MEDALLION RESOURCES LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015
(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 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)

	December 31, 2015	March 31, 2015
ASSETS		
Current		
Cash	$ 10,793	$ 8,185
Other Receivables	6,979	6,157
Prepaid Expenses	32,792	25,417
Total Current Assets	50,564	39,759
Equipment (Note 6)	350	528
Total Assets	$ 50,914	$ 40,287
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities	$ 36,973	$ 60,066
Due to Related Parties (Note 7)	248,677	195,593
Promissory Note Payable	40,000	-
Total Liabilities	325,650	255,659
SHAREHOLDERS' EQUITY (DEFICIT)		
Share Capital (Note 8)	17,429,264	16,995,497
Warrants	278,458	168,458
Contributed Surplus	2,434,870	2,430,836
Deficit	(20,417,328)	(19,810,163)
Total Shareholders' Equity(Deficit)	(274,736)	(215,372)
Total Liabilities and Shareholders' Equity (Deficit)	$ 50,914	$ 40,287

Corporate Information and Nature of Operations (Note 1)
Basis of Presentation (Note 2)
Commitments (Note 9)

Approved on behalf of the Board:

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

/s/ Andrew Morden
Andrew Morden – Director

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

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

	For the Three Months Ended December 31		For the Nine Months Ended December 31	
	2015	**2014**	**2015**	**2014**
Expenses				
Consulting Fees (Note 7)	$ 72,729	$ 31,958	$ 167,284	$ 129,238
Depreciation (Note 6)	60	108	178	324
Investor Relations	35,062	40,353	104,348	109,059
Management Fees (Note 7)	55,821	73,565	179,378	208,539
Office and General	8,982	28,812	32,993	86,723
Professional Fees (Note 7)	13,931	25,796	55,716	65,085
Project Investigation (Note 5)	2,962	6,353	27,583	135,789
Rent (Note 7)	3,465	3,465	10,395	13,296
Share-based Compensation	-	-	4,034	11,514
Transfer Agent and Filing Fees	5,471	5,825	21,633	29,137
	(198,483)	(216,235)	(603,542)	(788,704)
Other Items				
Write off of Mineral Properties (Note 4)		-	(3,623)	(11,500)
Net Loss and Comprehensive Loss for the Period	$ (198,483)	$ (216,235)	$ (607,165)	$ (800,204)
Loss per Common Share – Basic and Diluted	(0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted Average Number of Common Shares Outstanding	72,682,440	55,532,657	67,791,811	53,904,896

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

MEDALLION RESOURCES LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Unaudited)
For the Year Ended March 31, 2015 and the Nine Months Ended December 31, 2015

	Number of Common Shares	Amount	Share Subscription	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficit)
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
Private placement	3,000,000	150,000	-	-	-	-	150,000
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	-	-
Share subscription	-	-	16,700	-	-	-	16,700
Net loss for the period	-	-	-	-	-	(800,204)	(800,204)
Balance – December 31, 2014	54,815,266	16,986,344	16,700	79,112	2,378,486	(19,546,500)	(85,858)
Shares issued on:							
Private placement (Note 8)	2,000,000	14,620	-	85,380	-	-	100,000
Finders' units issued	-	(2,791)	-	2,791	-	-	-
Finders' warrants issued	-	(1,175)	-	1,175	-	-	-
Property payment	50,000	2,500	-	-	-	-	2,500
Share issuance costs	-	(4,001)	-	-	-	-	(4,001)
Share-based compensation	-	-	-	-	52,350	-	52,350
Share subscription	-	-	(16,700)	-	-	-	(16,700)
Net loss for the period	-	-	-	-	-	(263,663)	(263,663)
Balance – March 31, 2015	59,865,266	16,995,497	-	168,458	2,430,836	(19,810,163)	(215,372)
Shares issued on:							
Private placement (Note 8)	6,500,000	260,000	-	65,000	-	-	325,000
Private placement (Note 8)	7,500,000	180,000	-	45,000	-	-	225,000
Finders' units issued	40,000	-	-	-	-	-	-
Share issuance costs	-	(6,233)	-	-	-	-	(6,233)
Share-based compensation	-	-	-	-	4,034	-	4,034
Net loss for the period	-	-	-	-	-	(607,165)	(607,165)
Balance – December 31, 2015	73,905,266	$ 17,429,624	-	$ 278,458	$ 2,434,870	$ (20,417,328)	$ (274,736)

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

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

	2015	2014
Cash Flow Provided By (Used in)		
Operating Activities		
Net loss for the period	$ (607,165)	$ (800,204)
Adjusted for items not involving cash:		
Depreciation	178	324
Share-based Compensation	4,034	11,514
Write-off of Mineral Properties	3,623	11,500
Net change in non-cash working capital items:		
Other Receivables	(822)	(82)
Prepaid Expenses	(7,375)	(28,999)
Accounts Payable and Accrued Liabilities	(23,093)	(84,560)
Due to Related Parties	53,084	27,877
Promissory Note Payable	40,000	-
	(537,536)	(862,630)
Investing Activities		
Mineral Properties	(3,623)	(11,500)
	(3,623)	(11,500)
Financing Activities		
Issuance of Share Capital and Warrants	550,000	858,500
Share Issuance Costs	(6,233)	(9,486)
Share Subscription		16,700
	543,767	865,714
Increase (Decrease) in Cash	2,608	(8,416)
Cash, Beginning of Period	8,185	41,727
Cash, End of Period	$ 10,793	$ 33,311
Supplementary Cash-flow Information:		
Interest Paid	$ 246	$ -
Income Taxes Paid	$ -	$ -
Non-Cash Investing and Financing Activities:		
Shares Issued for Mineral Property Acquisition	$ -	$ 8,500
Issuance of Finders' Warrants	$ -	$ 15,174

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

NOTE 1 –CORPORATE INFORMATION AND NATURE OF OPERATIONS

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

The Company has historically been in the business of acquisition and exploration of mineral properties. The Company's operations consisted generally of mineral exploration and evaluation of new property acquisitions. This included acquiring mineral properties, evaluating the merits of these properties using various techniques such as sampling, trenching and geophysical and geochemical methods as well as drilling. 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. The Company is testing a variety of samples, which have been submitted by heavy-mineral-sands producers, to locate suitable quantities and qualities of monazite feedstock. This testing could lead to monazite purchase agreements to potentially provide feedstock for a planned rare earth element processing plant. Since no monazite purchase contracts or definitive processing plant financing and development agreements are in place at this time, all expenses associated with this strategy are being written off in the Company's consolidated 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, 2015, 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 February 23, 2016.

Basis of Measurement

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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates and assumptions include those related to the 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.

NOTE 2 – BASIS OF PRESENTATION (continued)

Continuance of Operations

These consolidated financial statements are prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. 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 $198,483 for the three months ended December 31, 2015 and as of that date the Company's accumulated deficit was $20,417,328. The Company does not generate any cashflow from operations to fund its future activities and has relied principally upon the issuance of securities to fund its operating and administrative expenditures. 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 consolidated financial statements.

The 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 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 consolidated financial statements are presented in Canadian dollars, which is the Company and its subsidiary'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 March 31 and December 31, 2015 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 expenditures relating to an item of equipment are 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 repairs 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 proceeds 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. 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 year or prior years.

Financial Instruments

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

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

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.

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.

i) 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 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 loss and comprehensive loss on a straight – line basis over the lease term.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards adopted during the year

Effective April 1, 2014, the following standards were adopted but have had no material impact on the consolidated financial statements.

International Accounting Standard ("IAS") 32, Financial Instruments: Presentation

IAS 32 was amended to clarify requirements for offsetting of financial assets and financial liabilities.

IAS 36, Impairment of Assets

IAS 36 was amended to address the disclosures required regarding the recoverable amount of impaired assets or cash generating units (CGUs) for periods in which an impairment loss has been recognized or reversed.

New standards not yet adopted

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2015. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. This new standard is tentatively effective for annual periods beginning on or after January 1, 2018.

New standard IFRS 7 "Financial Instruments - Disclosures"

This new standard has been amended to require additional disclosures on transition from IAS 39 and IFRS 9. This new standard is effective for annual periods beginning on or after January 1, 2015.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its consolidated financial statements.

NOTE 4 – MINERAL PROPERTIES

	Red Wine Property
Balance at March 31, 2014	$ -
Property acquisition costs	15,500
Impairment	(15,500)
Balance at March 31, 2015	-
Property acquisition costs	-
Claims maintenance	3,623
Impairment	(3,623)
Balance at December 31, 2015	$ -

NOTE 4 – 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), March 31, 2013 (50,000 common shares issued to vendor with a fair value of $9,500) and March 31, 2014 (50,000 common shares issued to vendor with a fair value of $8,500) 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 acquired a 100% interest in a total of seven mineral claims in Labrador, Canada. Of these seven mineral claims, five have been abandoned by the Company which now has two claims covering a total of 525 hectares. The property is subject to a 3% net smelter return royalty, half of which the Company can purchase for $1,500,000.

On February 26, 2015, 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);
- $1,500 by September 30, 2015 (paid),
- an additional $50,000 by February 26, 2016;
- an additional $100,000 by February 26,2017;
- an additional $100,000 by February26, 2018;
- an additional $100,000 by February 26, 2019; and
- an additional $125,000 by February26, 2020.

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

- 50,000 shares upon execution of the amended letter agreement (issued on March 25, 2015 with a fair value of $2,500);
- an additional 100,000 shares by February 26,2016;
- an additional 250,000 shares by February26, 2017;
- an additional 350,000 shares by February 26, 2018;
- an additional 350,000 shares by February 26, 2019; and
- an additional 500,000 shares by February 26, 2020.

Incurring expenditures totaling $350,000 as follow:

- $50,000 by February 26, 2016;
- an additional $100,000 by February 26, 2017;
- an additional $100,000 by February26, 2018; and
- an additional $100,000 by February 26, 2019.

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, 2015 the Company has written off $3,623 (December 31, 2014 - $11,500) to the consolidated statements of loss and comprehensive loss. For the year ended March 31, 2015 the Company has written off $15,500 (March 31, 2014 - $14,500) to the consolidated statements of loss and comprehensive loss. The Company retains its contractual rights in respect of the Red Wine Property.

NOTE 5 – PROJECT INVESTIGATION

Details of project investigation costs in connection with the Company's efforts to finance, develop and construct monazite processing facilities are as follows. These costs support the Company's current strategy of focusing on the purchase of the mineral monazite and the search for monazite processing partnerships by which to process and produce rare-earth elements:

	For the Three Months Ended December 31		For the Nine Months Ended December 31	
	2015	**2014**	**2015**	**2014**
Consulting	$ 2,962	$ 6,002	$ 27,463	$ 97,916
Travel and accommodation	-	-	-	28,554
Other	-	351	120	9,319
	$ 2,962	$ 6,353	$ 27,583	$ 135,789

NOTE 6–EQUIPMENT

Net book value of computer equipment is as follows:

	Computer Equipment
Cost	
Balance – March 31, 2014	$ 11,430
Additions	-
Balance – March 31,2015	$ 11,430
Additions	-
Balance – December 31, 2015	$ 11,430
Accumulated Depreciation	
Balance – March 31, 2014	$ 10,470
Depreciation for the year	432
Balance – March 31, 2015	10,902
Depreciation for the period	178
Balance – December 31, 2015	$ 11,080
Carrying Amount	
Balance – March 31, 2014	$ 960
Balance – March 31, 2015	$ 528
Balance – December 31, 2015	$ 350

NOTE 7 – RELATED PARTY TRANSACTIONS

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

a) During the nine months ended December 31, 2015, $113,378 (2014 - $98,974) was charged by a private company controlled by the Chief Executive Officer (the "CEO") of the Company for management fees. At December 31, 2015, $130,400 (2014 - $44,800) was owed to this company.

b) During the nine months ended December 31, 2015, the Company incurred $40,205 (2014 - $47,502) of legal fees to a law firm in which a director of the Company is a principal. At December 31, 2015, $26,523 (2014 - $28,214) was owed to this firm.

c) During the nine months ended December 31, 2015, $66,000 (2014 - $108,000) was charged by a private company controlled by the Chief Technical Advisor of the Company for management fees. At December 31, 2015, $73,080 (2014 - $44,800) was owed to this company.

d) During the nine months ended December 31, 2015, the Company paid $10,395 (2014 – $13,296) in rent in connection with an office sub-lease the Company entered into with a company owned by a director (see Note 9). At December 31, 2015, $5,460 (2014 - $3,469) was owed to this company.

e) During the nine months ended December 31, 2015, the Company incurred $40,980 (2014 - $50,355) of consulting fees to the Chief Financial Officer (the "CFO") of the Company. At December 31, 2015, $13,328 (2014 - $8,431) was owed to the CFO.

f) During the nine months ended December 31, 2015, the Company borrowed a total of $110,000 in separate amounts of $40,000, $30,000 and $40,000 from a director at an interest rate of prime plus 3.00%. Interest in the amount of $581 has been paid and as at December 31, 2015, $40,000 was outstanding.

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 8 – SHARE CAPITAL

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

a) 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 a fair value of $0.17 per share for a total value of $8,500 to maintain the Company's rights in respect of the property (Note 4).

b) 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 were allocated as $583,982 and $116,018, 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 71% and a risk free interest rate of 1.07%.

   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 71%, and a risk free interest rate of 1.07%. In addition, the Company issued a total of 236,137 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 $29,550 and $5,871 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.

NOTE 8 – SHARE CAPITAL (continued)

c) On December 9, 2014, the Company completed the first tranche of a planned $250,000 non-brokered private placement, with the first tranche being for a total of 3,000,000 units at a price of $0.05 per unit for gross proceeds of $150,000. 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 $0.20 for a period of three years from the closing date. Cash proceeds from the private placement were allocated as $131,868 and $18,132, 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 3 years, dividend yield of 0%, expected volatility of 75% and a risk free interest rate of 1.08%.

d) On January 12, 2015 the Company completed the second and final tranche of a planned $250,000 private-placement financing. The Company had previously issued 3,000,000 units at $0.05 per unit for gross proceeds of $150,000 and in this second tranche issued 2,000,000 units at $0.05 per unit for gross proceeds of $100,000. 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 $0.20 for a period of three years from the closing date. Cash proceeds from the private placement were allocated as $164,620 and $85,380, 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 the private placement, the Company paid a total of $4,000 in cash finders' fees and issued a total of 80,000 finders' warrants each exercisable to acquire a common share at a price of $0.05 per share for a period of 2 years from closing. In accordance with the Company's accounting policy in regards to unit bifurcation, the Company calculated the relative fair value of these warrants with use of the Black-Scholes option pricing model with the following assumptions: term of 3 years, dividend yield of 0%, expected volatility of 79% and a risk free interest rate of 1.08%.

e) On March 25, 2015, pursuant to the further amended letter agreement entered into with the vendor of the Red Wine Property, the Company issued an additional 50,000 common shares at a fair value of $0.05 per share for a total value of $2,500 to maintain the Company's rights in respect of the property (Note 4).

f) On April 30, 2015 the Company completed a private placement financing consisting of 6,500,000 units at $0.05 per unit for gross proceeds of $325,000. 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 $0.20 for a period of 3 years from the closing date. Cash proceeds from the private placement were allocated as $260,000 and $65,000, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing date of the private placement. The Company paid a total of $1,452 in cash finders' fees, issued a total of 40,000 finders' units having the same terms as the placement units and issued 69,040 finders' warrants each exercisable to acquire a common share at a price of $0.05 per share for a period of 2 years from closing.

g) On October 15, 2015 the Company completed a private placement financing consisting of 7,500,000 units at $0.03 per unit for gross proceeds of $225,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to acquire one common share at a price of $0.20 with an expiry date of May 1, 2018. Cash proceeds from the private placement were allocated as $180,000 and $45,000, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing date of the private placement. The Company incurred a total of $360 in cash finders' fees.

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance – March 31, 2014	4,499,993	$ 0.40
Issued	5,294,205	0.24
Expired	(4,499,993)	0.40
Balance – March 31, 2015	5,294,205	0.24
Issued	10,839,040	0.20
Balance – December 31, 2015	16,133,245	$ 0.21

NOTE 8 – SHARE CAPITAL (continued)

As of December 31, 2015, 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
January 12, 2017	80,000	0.05
May 1, 2017	69,040	0.05
December 9, 2017	1,500,000	0.20
January 12, 2018	1,000,000	0.20
May 1, 2018	10,770,000	0.20
	16,133,245	$ 0.21

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, 2014, 150,000 stock options with an exercise price of $0.24 expired.

b) 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.

c) 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.

d) On November 6, 2014, 430,000 stock options with an exercise price of $0.15 expired.

e) On November 30, 2014, 35,000 stock options with an exercise price of $0.17 expired.

f) On March 2, 2015, a total of 1,240,000 stock options with an exercise price of $0.06 were granted to officers and directors of the Company with an expiry date of March 2, 2020. These options vested and were exercisable immediately.

g) On March 2, 2015, a total of 500,000 stock options with an exercise price of $0.06 were granted to two consultants to the Company with an expiry date of March 2, 2020. Of these, 100,000 stock options vested and were exercisable immediately and 400,000 stock options will vest at a rate of 100,000 stock options on each of June 2, 2015, September 2, 2015, December 2, 2015, and March 2, 2016.

h) During the three months ended September 30, 2015, a total of 1,075,000 stock options with exercise prices ranging from $0.265 to $0.41 expired.

i) On August 31, 2015, a total of 550,000 stock options with an exercise price of $0.05 were granted to consultants to the Company with an expiry date of August 31, 2020. These options vested and were exercisable immediately.

NOTE 8 – SHARE CAPITAL (continued)

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

	2015	2014
Risk-free interest rate	0.64%	1.19%
Expected share price volatility	81%	77%
Expected option life in years	2.41	2.29
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, 2014	4,675,000	$ 0.30
Granted	2,155,000	0.08
Expired	(1,285,000)	0.20
Balance – March 31, 2015	5,545,000	0.24
Granted	550,000	0.05
Expired	(1,075,000)	0.28
Balance – December 31, 2015 – Outstanding	5,020,000	$ 0.21
Balance – December 31, 2015 – Exercisable	4,920,000	$ 0.21

As of December 31, 2015, the following options were outstanding:

Expiry Date		Number of Options Outstanding	Exercise Price
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
June 3, 2018		200,000	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
March 2, 2020		1,740,000	0.06
August 31, 2020		550,000	0.05
		5,020,000	$ 0.21

** These options have since expired

NOTE 9 – 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, 2016 with monthly rent of $1,155. The following is a summary of the future lease commitments:

Fiscal 2016	$ 13,860
Fiscal 2017	$ 3,465

The Company had 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 had 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.

Both of the above noted consulting agreements have been terminated, however, the provisions with respect to financing fees that will be become payable should certain financing arrangements take place will remain in effect for a period of two years from the date of the termination of the respective agreements, being January, 2017.

Under the terms of a service contract between the Company and the former CEO of the Company, the Company has agreed to 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 10 – 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, 2015
Cash	$ 10,793	-	-	$ 10,793

The fair value of the Company's 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 does not have any significant exposure to credit risk.

b) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

c) Commodity price risk
The ability of the Company to develop its 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 10 – FINANCIAL INSTRUMENTS (cont'd)

d) Sensitivity analysis
The Company has, for accounting purposes, designated its cash as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities which are measured at amortized cost. As at December 31, 2015, 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, 2015, 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 11 - MANAGEMENT OF CAPITAL RISK

The Company manages its cash, common shares, stock options and warrants as capital (Note 8). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral business and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

There has been no change in the Company's management of capital risk during the nine months ended December 31, 2015.