u></b>			
March 31, 2022	-	31,746	31,746
Allocation	992	(992)	-
<b>March 31, 2023</b>	<b>992</b>	<b>30,754</b>	<b>31,746</b>
Additions	-	-	-
<b>September 30, 2023</b>	<b>992</b>	<b>30,754</b>	<b>31,746</b>
<b><u>Fair value</u></b>			
March 31, 2022	-	441,840	441,840
Allocation	13,808	428,033	441,840
Unrealized gain (loss)	3,860	119,645	123,504
<b>March 31, 2023</b>	<b>17,667</b>	<b>547,677</b>	<b>565,344</b>
Unrealized gain (loss)	(8,022)	(248,689)	(256,711)
<b>September 30, 2023</b>	<b>9,645</b>	<b>298,988</b>	<b>308,633</b>

**NOTE 10 – CONVERTIBLE DEBENTURES**

On August 2, 2022, the Company executed Securities Purchase Agreements (collectively, the “SPAs”) with two creditors (the “Holders”) whereby the Company issued convertible debentures for net proceeds of US\$975,000 (\$1,285,400). The convertible debentures have a term of one year, maturing on August 2, 2023 (the “Maturity Date”), and bear interest at the rate of 5.0% per annum.

The principal value of the convertible debentures is US\$1,150,000 of which US\$150,000 (\$192,811) was initially recognized as a financing charge and is recorded as interest and accretion expense as the balance is amortized over the term of the convertible debentures. The convertible debentures are unsecured but include negative covenants that restrict the Company’s ability to incur indebtedness other than capital lease obligations and other indebtedness incurred in connection with the acquisition of machinery and equipment, and trade accounts and insurance premium financing incurred in the ordinary course, unless the proceeds of such indebtedness are used to pay amounts due under the convertible debentures.

Under the SPA’s, if the Company were to complete an Initial Public Offering on the Nasdaq Capital Market or equivalent exchange in the United States, and delist from the TSX-V (collectively, the Qualified Public Offering, or “QPO”), the convertible debentures would be convertible at the option of the Holders (principal plus accrued interest) into the same common shares or units offered in the QPO at a price that is equal to 75% of the offering price. The Company has determined that under current market conditions it will not be able to complete a QPO on or before August 2, 2023 and therefore the convertibility is no longer valid and thus, the convertible debentures (principal plus accrued interest) are repayable in cash.

The exercise price of the warrants would be equal to the QPO price on issuance. As the warrants have not been issued and will only be issued subject to the Company’s completion of a QPO on or prior to August 2, 2027, no value has been attributed to the warrants for purposes of the accounting for the convertible debentures. (see Note 13 – Subsequent Events).

As the SPAs are denominated in the United States dollar and the functional currency of the Company is the Canadian dollar, the conversion feature is considered an embedded derivative and, collectively, the convertible debentures and conversion feature is considered a hybrid instrument. The embedded derivative is recorded at fair value, adjusted by a probability factor of the Company completing a QPO on or before the Maturity Date, and is re-measured each period with movements being recorded as a gain or loss on the consolidated statements of loss and comprehensive loss. The difference between the fair value of the derivative and the face value of the debt is allocated to the convertible debentures.

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**NOTE 10 – CONVERTIBLE DEBENTURES (cont’d)**

As a result, the recorded liability to repay the convertible debentures is lower than its face value. Using the effective interest rate method, the convertible debentures are accreted up to their face value over the term of the convertible debentures. The Company recorded accretion and interest expense (net of amortization of the deferred financing charge (liability)) totaling \$105,179 and a foreign exchange adjustment of \$(22,894) for the six months ended September 30, 2023 (2022 - \$18,112).

Upon initial recognition and prior to the allocation of transaction costs (US\$25,000 (\$32,136)), the fair value of the derivative was determined to be \$nil using the Black-Scholes option pricing model with the following assumptions: share price of \$0.07, exercise price of \$0.053, risk-free rate of 3.10%, expected volatility of 113%, expected life of 1.00 year, no dividend yield, and a probability adjustment factor of 0%. As at September 30, 2023, given the Company has determined that under current market conditions it will not be able to complete a QPO on or before August 2, 2023, the fair value remained \$Nil.

On July 31, 2023, the Company entered into amendments with the holders of the unsecured convertible debentures (see Note 10) whereby the term was extended from August 2, 2023 to October 31, 2023, the convertibility features and any obligation for the Company to issue warrants to purchase shares of the Company associated with the unsecured convertible debentures were cancelled, in exchange for which the Company paid the Holders a loan bonus of US\$100,000 and agreed to an interest rate of 15% per annum for the period of the extension on the initial principal (US\$1,150,000), the loan bonus and accrued, unpaid interest of US\$57,500 at August 2, 2023.

A reconciliation of the convertible debenture liability is as follows:

Balance, March 31, 2022	\$	-
Proceeds on issuance of convertible debenture		1,285,400
Allocation of transaction costs		(32,136)
Interest expense and accretion		207,081
Foreign exchange adjustment		67,571
<b>Balance, March 31, 2023</b>	<b>\$</b>	<b>1,527,916</b>
Interest expense and accretion		105,179
Foreign exchange adjustment		(22,894)
<b>Balance, September 30, 2023</b>	<b>\$</b>	<b>1,610,201</b>

**NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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.

The fair value of the Company’s accounts payable and accrued liabilities, due to related parties and convertible debentures’ 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.

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**NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)**

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 and due to related parties 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, and amounts due to related parties, and convertible debt are measured at amortized cost, and derivative conversion feature at FVTPL. As at September 30, 2023, the carrying and fair value amounts of the Company's financial instruments approximate each other.

Based on management's knowledge and experience of the financial markets and the fact that interest to be accrued and paid on the convertible debentures is at a fixed rate of 5%, management does not believe that the Company's current financial instruments will be affected significantly by interest rate risk. The convertible debentures are denominated in US dollars and therefore the Company's current financial instruments do result in a foreign currency risk, which the Company seeks to mitigate by holding cash in US dollars. 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, 2023, the Company was not a producing entity. As a result, commodity price risk could affect the completion of future financing transactions such as equity offerings, exercise of stock options and warrants, and debt or convertible debt to finance project development. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken.

**NOTE 12 – SEGMENTED INFORMATION**

The Company operates in a single reportable operating segment being the non-current assets located in Canada, the United States, and the United Kingdom. The geographical information is as follows:

<b>September 30, 2023</b>	<b>Canada</b>	<b>United States</b>	<b>United Kingdom</b>
Equipment	\$ -	\$ 124,976	\$ -
Investments	298,988	-	-
Technology license	-	-	-
<b>Total</b>	<b>\$ 298,988</b>	<b>\$ 124,976</b>	<b>\$ -</b>
<b>March 31, 2023</b>	<b>Canada</b>	<b>United States</b>	<b>United Kingdom</b>
Equipment	\$ -	135,844	\$ -
Investments	547,677	-	-
Technology license	-	276,913	-
<b>Total</b>	<b>\$ 547,677</b>	<b>\$ 412,757</b>	<b>\$ -</b>

**NOTE 13 – 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 adjusts 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. The Company is not subject to externally imposed capital requirements except as disclosed in Note 10.

There has been no change in the Company's management of capital risk during the six months ended September 30, 2023.

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent to the quarter end, the Company received a notice of termination of the agreement with Purdue.

Subsequent to the quarter end, 1,340,500 stock options expired unexercised.