



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

**June 30, 2023**

**CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

**CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

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

**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

	Note	June 30, 2023	March 31, 2023
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 56,250	\$ 183,456
Other receivables		8,698	7,899
Prepaid expenses	5	22,655	40,745
Investments	9	10,709	17,667
		98,312	249,767
<b>Non-current</b>			
Equipment	6	130,410	135,844
Investments	9	331,979	547,677
Technology license	4	273,040	276,913
		735,429	960,434
		\$ 833,741	\$ 1,210,201
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 334,312	\$ 44,442
Convertible debentures	10	1,571,367	1,527,916
Due to related parties	7	-	-
		1,905,679	1,572,358
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	8	23,563,179	23,563,179
Reserves	8	4,803,809	4,803,809
Deficit		(29,438,926)	(28,729,145)
		(1,071,938)	(362,157)
		\$ 833,741	\$ 1,210,201

Corporate information and nature of operations (Note 1)

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

**Approved on behalf of the Board:**

/s/ Rod C. McKeen  
Rod C. McKeen – Director

/s/ Andrew Morden  
Andrew Morden – Director

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

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

	Note	For the three months ended June 30	
		2023	2022
Expenses			
Amortization and depreciation	4,6	\$ 9,307	\$ -
Consulting fees	7	-	14,040
Director fees	7	22,500	22,800
Investor relations		14,188	25,945
Management fees and salaries	7	264,897	66,124
Office and general		13,574	10,965
Professional fees	7	27,865	104,438
Research costs	4	74,563	233,356
Transfer agent and filing fees		8,397	49,084
Travel and accommodation		15,314	10,539
		<u>(450,605)</u>	<u>(537,291)</u>
Interest and accretion expense	10	(77,620)	-
Foreign exchange gain		41,100	700
Fair value loss on investments	9	(222,656)	-
		<u>(259,176)</u>	<u>700</u>
Net loss and comprehensive loss for the period		<u>\$ (709,781)</u>	<u>\$ (536,591)</u>
Basic and diluted earnings (loss) per share		<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding - basic and diluted		<u>70,194,437</u>	<u>70,194,437</u>

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

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

	Note	Number of shares	Amount	Reserves	Deficit	Total shareholders' equity (deficiency)
<b>Balance as at March 31, 2022</b>		70,194,437	\$ 23,563,179	\$ 4,707,556	\$ (26,636,087)	\$ 1,634,648
Share-based payments		-	-	-	-	-
Net loss and comprehensive loss		-	-	-	(536,591)	(536,591)
<b>Balance as at June 30, 2022</b>		70,194,437	23,563,179	4,707,556	(27,172,678)	1,098,057
Share-based payments		-	-	96,253	-	96,253
Net loss and comprehensive loss		-	-	-	(1,556,467)	(1,556,467)
<b>Balance as at March 31, 2023</b>		70,194,437	23,563,179	4,803,809	(28,729,145)	(362,157)
Share-based payments		-	-	-	-	-
Net loss and comprehensive loss		-	-	-	(709,781)	(709,781)
<b>Balance as at June 30, 2023</b>		<b>70,194,437</b>	<b>\$ 23,563,179</b>	<b>\$ 4,803,809</b>	<b>\$ (29,438,926)</b>	<b>\$ (1,071,938)</b>

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

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

		<b>For the three months ended June 30</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Cash provided by (used for):</b>			
<b>Operating activities</b>			
Net loss		\$ (709,781)	\$ (536,591)
Items not involving cash:			
Amortization and depreciation	4,6	9,307	-
Fair value loss (gain) on investments	9	222,656	-
Foreign exchange loss (gain)		41,100	-
Interest and accretion expense	10	77,620	-
Changes in non-cash working capital items:			
Other receivables		(799)	(3,401)
Prepaid expenses		18,090	10,975
Accounts payable and accrued liabilities		289,870	70,371
Due to related parties		-	108,643
Cash used in operating activities		(51,937)	(350,003)
Effect of exchange rate changes on cash		(75,269)	-
<b>Net increase (decrease) in cash</b>		<b>(127,206)</b>	<b>(350,003)</b>
<b>Cash - beginning of the period</b>		<b>\$ 183,456</b>	<b>\$ 828,194</b>
<b>Cash - end of the period</b>		<b>\$ 56,250</b>	<b>\$ 478,191</b>

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

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

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**NOTE 1 – CORPORATE INFORMATION AND NATURE OF OPERATIONS**

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

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

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

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

**NOTE 2 – BASIS OF PREPARATION**

**Statement of Compliance**

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

**Basis of Measurement**

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

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

**Principles of Consolidation**

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

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

### **Continuance of Operations**

These consolidated financial statements are prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future and do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company has not generated revenue from operations. The Company incurred a net loss of \$709,781 for the three months ended June 30, 2023, and as at that date the Company's accumulated deficit was \$29,438,926. The Company does not generate any cashflow from operations to fund its future activities and has relied principally upon the issuance of securities to fund its operating and administrative expenditures. The Company issued US\$1,150,000 principal value unsecured convertible debentures due August 2, 2023 (see Note 14).

Purdue has the right to declare the Company in default under the Technology License if the Company has not secured US\$5 million in funding by September 30, 2023, at which time the Company would have ten days to either cure the default or the Technology License would be terminated.

If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

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

### **Foreign Currency Translation**

These consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue, and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the period-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the period-end date and the related translation differences are recognized in profit or loss.

Foreign denominated monetary assets and liabilities are translated to their Canadian-dollar equivalents using foreign exchange rates that prevailed at the statement of financial position date. Non-monetary items that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently valued. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined, and the related translation differences are recognized in profit or loss or other comprehensive income (loss) consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

### **Cash and Cash Equivalents**

Cash equivalents consist of highly liquid investments with maturities of three months or less when acquired which are readily convertible into cash. As at June 30, 2023, the Company did not hold any cash equivalents.

### **NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **Impairment of Non-Financial Assets**

At each reporting period the carrying amounts of the Company's non-financial assets are reviewed for indicators of impairment. If indicators exist, the recoverable amount of the asset is estimated.

For purposes of assessing impairment, assets 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.

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

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

#### **Research and development**

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

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

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

Subsequent to initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. At June 30, 2023, the Company has not recognized any internally-generated intangible assets and had recorded all expenditures incurred as research costs.

#### **Intangible assets**

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

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

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

### **NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **Intangible assets (cont'd)**

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

Amortization of the intellectual property commenced in fiscal 2023 using the straight-line method over the 20-year remaining term of the Technology License.

#### **Equipment**

Equipment is measured at cost less accumulated depreciation and impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, if applicable.

Depreciation is recognized using the following rates/terms, intended to depreciate the cost of equipment, less its residual values, if any, over its estimated useful lives:

- Research equipment – straight line method over 7 years.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repair and maintenance costs are charged to profit or loss during the period they are incurred. Any gain or loss on the disposal or retirement of equipment is recognized in profit or loss.

#### **Financial instruments**

##### **(i) Financial assets**

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

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

##### **Financial assets at FVTPL**

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the consolidated statement of loss and comprehensive loss in the period in which they arise (see Note 11).

##### **Financial assets at FVTOCI**

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

### **NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **Financial instruments (cont'd)**

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

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

#### (ii) Financial liabilities

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

#### (iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables the Company has no material loss allowance as at June 30, 2023.

#### (iv) Compound financial instruments

Compound financial instruments issued by the Company are comprised of convertible debentures that can be converted to share capital at the option of the holder (subject to certain restrictions as detailed in Note 10), and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

#### (v) Embedded derivatives

Embedded derivatives are contained in non-derivative host contracts and are treated as separate derivatives when they meet the definition of a derivative, and their risks and characteristics are not closely related to those of the host contracts. Embedded derivatives are recorded at fair market value with mark-to-market adjustments recorded in profit or loss. The Company's convertible debentures denominated in foreign currency are considered host contracts for the embedded derivatives.

Refer to Note 11 for details of the classification of the Company's financial assets and liabilities.

### **NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **Share Capital**

##### Unit Offerings

The Company utilizes 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 reserves to share capital.

#### **Loss Per Share**

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

Basic and diluted loss per share is the same in periods where the Company recognizes a net loss, as the inclusion of common share equivalents would be anti-dilutive.

#### **Share-based Compensation**

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in reserves, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with no vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders the service.

All equity-settled share-based payments are reflected in the reserves, until exercised. Upon exercise, shares are issued from the treasury and the amount reflected in reserves 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.

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.

### **NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **Income Taxes (cont'd)**

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.

#### **Use of estimates and critical judgments**

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

##### **(i) Estimates**

The determination of the fair value of stock options, warrants, and derivative conversion options using stock pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

Estimating the fair value of the derivative conversion feature requires determining the most appropriate valuation model which is dependent on the terms and conditions of the issuance. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the derivative, expected share price volatility, risk-free interest rate, expected dividend yield, probability of the Qualified Public Offering (Note 10) and making assumptions about them.

The estimated useful lives of equipment and intangible assets are reviewed by management and adjusted if necessary. To estimate their useful life, management must use its past experience with the same or similar assets, review industry practices for similar pieces of equipment and/or apply statistical methods to assist in its determination of useful life.

##### **(ii) Judgments**

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

The assessment of the Company's ability to continue as a going concern as discussed in Note 1 involves judgment regarding future funding available for its operations and working capital requirements.

Judgment is used in assessing the likelihood of the Company completing a Qualified Public Offering prior to the maturity date of convertible debentures outstanding (Note 10).

Judgement is used in assessing evidence that could indicate impairment of property, plant and equipment, or intangible assets, resulting from increases in anticipated costs, or changes in anticipated cash flows.

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

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

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

	<b>For the three months ended</b>	
	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Consulting	\$ 74,563	\$ 36,664
Legal and other	-	3,222
LAD Chromatography	-	193,470
	<u>\$ 74,563</u>	<u>\$ 233,356</u>

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

In consideration for acquisition of the Technology License, the Company issued 1,000,000 fully paid shares to a nominee of Hasler Ventures LLC at a fair value of \$300,000 (Note 8) and paid cash consideration of \$9,833. The Technology License is an intangible asset and is amortized over the 20-year term of the license.

<b>Cost - Technology license</b>	
Balance, March 31, 2022	\$ 309,833
Additions	-
Balance, March 31, 2023	\$ 309,833
Additions	-
Balance, June 30, 2023	<u>\$ 309,833</u>
<b>Accumulated amortization</b>	
Balance, March 31, 2022	\$ -
Amortization	32,920
Balance, March 31, 2023	\$ 32,920
Amortization	3,873
Balance, June 30, 2023	<u>\$ 36,793</u>
<b>Net book value, March 31, 2023</b>	<b>\$ 276,913</b>
<b>Net book value, June 30, 2023</b>	<b>\$ 273,040</b>

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

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

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

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

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**NOTE 5 – PREPAID EXPENSES**

	<b>June 30,</b>		<b>March 31,</b>
	<b>2023</b>		<b>2023</b>
Insurance	\$ 14,993	\$	9,500
Investor relations	4,602		21,704
Consulting and other	3,060		9,541
	<u>\$ 22,655</u>	\$	<u>40,745</u>

**NOTE 6 – EQUIPMENT**

<b>Cost - Research equipment</b>	
Balance, March 31, 2022	\$ 152,146
Additions	-
Balance, March 31, 2023	\$ 152,146
Additions	-
Balance, June 30, 2023	<u>\$ 152,146</u>
<b>Accumulated amortization</b>	
Balance, March 31, 2022	\$ -
Depreciation	16,302
Balance, March 31, 2023	\$ 16,302
Depreciation	5,434
Balance, June 30, 2023	<u>\$ 21,736</u>
<b>Net book value, March 31, 2023</b>	<b><u>\$ 135,844</u></b>
<b>Net book value, June 30, 2023</b>	<b><u>\$ 130,410</u></b>

**NOTE 7 – RELATED PARTY TRANSACTIONS**

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

- a) During the three months ended June 30, 2023, \$Nil (2022 - \$36,000) was charged by a private company controlled by the former Chief Executive Officer of the Company for management and consulting fees. At June 30, 2023 \$Nil (March 31, 2023 – Nil) was owed to this company.
- b) During the three months ended June 30, 2023, \$119,875 (2022 - \$Nil) was incurred in management fees and salaries to the Chief Executive Officer of the Company. At June 30, 2023 \$107,390 (March 31, 2023 – Nil) was owed to this person (see Note 14).
- c) During the three months ended June 30, 2023, \$80,568 (2022 - \$25,020) was charged by a private company controlled by the Chief Financial Officer of the Company for management and consulting fees. At June 30, 2023 \$80,568 (March 31, 2023 – Nil) was owed to this company.
- d) During the three months ended June 30, the Company incurred \$Nil (2022 - \$12,000) of accounting and consulting fees to a company of which the Company's former CFO is a shareholder.. At June 30, 2023 \$Nil (March 31, 2023 – Nil) was owed to this company.
- e) During the three months ended June 30, 2023, the Company incurred \$64,454 (2022 - \$32,766) of management and consulting fees to a private company controlled by a director of the Company. At June 30, 2023 \$63,080 (March 31, 2023 – Nil) was owed to this company (see Note 14).

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

- f) During the three months ended June 30, 2023, \$Nil (2022 - \$Nil) was charged by a private company controlled by a director of the Company for marketing and consulting fees. At June 30, 2023 \$Nil (March 31, 2023 – Nil) was owed to this company.
- g) During the three months ended June 30, 2023, \$22,500 (2022 - \$22,800) was incurred to independent directors for director fees. At June 30, 2023 \$22,500 (March 31, 2023 – Nil) was owed to directors.

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

**NOTE 8 – SHARE CAPITAL**

**Authorized share capital**

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

**Fiscal 2024**

There were no common shares issued during the three months ended June 30, 2023.

**Fiscal 2023**

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

**Warrants**

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

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

As of June 30, 2023, the following warrants were outstanding:

Expiry Date	Number of warrants outstanding and exercisable	Exercise Price
August 25, 2023 <sup>(a)</sup>	5,005,849	0.20
	5,005,849	\$ 0.20

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

As at June 30, 2023, the weighted average remaining life of the outstanding warrants is 0.15 years (March 31, 2023 – 0.40 years).

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**NOTE 8 – SHARE CAPITAL (cont'd)**

**Stock Options**

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

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

	Number of Stock Options	Weighted Average Exercise Price
Balance – March 31, 2022	5,894,028	\$ 0.20
Granted	1,859,000	0.09
Expired/cancelled	(1,052,778)	0.14
Balance – March 31, 2023	6,700,250	\$ 0.175
Balance – June 30, 2023 – Outstanding and exercisable	6,700,250	\$ 0.175

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

Expiry Date	Number of Stock Options Outstanding	Exercise Price
August 3, 2023 <sup>(a)</sup>	100,000	0.125
April 18, 2024	40,000	0.10
July 8, 2024	657,500	0.185
January 26, 2025	100,000	0.095
May 25, 2025	1,500,000	0.105
July 22, 2025	390,000	0.195
September 18, 2025	1,000,000	0.33
March 29, 2026	493,750	0.415
August 18, 2026	500,000	0.17
December 7, 2026	60,000	0.105
October 24, 2027	1,859,000	0.09
	6,700,250	\$ 0.175

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

As at June 30, 2023, the weighted average remaining life of the outstanding and exercisable options is 2.54 years (March 31, 2023 – 2.92 years).

## **NOTE 9 – INVESTMENTS**

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

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

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

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

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

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

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

As at June 30, 2023, the 150,000 shares of ACDC designated as free trading (the "Trading Shares") were carried at a fair value of \$10,709 (\$0.071 per share), and are presented as a current asset on the consolidated statement of financial position. The Restricted Shares were carried at a fair value of \$331,979 (\$0.071 per share), however, the Restricted Shares are presented as a non-current asset due to the fact that the escrow provisions restrict the Company's ability to sell the Restricted Shares within twelve months.

As at June 30, 2023, no value was attributed to the performance rights as management of the Company has determined that there is insufficient support for whether ACDC will achieve either of the performance milestones.

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

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**NOTE 9 – INVESTMENTS (cont'd)**

	Current Asset (\$)	Non-current Asset (\$)	Total (\$)
<b>Cost</b>			
March 31, 2022	-	31,746	31,746
Allocation	992	(992)	-
<b>March 31, 2023</b>	<b>992</b>	<b>30,754</b>	<b>31,746</b>
Additions	-	-	-
<b>June 30, 2023</b>	<b>992</b>	<b>30,754</b>	<b>31,746</b>
<b>Fair value</b>			
March 31, 2022	-	441,840	441,840
Allocation	13,808	428,033	441,840
Unrealized gain (loss)	3,860	119,645	123,504
<b>March 31, 2023</b>	<b>17,667</b>	<b>547,677</b>	<b>565,344</b>
Unrealized gain (loss)	(6,958)	(215,698)	(222,656)
<b>June 30, 2023</b>	<b>10,709</b>	<b>331,979</b>	<b>342,688</b>

**NOTE 10 – CONVERTIBLE DEBENTURES (see Note 14)**

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

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

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

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

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

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

As a result, the recorded liability to repay the convertible debentures is lower than its face value. Using the effective interest rate method, the convertible debentures are accreted up to their face value over the term of the convertible debentures. The Company recorded accretion and interest expense (net of amortization of the deferred financing charge (liability)) totaling \$77,620 and a foreign exchange adjustment of \$(34,169) for the three months ended June 30, 2023 (2022 - \$nil).

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

A reconciliation of the convertible debenture liability is as follows:

Balance, March 31, 2022	\$	-
Proceeds on issuance of convertible debenture		1,285,400
Allocation of transaction costs		(32,136)
Interest expense and accretion		207,081
Foreign exchange adjustment		67,571
<b>Balance, March 31, 2023</b>	<b>\$</b>	<b>1,527,916</b>
Interest expense and accretion		77,620
Foreign exchange adjustment		(34,169)
<b>Balance, June 30, 2023</b>	<b>\$</b>	<b>1,571,367</b>

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;  
and

Level 3 – Inputs that are not based on observable market data.

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

The fair value of the Company's accounts payable and accrued liabilities, due to related parties and convertible debentures' approximates their carrying values due to the short-term nature of these instruments. The Company's financial instruments are exposed to certain financial risks including credit risk, liquidity risk, and commodity-price risk.

a) Credit risk

The Company's cash is held in a major Canadian financial institution. The Company does not have any significant exposure to credit risk.

b) Liquidity risk

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

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

c) Commodity price risk

The ability of the Company to develop its business and the future profitability of the Company are directly related to the market price of several commodities. The Company has not hedged any potential future commodity sales. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

d) Sensitivity analysis

The Company has, for accounting purposes, designated its cash as FVTPL. Accounts payable and accrued liabilities, and amounts due to related parties, and convertible debt are measured at amortized cost, and derivative conversion feature at FVTPL. As at June 30, 2023, the carrying and fair value amounts of the Company's financial instruments approximate each other.

Based on management's knowledge and experience of the financial markets and the fact that interest to be accrued and paid on the convertible debentures is at a fixed rate of 5%, management does not believe that the Company's current financial instruments will be affected significantly by interest rate risk. The convertible debentures are denominated in US dollars and therefore the Company's current financial instruments do result in a foreign currency risk, which the Company seeks to mitigate by holding cash in US dollars. Commodity price risk could, however, affect the Company. In particular, the Company's future profitability and viability of development depends upon world markets for natural resources. As of June 30, 2023, the Company was not a producing entity. As a result, commodity price risk could affect the completion of future financing transactions such as equity offerings, exercise of stock options and warrants, and debt or convertible debt to finance project development. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken.

**NOTE 12 – SEGMENTED INFORMATION**

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

<b>June 30, 2023</b>	<b>Canada</b>	<b>United States</b>	<b>United Kingdom</b>
Equipment	\$ -	\$ 130,410	\$ -
Investments	331,979	-	-
ogy license	-	273,040	-
<b>Total</b>	<b>\$ 331,979</b>	<b>\$ 403,450</b>	<b>\$ -</b>
<b>March 31, 2023</b>	<b>Canada</b>	<b>United States</b>	<b>United Kingdom</b>
Equipment	\$ -	135,844	\$ -
Investments	547,677	-	-
ogy license	-	276,913	-
<b>Total</b>	<b>\$ 547,677</b>	<b>\$ 412,757</b>	<b>\$ -</b>

### **NOTE 13 – MANAGEMENT OF CAPITAL**

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

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may look to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing business development efforts, the Company does not currently pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments issued by a major Canadian chartered bank. The Company is not subject to externally imposed capital requirements except as disclosed in Note 10.

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

### **NOTE 14 – SUBSEQUENT EVENTS**

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

On August 28, 2023, the Company announced the appointment of Gabriel Alonzo-Mendoza as Interim CEO and the resignations of Mr. Alfredo Ramos Plasencia as Chief Executive Officer and Director and Dr. Kurt Forrester as Chief Technical Officer and Director. Both Mr. Ramos and Dr. Forrester will remain available to Medallion in advisory roles.