MEDALLION RESOURCES LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013
(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

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

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

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

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

	December 31, 2013	March 31, 2013
ASSETS		
Current		
Cash	$ 33,750	$ 29,575
Short-term Investments (Note 4)	150,000	400,000
Other Receivables	12,995	28,486
Prepaid Expenses	9,012	25,950
Total Current Assets	205,757	484,011
Mineral Properties (Note 5)	-	-
Equipment (Note 7)	1,156	1,745
Total Assets	$ 206,913	$ 485,756
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities	$ 79,132	$ 108,340
Due to Related Parties (Note 8)	52,846	5,942
Total Liabilities	131,978	114,282
EQUITY		
Share Capital	$ 16,100,767	$ 15,133,687
Warrants	768,614	840,365
Contributed Surplus	1,537,069	1,526,951
Deficit	(18,331,515)	(17,129,529)
Total Shareholders' Equity	74,935	371,474
Total Liabilities and Shareholders' Equity	$ 206,913	$ 485,756

Corporate Information and Nature of Operations (Note 1)
Continuance of Operations (Note 2)
Subsequent Events (Note 13)

Approved on behalf of the Board:

/s/ Donald M. Lay	***/s/ William H. Bird***
Donald M. Lay – Director	William H. Bird – Director

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

MEDALLION RESOURCES LTD.

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

	For the Three Months Ended December 31		For the Nine Months Ended December 31	
	2013	**2012**	**2013**	**2012**
Expenses				
Amortization	$ 196	$ 141	$ 589	$ 423
Consulting Fees (Note 8)	26,818	29,790	227,238	90,042
Investor Relations	31,220	31,987	157,872	170,555
Management Fees (Note 8)	67,100	66,805	201,203	200,148
Office and General	44,183	55,519	128,595	149,230
Professional Fees (Note 8)	37,883	9,092	93,107	52,410
Project Investigation (Note 6)	181,990	236,168	412,630	522,695
Property Investigation	-	29,040	-	61,040
Rent (Note 8)	6,479	6,334	19,438	18,626
Share-based Compensation	2,091	5,221	33,622	37,386
Transfer Agent and Filing Fees	11,322	9,489	30,362	25,984
	(409,282)	(479,586)	(1,304,656)	(1,328,539)
Other Items				
Interest Income and Other	824	4,564	3,552	11,509
Government Assistance	-	-	113,618	-
Write Off of Mineral Properties (Note 5)			(14,500)	(281,089)
Net Loss and Comprehensive Loss for the Period	$ (408,458)	$ (475,022)	$ (1,201,986)	$ (1,598,119)
Loss per Share – Basic and Diluted	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.04)
Weighted Average Shares Outstanding	49,176,647	45,405,212	47,933,692	45,249,182

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

MEDALLION RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended March 31, 2013 and the Nine Months Ended December 31, 2013
(Unaudited)

	Number of Common Shares	Amount	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance – March 31, 2012	45,025,435	$ 15,017,338	$ 1,163,576	$ 1,240,206	$ (15,146,028)	$ 2,275,092
Shares issued on:						
Stock options exercised	250,000	87,700	-	(50,200)	-	37,500
Finders' warrants exercised	79,777	17,399	(6,299)	-	-	11,100
Property acquisition	50,000	11,250	-	-	-	11,250
Expiry of warrants	-	-	(316,912)	316,912	-	-
Share-based compensation	-	-	-	37,386	-	37,386
Net loss for the period	-	-	-	-	(1,598,119)	(1,598,119)
Balance – December 31, 2012	45,405,212	$ 15,133,687	$ 840,365	$ 1,544,304	$ (16,744,147)	$ 774,209
Share-based compensation	-	-	-	(17,353)	-	(17,353)
Net loss for the period	-	-	-	-	(385,282)	(385,382)
Balance – March 31, 2013	45,405,212	$ 15,133,687	$ 840,365	$ 1,526,951	$ (17,129,529)	$ 371,474
Shares issued on:						
Private Placement	2,000,000	400,000				400,000
Stock options exercised	170,000	56,182		(24,407)		31,775
Warrants exercised	1,571,000	463,598	(70,848)	-	-	392,750
Property acquisition (Note 5)	50,000	9,500	-	-	-	9,500
Shares for debt	236,250	37,800				37,800
Share-based compensation	-	-	-	33,622	-	33,622
Expiry of warrants			(903)	903		-
Net loss for the period	-	-	-	-	(1,201,986)	(1,201,986)
Balance – December 31, 2013	49,432,462	$ 16,100,767	$ 768,614	$ 1,537,069	$ (18,331,515)	$74,935

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

MEDALLION RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended December 31
(Unaudited)

	2013	2012
Cash Flow Provided By (Used in)		
Operating Activities		
Net loss for the period	$ (1,201,986)	$ (1,598,119)
Adjusted for items not involving cash:		
Amortization	589	423
Share-based Compensation	33,622	37,386
Write off of Mineral Property	14,500	281,089
Net change in non-cash working capital items:		
Other Receivables	15,491	50,701
Prepaid Expenses	16,938	36,784
Accounts Payable and Accrued Liabilities	(29,208)	(32,279)
Due to Related Parties	46,904	(29,266)
	(1,103,150)	(1,253,281)
Investing Activities		
Short-term Investments	250,000	1,150,000
Mineral Property	(14,500)	-
	235,500	1,150,000
Financing Activities		
Issuance of Share Capital	871,825	48,600
	871,825	48,600
Increase (Decrease) in Cash	4,175	(54,681)
Cash, Beginning of Year	29,575	97,475
Cash, End of Period	$ 33,750	$ 42,794
Supplementary Cash-flow Information:		
Interest Paid	$ -	$ -
Income Taxes Paid	$ -	$ -
Non-Cash Investing and Financing Activities:		
Shares Issued for Property Acquisition	$ 9,500	$ 11,250

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

NOTE 1 – CORPORATE INFORMATION AND NATURE OF OPERATIONS

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

The Company has historically been in the business of acquisition and exploration of mineral properties. The Company's operations consisted generally of mineral exploration and evaluation of new property acquisitions. This includes acquiring mineral properties, evaluating the merits of these properties using various techniques such as sampling, trenching and geophysical and geochemical methods as well as drilling. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of amounts recorded for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable mineral reserves, confirmation of the Company's interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and future profitable production from the properties or proceeds from the disposition thereof.

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 extract and produce rare earth elements from monazite. Medallion is testing a variety of samples, which have been submitted by heavy-mineral-sands producers, to locate suitable quantities and qualities of monazite feed. This testing could lead to monazite purchase agreements to potentially provide feedstock on a large scale for a planned rare earth element extraction plant. Since no monazite purchase contracts or definitive extraction 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 interim consolidated statements of loss and comprehensive loss.

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

NOTE 2 – BASIS OF PRESENTATION

Statement of Compliance

These condensed interim financial statements for the nine months ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. As such the condensed interim financial statements have been prepared in accordance with IAS 34 – "Interim Financial Reporting" and do not include all of the information required for audited annual financial statements.

These interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2013. The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on February 19, 2014.

Basis of Measurement

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

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant estimates and assumptions include those related to the recoverability of capitalized mineral property expenditures, assessment of rehabilitation provisions, valuation allowance on future 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.

Continuance of Operations

These interim 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. 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. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

NOTE 2 – BASIS OF PRESENTATION (continued)

The Company has not generated revenue from operations. The Company incurred a net loss of $1,201,986 for the nine months ended December 31, 2013 and as of that date the Company's accumulated deficit was $18,331,515. The Company does not generate any cash flow from operations to fund its future activities and has relied principally upon the issuance of securities to fund its operating and administrative expenditures. These conditions raise significant doubt regarding the Company's ability to continue as a going concern.

The Company will require additional capital to fund its future business development programs as well as for administrative purposes. There is material uncertainty about whether the Company will be able to obtain additional capital. 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 interim consolidated financial statements.

The interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These interim 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.

Foreign Currency Translation

These interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. 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 net loss.

Foreign denominated monetary assets and liabilities are translated to their Canadian-dollar equivalents using foreign exchange rates that prevailed at the balance sheet date. Non-monetary items that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net loss or other comprehensive 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.

Equipment

Equipment is initially recorded at cost. The Company amortizes the cost of equipment over their estimated useful lives at the following annual rates using the declining balance method:

Computer equipment	45%

Residual values and useful economic lives are reviewed at least annually, and adjusted if appropriate, at each reporting date. Subsequent expenditure relating to an item of equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repair and maintenance expenses during the period in which they are incurred. Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized within other income in the statement of loss and comprehensive loss.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Properties

i) Pre-exploration costs

Pre-exploration costs are expensed in the year in which they are incurred.

ii) Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as material used, geological and geophysical surveying costs, drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out or option agreements, whereby the Company will transfer part of a mineral interest, as consideration for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee or optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Impairment of Non-Financial Assets

At each reporting period the carrying amounts of the Company's non-financial assets, other than exploration and evaluation assets, are reviewed for indicators of impairment. If indicators exist, the recoverable amount of the asset is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For purposes of assessing impairment, exploration and evaluation assets and property and equipment are grouped into cash generating units ("CGU") defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company has used geographical proximity, geological similarities, analysis of shared infrastructure, commodity type, assessment of exposure to market risks and materiality to define its CGUs.

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in net loss. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in net loss. The recovery is limited to the original carrying amount less depreciation, if any, that would have been recorded had the asset not been impaired.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Assistance

Government assistance relates to the recovery of a portion of eligible expenditures on mineral properties from various government authorities and is recorded in the period in which it is received. Amounts received that relate to mineral properties that have previously been written off are recorded as other income in the statement of loss and comprehensive loss. Amounts received that relate to existing mineral properties are used to reduce the carrying amount of the related mineral property.

Rehabilitation Provisions

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mineral property. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company has only performed preliminary exploratory work on its mineral properties, and has not incurred significant rehabilitation provisions in the current period or prior periods.

Financial Instruments

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

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

i) Financial Assets

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

At Fair Value Through Profit or Loss

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

i) Financial Assets (Continued)

Held-to-Maturity Investments

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

Available-for-sale Investments

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

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

ii) Financial Liabilities

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

Impairment of Financial Assets

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

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.

Flow-through Shares

The Company may from time to time, issue flow-through common shares to finance its exploration programs in Canada. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through share regulations. When applicable, this tax is accrued as a financial expense until paid.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss Per Share

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

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

Basic and diluted loss per share are the same in these interim consolidated financial statements 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 service.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Income Taxes

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

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

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

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.

Leases

Where substantially all of the risks and rewards incidental to ownership of a leased asset are not transferred to the Company (an operating lease), the total rentals payable under the lease are charged to the statement of comprehensive loss on a straight – line basis over the lease term.

Reclassifications

Certain figures for the prior year have been reclassified to conform to the current year's presentation.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, Amendments and Interpretations Not Yet Effective

The following new standards and amendments to existing standards have been published and are mandatory for annual accounting periods beginning after January 1, 2013 or later, with early adoption permitted. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's interim consolidated financial statements. The Company has not early adopted these revised standards and none of these is expected to have a significant effect on the Company's interim consolidated financial statements.

i) IFRS 7, *Financial Instruments: Disclosures*, amendments regarding Disclosures – Offsetting Financial Assets and Financial Liabilities;

ii) IFRS 9, *Financial Instruments* (New; to replace IAS 39 and IFRIC 9);

iii) IFRS 10, *Consolidated Financial Statements* (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);

iv) IFRS 11, *Joint Arrangements* (New; to replace IAS 31 and SIC-13);

v) IFRS 12, *Disclosure of Interests in Other Entities* (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);

vi) IFRS 13, *Fair Value Measurement* (New; to replace fair value measurement guidance in other IFRSs);

vii) IAS 27, *Separate Financial Statements* (Amended in 2011);

viii) IAS 28, *Investments in Associates and Joint Ventures* (Amended in 2011);

ix) IAS 32, *Financial Instruments: Presentation*, amendments regarding Offsetting Financial Assets and Financial Liabilities;

x) IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (New).

NOTE 4 – SHORT-TERM INVESTMENTS

During the nine months ended December 31, 2013, the Company invested in a Guaranteed Investment Certificate ("GIC") issued by its bank, in the amount of $350,000 with a maturity date of July 2, 2014 that provides interest at the prime rate less 1.80% if held to maturity. Interest income is recorded on the GIC and is included in Other Receivables. The Company has redeemed $200,000 of the currently held GIC leaving a balance at December 31, 2013 totaling $150,000.

NOTE 5 – MINERAL PROPERTIES

	Red Wine Property	Total
Balance at March 31, 2012	$ 269,839	$ 269,839
Property-acquisition costs	11,250	11,250
Impairment	(281,089)	(281,089)
Balance at March 31, 2013	-	-
Property-acquisition costs	14,500	14,500
Impairment	(14,500)	(14,500)
Balance at December 31, 2013	$ -	$ -

NOTE 5 – MINERAL PROPERTIES (continued)

Red Wine Property, Labrador

On April 10, 2010, the Company signed a letter agreement with Polaris Capital Ltd. (the "vendor"), a private corporation, to acquire a 100% interest in four mineral licenses comprising the Red Wine rare earth mineral property located in the province of Newfoundland and Labrador. The letter agreement was amended on June 10, 2010 ($2,160 paid to vendor), March 16, 2011, (50,000 common shares issued to vendor with a fair value of $14,000) and May 8, 2012 (50,000 common shares issued to vendor with a fair value of $11,250) to include three additional mineral licenses which were staked by the vendor and to make certain other minor changes to the letter agreement. As a result, the Company is acquiring a 100% interest in a total of seven mineral claims in Labrador, Canada. The property is subject to a 3% net smelter return royalty, half of which the Company can purchase for $1,500,000.

On March 31, 2013, the Company entered into a further amended letter agreement with the vendor. Under the terms of the amended letter agreement, the Company will pay an aggregate of $480,000, issue an aggregate of 1,600,000 common shares and incur exploration expenditures totaling $350,000, as follows:

Making $480,000 of cash payments as follow:

- $2,500 upon execution of the amended letter agreement (paid May 14, 2013);
- $2,500 by September 30, 2013 (paid September 30, 2013);
- an additional $50,000 by March 31, 2014;
- an additional $100,000 by March 31,2015;
- an additional $100,000 by March 31, 2016;
- an additional $100,000 by March 31, 2017; and
- an additional $125,000 by March 31, 2018

Issuing to the vendor 1,600,000 common shares as follow:

- 50,000 shares upon execution of the amended letter agreement (issued May 13, 2013);
- an additional 100,000 shares by March 31, 2014;
- an additional 250,000 shares by March 16, 2015;
- an additional 350,000 shares by March 16, 2016;
- an additional 350,000 shares by March 16, 2017; and
- an additional 500,000 shares by March 16,2018;

Incurring expenditures totaling $350,000 as follow:

- $50,000 by March 16, 2014;
- an additional $100,000 by March 16, 2015;
- an additional $100,000 by March 16, 2016; and
- an additional $100,000 by March 16, 2017.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The Company has determined that the carrying amount of the Red Wine Property exceeds its recoverable amount. Therefore, for the nine months ended December 31, 2013 the Company has written off $14,500 (year ended March 31, 2013 - $281,089) to the interim consolidated statements of loss and comprehensive loss. The Company retains its contractual rights in respect of the Red Wine Property.

NOTE 6 – PROJECT INVESTIGATION

Details of Project Investigation costs in connection with the Company's efforts to finance, develop and construct monazite processing facilities in the Middle East are as follows:

	For the Three Months Ended December 31		For the Nine Months Ended December 31	
	2013	**2012**	**2013**	**2012**
Consulting	76,016	$ 83,972	170,683	$ 230,514
Legal	-	-	-	10,000
Travel and accommodation	105,828	152,196	239,283	274,176
Other	146	-	2,664	8,005
	181,990	$ 236,168	412,630	$ 522,695

NOTE 7 – EQUIPMENT

Net book value of computer equipment is as follows:

	Computer Equipment
Cost	
Balance – March 31, 2012	$ 10,066
Additions	1,364
Balance – March 31, 2013	$ 11,430
Additions	-
Balance – December 31, 2013	$ 11,430
Accumulated Depreciation	
Balance – March 31, 2012	$ 8,815
Depreciation for the year	870
Balance – March 31, 2013	9,685
Depreciation for the period	589
Balance – December 31, 2013	$ 10,274
Carrying Amounts	
Balance – March 31, 2012	$ 1,251
Balance – March 31, 2013	$ 1,745
Balance – December 31, 2013	$ 1,156

NOTE 8 – RELATED PARTY TRANSACTIONS

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

a) During the nine months ended December 31, 2013, $108,000 (2012 - $108,000) was charged by a private company controlled by the Chief Executive Officer (the "CEO") of the Company for management fees.

b) During the nine months ended December 31, 2013, the Company incurred $65,482 (2012 - $49,931) of legal fees to a law firm in which a director of the Company is a principal. At December 31, 2013, $30,317 (2012 - $1,211) was owed to this firm.

c) During the nine months ended December 31, 2013, $93,203 (2012 - $90,000) was charged by a private company controlled by the President of the Company for management fees. In addition, $970 (2012 - $4,500) was charged by the private company for marketing consulting fees. At December 31, 2013, $10,500 (2012 - $nil) was owed to this firm.

d) During the nine months ended December 31, 2013, the Company paid $19,438 (2012 – $18,626) in rent in connection with an office sub-lease the Company entered into with a company owned by a director (see Note 10). At December 31, 2013, $5,269 (2012 - $nil) was owed to this firm.

e) During the nine months ended December 31, 2013, the Company incurred $60,255 (2012 - $52,085) of consulting fees to the Chief Financial Officer (the "CFO") of the Company. At December 31, 2013, $6,750 (2012 - $nil) was owed to the CFO.

NOTE 9 – SHARE CAPITAL

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

a) During the year ended March 31, 2013 a total of 250,000 stock options were exercised at an average price of $0.15 per share for proceeds of $37,500. A fair value of $50,200 was transferred to share capital upon exercise of these options.

b) During the year ended March 31, 2013 a total of 79,777 finders' warrants were exercised for total proceeds of $11,100. A fair value of $6,299 was transferred to share capital upon exercise of these finders' warrants.

c) During the year ended March 31, 2013, the Company issued 50,000 common shares at a value of $0.225 per share for a total value of $11,250 as an option payment toward the acquisition of a 100% interest in the Red Wine Property (Note 5).

d) On June 24, 2013, the Company completed a private placement financing in which 2,000,000 common shares were issued at a price of $0.20 per share for gross proceeds of $400,000 to the President of the Company and parties under his influence or control.

e) During the nine months ended December 31, 2013, 170,000 stock options were exercised at an average price of $0.19 per share for proceeds of $31,775. A fair value of $24,407 was transferred to share capital upon exercise of these options.

f) During the nine months ended December 31, 2013, 1,571,000 warrants were exercised at an average price of $0.25 per share for total proceeds of $392,750. A fair value of $70,848 was transferred to share capital upon the exercise of these warrants.

g) On May 13, 2013, pursuant to the amended letter agreement entered into with the vendor of the Red Wine Property, the Company issued 50,000 common shares at a value of $0.19 per share for a total value of $9,500 to maintain the Company's rights in respect of the property (Note 5).

h) On December 23, 2013, upon approval by the TSX Venture Exchange, the Company issued 236,250 shares at a price of $0.16 per share in consideration for extinguishing debt in the amount of $37,800.

NOTE 9 – SHARE CAPITAL (continued)

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance – March 31, 2012	6,992,177	$ 0.36
Exercised	(79,777)	0.14
Expired	(727,837)	0.40
Balance – March 31, 2013	6,184,563	0.36
Exercised	(1,571,000)	0.25
Expired	(113,570)	0.37
Balance – December 31, 2013	4,499,993	$ 0.40

As of December 31, 2013, the following warrants were outstanding:

Expiry Date		Number of Warrants Outstanding	Exercise Price
May 30, 2014	*	1,958,331	0.40
May 30, 2014	*	2,541,662	0.40
		4,499,993	$ 0.40

Stock Options

The Board of Directors is authorized, pursuant to the Company's Stock Option Plan, to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares at the time of grant. The exercise price for a stock option must not be less than the market price of the Company's common shares at the time the option is granted, less applicable discounts permitted by the TSX Venture Exchange. Stock options granted under this plan are exercisable over a period not exceeding five years.

a) On April 3, 2012, a total of 417,807 stock options with an exercise price of $0.24 were granted to consultants to the Company. 267,807 of these stock options have an expiry date of March 1, 2014. These stock options will vest when the consultant meets certain financing - related performance criteria. As at December 31, 2013 these criteria had not been met. The remaining 150,000 stock options have an expiry date of April 3, 2014 and these options vested and became exercisable immediately.

b) On June 1, 2013, 15,000 stock options with an exercise price of $0.50 expired.

c) On June 3, 2013 a total of 400,000 stock options with an exercise price of $0.205 were granted to two consultants to the Company with an expiry date of June 3, 2015. These options vested and were exercisable immediately.

d) On September 25, 2013 a total of 210,000 stock options with an exercise price of $0.41 were granted to four consultants to the Company. Of these, 150,000 stock options have an expiry date of September 25, 2015 and 60,000 stock options have an expiry date of September 25, 2018. These options vested and were exercisable immediately.

NOTE 9 – SHARE CAPITAL (continued)

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, 2012	3,992,193	$ 0.30
Granted	417,807	0.24
Exercised	(250,000)	0.15
Balance – March 31, 2013	4,160,000	0.30
Granted	610,000	0.21
Exercised	(170,000)	0.19
Expired	(15,000)	0.50
Balance – December 31, 2013 – Outstanding	4,585,000	$ 0.30
Balance – December 31, 2013 – Exercisable	4,185,000	$ 0.31

As of December 31, 2013, the following options were outstanding:

Expiry Date	Number of Options Outstanding		Exercise Price
January 7, 2014	290,000	*	$ 0.15
January 20, 2014	130,000	*	0.15
April 3, 2014	150,000		0.24
November 6, 2014	440,000		0.15
November 30, 2014	35,000		0.17
February 10, 2015	35,000		0.175
February 23, 2015	35,000		0.20
September 13, 2015	925,000		0.41
September 25, 2015	150,000		0.265
January 27, 2016	1,260,000		0.50
June 14, 2016	75,000		0.23
September 21, 2016	100,000		0.17
October 24, 2016	100,000		0.155
March 1, 2017	400,000		0.24
June 3, 2018	400,000		0.205
September 25, 2018	60,000		0.41
	4,585,000		$ 0.30

* These options were subsequently exercised – See Note 13.

NOTE 10 – COMMITMENTS

The Company has entered into a sub-lease with a company owned by a director for office premises which has been renewed as of June 30, 2013 for an additional year to June 30, 2014 with monthly rent of $2,160. The following is a summary of the future lease commitments:

Fiscal 2014	$ 25,920
Fiscal 2015	$ 6,480

The Company has entered into a consulting agreement whereby should the consultant assist with sourcing, negotiating, and entering into an agreement for financing the construction and operation of a monazite-based rare-earth extraction facility in the Middle East, a fee of 2.0% of any financing of $10,000,000 or more will be payable.

The Company has entered into a consulting agreement whereby should the consultant assist with sourcing, negotiating, and entering into a purchase contract for monazite ore, bonuses will be payable as follows:

a) $50,000 USD for each agreement to purchase a minimum of 25,000 tonnes of net monazite ore, and

b) in addition to the bonus payable in a) above, $50,000 USD for each contract to purchase a minimum of 100,000 tonnes of net monazite ore.

NOTE 11 – FINANCIAL INSTRUMENTS

The following table sets forth the levels in the fair value hierarchy in which the Company's financial assets and liabilities are measured and recognized in the statement of financial position. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance, December 31, 2013
Cash	$ 58,309	-	-	$ 33,750
Short-term investments	$ 450,000	-	-	$ 150,000

The fair value of the Company's other receivables, accounts payables and accrued liabilities, and due to related parties approximates their carrying values. 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 and short-term investments are held in a major Canadian financial institution. The Company's other receivables consist primarily of goods and services tax due from the federal government of Canada.

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 mineral properties 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.

NOTE 11 – FINANCIAL INSTRUMENTS (continued)

d) Sensitivity analysis
The Company has, for accounting purposes, designated its cash and short-term investments as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost. As at December 31, 2013, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected significantly by interest rate risk, foreign currency risk and price risk. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk. Commodity price risk could, however, affect the Company. In particular, the Company's future profitability and viability of development depends upon world markets for natural resources. As of December 31, 2013, the Company was not a producing entity. As a result, commodity price risk could affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken.

NOTE 12 - MANAGEMENT OF CAPITAL RISK

The Company manages its cash, common shares, stock options and warrants as capital (Note 9). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may look to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not currently pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments issued by a major Canadian chartered bank.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to December 31, 2013 the following took place:

a) 420,000 stock options were exercised for proceeds of $63,000

b) 520,000 stock options with an exercise price of $0.20 were granted with an expiry date of January 8, 2019.