MEDALLION RESOURCES LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014
(Unaudited)

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Notice of No Auditor Review of Interim Financial Statements

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

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

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

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

	September 30, 2014	March 31, 2014
ASSETS		
Current		
Cash	$ 63,746	$ 41,727
Other Receivables	9,627	6,775
Prepaid Expenses	25,667	10,042
Total Current Assets	99,040	58,544
Equipment (Note 7)	744	960
Total Assets	$ 99,784	$ 59,504
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities	$ 69,781	$ 133,616
Due to Related Parties (Note 8)	66,326	88,770
Total Liabilities	136,107	222,386
SHAREHOLDERS' EQUITY (DEFICIT)		
Share Capital (Note 9)	$ 16,836,344	$ 16,216,442
Warrants	79,112	753,141
Contributed Surplus	2,378,486	1,613,831
Deficit	(19,330,265)	(18,746,296)
Total Shareholders' Equity (Deficit)	(36,323)	(162,882)
Total Liabilities and Shareholders' Equity (Deficit)	$ 99,784	$ 59,504

Corporate Information and Nature of Operations (Note 1)
Continuance of Operations (Note 2)
Commitments (Note 10)
Events After the Reporting Period (Note 13)

Approved on behalf of the Board:

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

/s/ Andrew Morden
Andrew Morden – Director

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

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

	For the Three Months Ended September 30		For the Six Months Ended September 30	
	2014	**2013**	**2014**	**2013**
Expenses				
Consulting Fees (Note 8)	$ 34,480	$ 102,592	$ 97,280	$ 200,420
Depreciation (Note 7)	108	196	216	393
Investor Relations	33,751	62,609	68,706	126,652
Management Fees (Note 8)	67,719	67,101	134,974	134,103
Office and General	20,437	45,469	57,911	84,412
Professional Fees (Note 8)	24,842	17,664	39,289	55,224
Project Investigation (Note 6)	35,865	108,131	129,436	230,640
Rent (Note 8)	3,465	6,480	9,831	12,959
Share-based Compensation	442	6,092	11,514	31,531
Transfer Agent and Filing Fees	12,535	11,472	23,312	19,040
	(233,644)	(427,806)	(572,469)	(895,374)
Other Items				
Interest Income and Other	-	428	-	2,728
Government Assistance	-	-	-	113,618
Write Off of Mineral Properties (Note 5)	(1,500)	(2,500)	(11,500)	(14,500)
Net Loss and Comprehensive Loss for the Period	(235,144)	$ (429,878)	(583,969)	$ (793,528)
Loss per Common Share – Basic and Diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted Average Number of Common Shares Outstanding	54,815,266	48,917,277	53,086,568	47,308,819

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

MEDALLION RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Unaudited)
For the Year Ended March 31, 2014 and the Six Months Ended September 30, 2014

	Number of Common Shares	Amount	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficit)
Balance – March 31, 2013	45,405,212	$ 15,133,687	$ 840,365	$ 1,526,951	$ (17,129,529)	$ 371,474
Shares issued on:						
Stock options exercised	70,000	29,048		(12,773)		16,275
Private placement	2,000,000	400,000	-	-	-	400,000
Warrants exercised	1,571,000	463,598	(70,848)	-	-	392,750
Property acquisition	50,000	9,500	-	-	-	9,500
Share-based compensation	-	-	-	25,439	-	25,439
Expiry of warrants	-	-	(903)	903	-	-
Net loss for the period	-	-	-	-	(793,528)	(363,650)
Balance – September 30, 2013	49,096,212	16,035,833	768,614	1,540,520	(17,923,057)	421,910
Shares issued on:						
Stock options exercised	530,000	132,178	-	(52,178)	-	80,000
Shares for debt	236,250	48,431	-	-	-	48,431
Share-based compensation	-	-	-	110,016	-	110,016
Expiry of warrants	-	-	(15,473)	15,473	-	-
Net loss for the period	-	-	-	-	(823,239)	(823,239)
Balance – March 31, 2014	49,862,462	16,216,442	753,141	1,613,831	(18,746,296)	(162,882)
Shares issued on:						
Private placement	4,666,667	639,142	60,858	-	-	700,000
Finders' units issued	236,137	32,341	3.080	-	-	35,421
Finders' warrants issued	-	(15,174)	15,174	-	-	-
Property acquisition	50,000	8,500	-	-	-	8,500
Share issuance costs	-	(44,907)	-	-	-	(44,907)
Share-based compensation	-	-	-	11,514	-	11,514
Expiry of warrants	-	-	(753,141)	753,141	-	-
Net loss for the period	-	-	-	-	(583,969)	(583,969)
Balance – September 30, 2014	54,815,266	$ 16,836,344	$ 79,122	$ 2,378,044	$ (19,330,265)	$ (36,323)

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

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

	2014	2013
Cash Flow Provided By (Used in)		
Operating Activities		
Net loss for the period	$ (583,969)	$ (793,528)
Adjusted for items not involving cash:		
Depreciation	216	393
Share-based Compensation	11,514	31,531
Write off of Mineral Properties	11,500	14,500
Net change in non-cash working capital items:		
Other Receivables	(2,852)	15,486
Prepaid Expenses	(15,625)	5,000
Accounts Payable and Accrued Liabilities	(63,835)	4,596
Due to Related Parties	(22,244)	(3,269)
	(665,495)	(725,291)
Investing Activities		
Short-term Investments	-	(50,000)
Mineral Properties	(11,500)	(14,500)
	(11,500)	(64,500)
Financing Activities		
Issuance of Share Capital and Warrants	708,500	818,525
Share issuance costs	(9,486)	-
	690,514	818,525
Increase in Cash	22,019	28,734
Cash, Beginning of Period	41,727	29,575
Cash, End of Period	$ 63,746	$ 58,309
Supplementary Cash-flow Information:		
Interest Paid	$ -	$ -
Income Taxes Paid	$ -	$ -
Non-Cash Investing and Financing Activities:		
Shares Issued for Mineral Property Acquisition	$ 8,500	$ 9,500
Issuance of Finder's Warrants	$ 15,174	$ -

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 process 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 processing plant. Since no monazite purchase contracts or definitive processing plant financing and development agreements are in place at this time, all expenses associated with this strategy are being written off in the Company's consolidated 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

The interim financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited financial statements for the year ended March 31, 2014, and do not include all the information required for full annual financial statements 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"). It is suggested that the interim financial statements be read in conjunction with the annual audited financial statements.

These unaudited interim consolidated financial statements were authorized for issue by the Board of Directors on November 26, 2014.

Basis of Measurement

These unaudited 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 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 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 unaudited 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.

NOTE 2 – BASIS OF PRESENTATION (continued)

Continuance of Operations (continued)

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.

The Company has not generated revenue from operations. The Company incurred a net loss of $583,969 for the six months ended September 30, 2014 and as of that date the Company's accumulated deficit was $19,330,265. 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 requires 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 statement of financial position date. Non-monetary items that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in 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. As at September 30, 2014, the Company did not hold any cash equivalents.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment is initially recorded at cost. The Company depreciates 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.

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 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.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets (continued)

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.

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.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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

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.

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.

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 splits 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.

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, 2014 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 9, *Financial Instruments* (New in 2010; to replace IAS 39 and IFRIC 9);

ii) IFRS 14, *Regulatory Deferral Accounts* (New in 2014);

iii) IAS 19, *Employee Benefits* (Amended in 2011);

iv) Annual Improvements to IFRSs 2010 – 2012 Cycle;

- IFRS 2, *Share-based Payment*
- IFRS 3, *Business Combinations*
- IFRS 8, *Operating Segments*
- IAS 16, *Property, Plant and Equipment*
- IAS 24, *Related Party Disclosures*
- IAS 38, *Intangible Assets*

v) Annual Improvements to IFRSs 2011 – 2013 Cycle;

- IFRS 3, *Business Combinations*
- IFRS 13, *Fair Value Measurement*
- IAS 40, *Investment Property*

NOTE 4 – SHORT-TERM INVESTMENTS

As at March 31, 2013, the Company had a $400,000 Guaranteed Investment Certificate ("GIC") that provided interest at the prime rate less 1.95% if held to maturity. During the year ended March 31, 2014, the Company redeemed the GIC leaving a balance at March 31, 2014 of $nil.

NOTE 5 – MINERAL PROPERTIES

	Red Wine Property
Balance at March 31, 2013	$ -
Property-acquisition costs	14,500
Impairment	(14,500)
Balance at March 31, 2014	-
Property-acquisition costs	11,500
Impairment	(11,500)
Balance at September 30, 2014	$ -

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), May 8, 2012 (50,000 common shares issued to vendor with a fair value of $11,250) and March 31, 2013 (50,000 common shares issued to vendor with a fair value of $9,500) 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, 2014, 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 $478,000, issue an aggregate of 1,600,000 common shares and incur exploration expenditures totaling $350,000, as follows:

Making $478,000 of cash payments as follow:

- $1,500 upon execution of the amended letter agreement (paid May 9, 2014);
- $1,500 by September 30, 2014;
- an additional $50,000 by March 31, 2015;
- an additional $100,000 by March 31,2016;
- an additional $100,000 by March 31, 2017;
- an additional $100,000 by March 31, 2018; and
- an additional $125,000 by March 31, 2019

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

- 50,000 shares upon execution of the amended letter agreement (issued on May 12, 2014 with a fair value of $8,500);
- an additional 100,000 shares by March 31, 2015;
- an additional 250,000 shares by March 31, 2016;
- an additional 350,000 shares by March 31, 2017;
- an additional 350,000 shares by March 31, 2018; and
- an additional 500,000 shares by March 31, 2019;

Incurring expenditures totaling $350,000 as follow:

- $50,000 by March 31, 2015;
- an additional $100,000 by March 31, 2016;
- an additional $100,000 by March 31, 2017; and
- an additional $100,000 by March 31, 2018.

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 six months ended September 30, 2014 the Company has written off $11,500 (year ended March 31, 2014 - $14,500) to the unaudited 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 are as follows:

	For the Three Months Ended September 30		For the Six Months Ended September 30	
	2014	**2013**	**2014**	**2013**
Consulting	$ 32,500	$ 48,355	$ 91,914	$ 94,667
Travel and accommodation	2,648	58,426	28,554	133,455
Other	717	1,350	8,968	2,518
	$ 35,865	$ 108,247	$ 129,436	$ 230,640

NOTE 7 – EQUIPMENT

Net book value of computer equipment is as follows:

	Computer Equipment
Cost	
Balance – March 31, 2013	$ 11,430
Additions	-
Balance – March 31, 2014	$ 11,430
Additions	-
Balance – September 30, 2014	$ 11,430
Accumulated Depreciation	
Balance – March 31, 2013	$ 9,685
Depreciation for the year	785
Balance – March 31, 2014	10,470
Depreciation for the period	216
Balance – September 30, 2014	$ 10,686
Carrying Amounts	
Balance – March 31, 2014	$ 960
Balance – September 30, 2014	$ 744

NOTE 8 – RELATED PARTY TRANSACTIONS

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

a) During the six months ended September 30, 2014, $72,000 (2013 - $72,000) was charged by a private company controlled by the Chief Technical Advisor (the "CTA") of the Company for management fees. At September 30, 2014, (2014 - $nil) $18,600 was owed to this company.

b) During the six months ended September 30, 2014, the Company incurred $27,686 (2013 - $38,872) of legal fees to a law firm in which a director of the Company is a principal. At September 30, 2014, $12,234 (2013 - $2,673) was owed to this firm.

c) During the six months ended September 30, 2014, $62,974 (2013 - $62,103) was charged by a private company controlled by the Chief Executive Officer (the "CEO") of the Company for management fees. At September 30, 2014, $18,600 (2013 - $nil) was owed to this company.

d) During the six months ended September 30, 2014, the Company paid $9,831 (2013 – $12,959) in rent in connection with an office sub-lease the Company entered into with a company owned by a director (see Note 10).

e) During the six months ended September 30, 2014, the Company incurred $39,795 (2013 - $39,775) of consulting fees to the Chief Financial Officer (the "CFO") of the Company. At September 30, 2014, $7,296 (2013 - $nil) was owed to the CFO.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

NOTE 9 – SHARE CAPITAL

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

a) 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 an ascribed price 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).

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

c) During the year ended March 31, 2014, a total of 600,000 stock options were exercised at an average price of $0.16 per share for proceeds of $96,275. A fair value of $64,951 was transferred from contributed surplus to share capital upon exercise of these options.

d) During the year ended March 31, 2014, a total of 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 from contributed surplus to share capital upon the exercise of these warrants.

e) On May 30, 2014, 4,499,993 warrants expired without being exercised.

f) On December 23, 2013, upon approval by the TSX Venture Exchange, the Company issued 236,250 shares at $0.21 per share in consideration for extinguishing debt in the amount of $37,800. A loss of $10,631 was recorded on the extinguishment of debt.

g) On May 12, 2014, pursuant to the further amended letter agreement entered into with the vendor of the Red Wine Property, the Company issued 50,000 common shares at an ascribed price of $0.17 per share for a total value of $8,500 to maintain the Company's rights in respect of the property (Note 5).

h) On June 3, 2014, the Company completed a non-brokered private placement for a total of 4,666,667 units at a price of $0.15 per unit for gross proceeds of $700,000. Each unit consists of one common share and one half of one common share purchase warrant exercisable to acquire one common share at a price of $0.30 for a period of two years from the closing date. Cash proceeds from the private placement of $639,142 and $60,858 were allocated, 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. In accordance with the Company's accounting policy in regards to unit bifurcation, the Company calculated the relative fair value of these 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 77% and a risk free interest rate of 1.19%.

NOTE 9 – SHARE CAPITAL (continued)

In connection with the placement, the Company paid a total of $5,260 in cash finders' fees and issued a total of 262,804 finder's warrants each exercisable to acquire a common share at a price of $0.15 per share for a period of 2 years from closing. A fair value of $15,174 was assigned to these finders' warrants and was calculated with use of the Black-Scholes option pricing model with the following assumptions: term of 2 years, dividend yield 0%, expected volatility of 77%, and a risk free interest rate of 1.19%. In addition, the Company issued a total of 236,136 finders units at a deemed price of $0.15 per unit. Each finder's unit consists of one common share and one-half of one non-transferable common share purchase warrant with the same terms as the private placement warrants. A fair value of $32,341 and $3,080 was allocated, respectively, to the common shares and warrants issued under these finders' units. In addition to the cash finders' fees paid, $4,226 of share issue costs were incurred in connection with this private placement.

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance – March 31, 2013	6,184,563	$ 0.36
Exercised	(1,571,000)	0.25
Expired	(113,570)	0.37
Balance – March 31, 2014	4,499,993	0.40
Issued	2,714,205	0.29
Expired	(4,499,993)	0.40
Balance – September 30, 2014	2,714,205	$ 0.29

As of September 30, 2014, the following warrants were outstanding:

Expiry Date	Number of Warrants Outstanding	Exercise Price
June 3, 2016	2,451,401	$ 0.30
June 3, 2016	262,804	0.15
	2,714,205	$ 0.29

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

b) 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, 2018. These options vested and were exercisable immediately.

c) 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)

d) On January 8, 2014 a total of 420,000 stock options with an exercise price of $0.20 were granted to the five members of the Board of Directors of the Company with an expiry date of January 8, 2019. These options vested and were exercisable immediately.

e) On January 8, 2014 a total of 100,000 stock options with an exercise price of $0.20 were granted to two consultants to the Company with an expiry date of January 8, 2019. These stock options vest as to 25,000 each on April 8, 2014, July 8, 2014, October 8, 2014 and January 8, 2015.

f) During the year ended March 31, 2014, the expiry date of 400,000 existing unvested options to purchase common shares, with an expiry date of March 1, 2014 were extended to March 1, 2017. The stock options will vest when the consultant meets certain financing-related performance criteria. As of September 30, 2014, these criteria had not been met. As a result of the extension of the expiry date, the Company recognized $17,897 in Share-based compensation expense on the Statement of Loss and Comprehensive Loss for the year as well as a corresponding increase in Contributed Surplus.

g) On April 3, 2014, 150,000 stock options with an exercise price of $0.24 expired.

h) On June 3, 2014, the Company completed a private-placement financing in which it issued 4,666,666 units at $0.15 per unit for gross proceeds of $700,000. Each unit consisted of one common share and one half of one common share purchase warrant, with each whole warrant exercisable to acquire one common share at a price of $0.30 for a period of two years from the closing date. The Company paid cash finders' fees of $5,260, issued a total of 262,804 finder's warrants and issued a total of 236,136 finder's units at a price of $0.15 per unit to certain parties who assisted with the placement. Each finder's unit consists of one common share and one-half of one non-transferable common share purchase warrant with the warrants having the same terms as the private placement warrants.

i) On June 6, 2014 a total of 200,000 stock options with an exercise price of $0.15 were granted to three consultants to the Company with an expiry date of June 6, 2019. These options vested and were exercisable immediately.

j) On July 8, 2014 215,000 stock options with an exercise price of $0.15 were granted to a director of the Company with an expiry date of July 8, 2019. These options vested and were exercisable immediately.

The Company used the following assumptions to determine the fair value of stock options granted with use of the Black-Scholes option pricing model:

	2014	2013
Risk-free interest rate	1.19%	1.11%
Expected share price volatility	77%	84%
Expected option life in years	2.29	1.91
Dividend yield	Nil%	Nil%

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

	Number of Stock Options	Weighted Average Exercise Price
Balance – March 31, 2013	4,160,000	$ 0.30
Granted	1,130,000	0.24
Exercised	(600,000)	0.16
Expired	(15,000)	0.50
Balance – March 31, 2014	4,675,000	0.30
Granted	415,000	0.15
Expired	(150,000)	0.24
Balance – September 30, 2014 – Outstanding	4,940,000	$ 0.30
Balance – September 30, 2014 – Exercisable	4,515,000	$ 0.30

NOTE 9 – SHARE CAPITAL (continued)

As of September 30, 2014, the following options were outstanding:

Expiry Date	Number of Options Outstanding	Exercise Price
November 6, 2014	430,000	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	0.265
September 25, 2015	150,000	0.41
January 27, 2016	1,260,000	0.50
June 6, 2016	100,000	0.15
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
January 8, 2019	520,000	0.20
June 6, 2019	100,000	0.15
July 8, 2019	215,000	0.15
	4,940,000	$ 0.30

*These options expired without being exercised

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 for an additional year to June 30, 2015 with monthly rent of $1,155. The following is a summary of the future lease commitments:

Fiscal 2015	$ 16,875
Fiscal 2016	$ 3,465

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 processing facility in the Middle East, a fee of 2.0% of any financing of $10,000,000 or more will be payable. The agreement also provides for the payment of a standby success fee of 0.5% should the consultant arrange financing that the Company does not proceed with as a result of entering into an alternative financing arrangement.

The Company has entered into a consulting agreement whereby should the Company enter into an agreement with any party to invest in the construction and operation of a monazite-based rare-earth processing facility in Oman a fee of 2.0% of any equity funds contributed by the party and 1% of any debt financing provided by a specified bank will be payable.

Under the terms of a service contract between the Company and the former CEO of the Company, the Company will pay the former CEO $12,000 per month until May 2015 and $6,000 per month thereafter to serve as the Chief Technical Advisor to the Company on a part-time basis.

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, September 30, 2014
Cash	$ 63,746	-	-	$ 63,746

The fair value of the Company's other receivables, accounts payables and accrued liabilities, and due to related parties 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'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.

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 September 30, 2014, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected significantly by interest rate risk, foreign currency risk and price risk. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk. Commodity price risk could, however, affect the Company. In particular, the Company's future profitability and viability of development depends upon world markets for natural resources. As of September 30, 2014, 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 business and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

NOTE 12 - MANAGEMENT OF CAPITAL RISK (continued)

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 structure during the six month period ended September 30, 2014.

NOTE 13 - EVENTS AFTER THE REPORTING PERIOD

The Company has received conditional approval from the TSX Venture Exchange to raise $200,000 in a non-brokered private placement whereby 4,000,000 units would be issued at $0.05, each unit comprised of one common share of the Company as well as one-half of a share purchase warrant, each whole warrant entitling the holder to purchase one common share of the Company at $0.20 for a period of three years. The private placement has not closed at the reporting date.