MEDALLION RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

June 30, 2020

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.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note		June 30, 2020		March 31, 2020
			(Unaudited)		(Audited)
ASSETS					
Current					
Cash		$	329,603	$	138,104
Other receivables			4,890		6,213
Prepaid expenses	6		5,513		21,208
		$	340,006	$	165,525
LIABILITIES					
Current					
Accounts payable and accrued liabilities			190,390		101,866
Due to related parties	7		256,561		214,200
Promissory notes payable	7		20,000		20,000
			466,951		336,066
SHAREHOLDERS' EQUITY (DEFICIT)					
Share capital	8		19,515,293		19,321,993
Reserves	8		4,470,596		4,245,042
Deficit			(24,112,834)		(23,737,576)
			(126,945)		(170,541)
		$	340,006	$	165,525

Events After the Reporting Period (Note 11)

These consolidated financial statements were authorized for issue by the Board of Directors on August 31, 2020.

Approved on behalf of the Board:

/s/ Donald M. Lay	***/s/ Andrew Morden***
Donald M. Lay – Director	Andrew Morden – Director

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

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

	Note	2020	2019
Expenses			
Consulting fees	7	$ 102,877	$ 104,339
Investor relations		16,325	19,700
Management fees	7	55,135	37,696
Office and general		3,976	33,648
Professional fees	7	8,489	10,410
Project investigation	4	11,428	62,808
Rent	7	4,175	3,975
Transfer agent and filing fees		3,999	9,614
Share-based compensation	7,8	168,854	35,496
		(375,258)	(317,686)
Other items			
Government assistance	5	-	60,800
		-	60,800
Net loss and comprehensive loss for the period		$ (375,258)	$ (256,886)
Basic and diluted loss per share		$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding		46,463,758	38,297,765

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

MEDALLION RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Expressed in Canadian dollars)

		Share capital		Reserves				
	Note	Number of shares	Amount	Warrants	Contributed surplus	Total	Deficit	Total shareholders' equity
Balance as at March 31, 2019 (Audited)		37,855,472	$ 18,610,174	$ 948,900	$ 2,959,809	$ 3,908,709	$ (22,543,649)	$ (24,766)
Shares issued on:								
Private placement	8	410,167	27,394	9,521	-	9,521	-	36,915
Warrants exercised	8	418,000	83,026	(21,246)	-	(21,246)	-	61,780
Finders' warrants	8	-	-	976	-	976	-	976
Share issuance costs		-	(2,459)	-	-	-	-	(2,459)
Share-based compensation		-	-	-	35,496	35,496	-	35,496
Net loss and comprehensive loss		-	-	-	-	-	(256,886)	(256,886)
Balance as at June 30, 2019 (Unaudited)		38,683,639	18,718,135	938,151	2,995,305	3,933,456	(22,800,535)	(148,944)
Shares issued on:								
Private placement	8	-	207	(207)		(207)	-	-
Private placement	8	5,372,572	420,009	144,111	-	144,111	-	564,120
Private placement	8	2,197,657	174,122	56,632	-	56,632	-	230,754
Warrants exercised	8	100,000	44,849	(29,849)	-	(29,849)	-	15,000
Finders' warrants	8	-	-	9,982	-	9,982	-	9,982
Share issuance costs		-	(35,329)	-	-	-	-	(35,329)
Share-based compensation		-	-	-	130,917	130,917	-	130,917
Expiry of warrants		-	-	(4,680)	4,680	-	-	-
Net loss and comprehensive loss		-	-	-	-	-	(937,041)	(937,041)
Balance as at March 31, 2020 (Audited)		**46,353,868**	**19,321,993**	**1,114,140**	**3,130,902**	**4,245,042**	**(23,737,576)**	**(170,541)**
Shares issued on:								
Private placement	8	2,500,000	193,300	56,700	-	56,700	-	250,000
Share-based payments	8	-	-	-	168,854	168,854	-	168,854
Net loss and comprehensive loss		-	-	-	-	-	(375,258)	(375,258)
Balance as at June 30, 2020 (Unaudited)		**48,853,868**	**$ 19,515,293**	**$ 1,170,840**	**$ 3,299,756**	**$ 4,470,596**	**$ (24,112,834)**	**$ (126,945)**

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

MEDALLION RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THREE MONTHS ENDED JUNE 30
(Expressed in Canadian dollars; Unaudited)

		2020		2019
Cash provided by (used for):				
Operating activities				
Net loss	$	(375,258)	$	(256,886)
Items not involving cash:				
Share-based compensation		168,854		35,496
Changes in non-cash working capital items:				
Other receivables		1,323		(5,024)
Prepaid expenses		15,695		3,325
Accounts payable and accrued liabilities		88,524		(9,972)
Due to related parties		42,361		(23,413)
Cash (used in) operating activities		(58,501)		(256,474)
Financing activities				
Issuance of share capital and warrants exercised		250,000		98,695
Subscription received		-		(1,483)
Cash provided by financing activities		250,000		97,212
Net increase (decrease) in cash		191,499		(159,262)
Cash - beginning of the period		138,104		269,010
Cash - end of the period	$	329,603	$	109,748
Supplemental cash flow information:				
Interest paid	$	3,353	$	5,278
Non-cash investing and financing activities:				
Issuance of finders' warrants	$	-	$	976

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

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 condensed consolidated interim statements of comprehensive loss.

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

NOTE 2 – BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance and compliance with International Accounting Standards ("IAS") 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 condensed consolidated interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's, and its subsidiary'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 valuation allowance on deferred 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.

Principles of Consolidation

These condensed consolidated interim 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 on consolidation.

(Unaudited; expressed in Canadian dollars)

NOTE 2 – BASIS OF PREPARATION (cont'd)

Continuance of Operations

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

The Company has not generated revenue from operations. The Company incurred a net loss of $375,258 for the three months ended June 30, 2020 and as of that date the Company's accumulated deficit was $24,112,834. 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. 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 may cast significant doubt upon the Company's ability to continue as a going concern.

Starting in March 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, amongst others, could have a significant impact on the Company's operations.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statements for the year ended March 31, 2020. These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended March 31, 2020. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three-month period ended June 30, 2020 are not necessarily indicative of the results that may be expected for the current fiscal year ending March 31, 2021.

NOTE 4 – 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 products:

	For the three months ended June 30	
	2020	**2019**
Consulting	$ 10,225	$ 3,588
Process testing	1,203	59,220
	$ 11,428	$ 62,808

(Unaudited; expressed in Canadian dollars)

NOTE 5 – GOVERNMENT ASSISTANCE

Government assistance relates to the recovery of a portion of eligible expenditures on expenses from various government authorities and are recorded in the period in which they are received. During the three months ended June 30, 2020, the Company received government assistance in the amount of $Nil (2019 - $60,800) as a recovery of certain process testing and consulting expenditures incurred during the period, which were recorded as Project Investigation expenses (Note 4).

NOTE 6 – PREPAID EXPENSES

Prepaid expenses consist of:

		June 30, 2020		March 31, 2020
Insurance	$	5,513	$	7,875
Consulting		-		13,333
	$	5,513	$	21,208

NOTE 7 – RELATED PARTY TRANSACTIONS

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

a) During the three months ended June 30, 2020, $36,000 (2019 - $36,000) was charged by a private company controlled by a director of the Company, Don Lay, for management and consulting fees. At June 30, 2020, $239,400 (March 31, 2020 - $214,200) was owed to this company on account of management and consulting fees.

b) Effective October 1, 2018 the Company began accruing interest owed to a private company controlled by a director of the Company, Don Lay, on account of management and consulting fees owed at an interest rate of prime plus 3.00%. During the three months ended June 30, 2020, $3,082 (2019 - $4,485) was paid to this company on account of interest. At June 30, 2020, $Nil (March 31, 2020 - $Nil) was owed to this company on account of interest.

c) During the three ended June 30, 2020, the Company incurred $4,175 (2019 – $3,975) in rent in connection with an office sub-lease the Company entered into with a company owned by a director of the Company, David Haber. At June 30, 2020, $Nil (March 31, 2020 - $Nil) was owed to this company.

d) During the three months ended June 30, 2020, the Company incurred $7,100 (2019 - $15,900) of consulting fees to a company owned by the Chief Financial Officer ("CFO") of the Company. At June 30, 2020, a total of $Nil (March 31, 2020 – $Nil) was owed to the company owned by the CFO.

e) As at June 30, 2020, a principal amount of $20,000 (March 31, 2020 – $20,000) was outstanding on the promissory notes bearing interest at a rate of prime plus 3.00%. During the three months ended June 30, 2020 interest totaling $272 (2019 - $693) was paid on the promissory notes.

f) During the three months ended June 30, 2020, $17,161 (2019 - $Nil) was charged by a private company controlled by the Chief Executive Officer, Mark Saxon, of the Company for management and consulting fees. At June 30, 2020, $17,161 (March 31, 2020 - $Nil) was owed to this company on account of management and consulting fees.

g) On May 25, 2020, 1,100,000 stock options were granted to the Chief Executive Officer of the Company, Mark Saxon, with an exercise price of $0.105. The options are exercisable for 5 years, vested immediately and had a fair value of $123,827.

NOTE 8 – SHARE CAPITAL

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

a) On April 9, 2019, the Company completed the second and final tranche of a private placement financing consisting of 410,167 units at $0.09 per unit for gross proceeds of $36,915. Each unit consists of one common share and one half common share purchase warrant, with each warrant exercisable to acquire one common share for 3 years at an exercise price of $0.15. Cash proceeds from the private placement were allocated as $27,601 and $9,314, 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 share issuance costs of $6,280 cash and issued 16,480 finders' warrants (valued at $1,095) each exercisable to acquire a common share at a price of $0.09 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 the unit warrants with the use of the Black-Scholes option pricing model with the following assumptions: term of 3 years, dividend yield of 0%, expected volatility of 129% and a risk free interest rate of 1.60%. In addition, the Company calculated the fair value of the finders' 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 129% and a risk free interest rate of 1.60%.

b) On August 23, 2019 the Company completed the first tranche of a private placement financing consisting of 5,372,572 units at $0.105 per unit for gross proceeds of $564,120. Each unit consists of one common share and one half common share purchase warrant, with each warrant exercisable to acquire one common share for 3 years at an exercise price of $0.165. Cash proceeds from the private placement were allocated as $420,009 and $144,111, 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 share issuance costs of $18,830 cash and issued 164,686 finders' warrants (valued at $9,629) each exercisable to acquire a common share at a price of $0.165 per share for a period of 3 years from closing. In accordance with the Company's accounting policy in regards to unit bifurcation, the Company calculated the relative fair value of the unit warrants with the use of the Black-Scholes option pricing model with the following assumptions: term of 3 years, dividend yield of 0%, expected volatility of 127% and a risk free interest rate of 1.41%. In addition, the Company calculated the fair value of the finders' 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 127% and a risk free interest rate of 1.41%.

c) On October 9, 2019 the Company completed the second and final tranche of a private placement financing consisting of 2,197,657 units at $0.105 per unit for gross proceeds of $230,754. Each unit consists of one common share and one half common share purchase warrant, with each warrant exercisable to acquire one common share for 3 years at an exercise price of $0.165. Cash proceeds from the private placement were allocated as $174,122 and $56,632, 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 share issuance costs of $1,720 cash and issued 4,000 finders' warrants (valued at $234) each exercisable to acquire a common share at a price of $0.165 per share for a period of 3 years from closing. In accordance with the Company's accounting policy in regards to unit bifurcation, the Company calculated the relative fair value of the unit warrants with the use of the Black-Scholes option pricing model with the following assumptions: term of 3 years, dividend yield of 0%, expected volatility of 128% and a risk free interest rate of 1.59%. In addition, the Company calculated the fair value of the finders' 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 128% and a risk free interest rate of 1.59%.

(Unaudited; expressed in Canadian dollars)

NOTE 8 – SHARE CAPITAL (cont'd)

d) On June 26, 2020, the Company completed a non-brokered private placement (the "Private Placement") issuing 2,500,000 units ("Units") at a price of $0.10 per Unit for aggregate gross proceeds of $250,000. Each Unit consisted of one common share of the Company and one-half transferable common share purchase warrant. Each warrant is exercisable for one common share of the Company at a price of $0.15 for two years from the date of issuance. The warrants were ascribed a value of $56,700 under the Black-Scholes valuation model with the residual being allocated to share capital. In accordance with the Company's accounting policy in regards to unit bifurcation, the Company calculated the relative fair value of the unit warrants with the use of the Black-Scholes option pricing model with the following assumptions: term of 2 years, dividend yield of 0%, expected volatility of 114% and a risk free interest rate of 0.29%.

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance - March 31, 2019	16,159,667	0.20
Issued	4,175,365	0.16
Exercised	(518,000)	0.15
Expired	(40,000)	0.16
Balance - March 31, 2020	19,777,032	0.20
Issued	1,250,000	0.15
Exercised	(4,000)	0.10
Balance - June 30, 2020	21,023,032	0.18

As of June 30, 2020 the following warrants were outstanding:

Expiry Date	Number of Warrants Outstanding	Exercise Price
September 27, 2020	4,187,500	$ 0.32
March 9, 2021[(a)]	4,010,000	0.15
March 26, 2021[(b)]	28,000	0.09
April 9, 2021	16,480	0.09
April 24, 2021	506,000	0.15
July 25, 2021	1,000,000	0.15
August 15, 2021	2,138,000	0.20
September 15, 2021	408,667	0.20
March 26, 2022[(c)]	3,319,500	0.15
April 9, 2022	205,084	0.15
June 26, 2022	1,250,000	0.15
August 22, 2022[(d)]	2,850,972	0.165
October 9, 2022	1,102,829	0.165
	21,023,032	$ 0.18

[(a)] 210,000 warrants were subsequently exercised
[(b)] 12,000 warrants were subsequently exercised
[(c)] 305,000 warrants were subsequently exercised
[(d)] 278,400 warrants were subsequently exercised

(Unaudited; expressed in Canadian dollars)

NOTE 8 – SHARE CAPITAL (cont'd)

Warrants (cont'd)

As at June 30, 2020, the weighted average remaining life of the outstanding warrants is 1.21 years (March 31, 2020 – 1.41 years).

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, 2019	2,655,000	$ 0.18
Granted	1,259,028	0.17
Expired/cancelled	(377,500)	0.31
Balance – March 31, 2020	3,536,528	$ 0.16
Granted	1,500,000	0.105
Expired/cancelled	(607,500)	0.17
Balance – March 31, 2020 – Outstanding and exercisable	4,429,028	$ 0.16

On May 25, 2020, the Company granted 1,500,000 stock options to an officer and consultants of the Company with an exercise price of $0.105. The options are exercisable for 5 years, vested immediately and had a fair value of $168,854.

As of June 30, 2020, the following stock options were outstanding:

Expiry Date	Number of Stock Options Outstanding and Exercisable	Exercise Price
August 31, 2020[(a)]	12,500	$ 0.20
April 18, 2021	50,000	0.10
December 7, 2021	585,000	0.20
April 18, 2022	277,778	0.15
March 21, 2023	822,500	0.13
August 3, 2023	250,000	0.13
April 18, 2024	67,500	0.10
July 8, 2024	863,750	0.185
May 25, 2025	1,500,000	0.105
	4,429,028	$ 0.11

[(a)] subsequently expired

(Unaudited; expressed in Canadian dollars)

NOTE 8 – SHARE CAPITAL (cont'd)

Stock Options (cont'd)

At June 30, 2020, the weighted average remaining life of the outstanding and exercisable options is 3.50 years (March 31, 2020 – 2.89 years).

The assumptions used in the Black Scholes Option Pricing Model to estimate the fair value of options were:

	2020	2019
Risk-free interest rate	1.33%	2.10%
Expected stock price volatility	163%	155%
Expected option life in years	5 years	5 years
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

NOTE 9 – FINANCIAL INSTRUMENTS

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.

	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance June 30, 2020
Cash	$ 329,603	$ -	$ -	$ 329,603

The fair value of the Company's accounts payable and accrued liabilities, due to related parties and promissory note payable 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.

NOTE 9 – FINANCIAL INSTRUMENTS (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, amounts due to related parties and promissory notes payable are measured at amortized cost. As at June 30, 2020, 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 June 30, 2020, 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 10 – 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 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 three months ended June 30, 2020.

NOTE 11 – EVENTS AFTER THE REPORTING PERIOD

On July 22, 2020, the Company granted 442,500 stock options to officers and directors of the Company that can be exercised at a price of $0.195 per share until July 22, 2025. The options vested immediately and were ascribed a value of $75,885.

On August 25, 2020 the Company completed a non-brokered private placement consisting of 10,666,667 units at $0.15 per unit (the Unit") for gross proceeds of $1,600,000 (the "Offering"). Each unit consisted of one common share and one-half transferable common share purchase warrant, with each warrant exercisable to acquire one common share for 3 years at an exercise price of $0.20. The Company paid finders' fees of $65,620 and granted 437,467 finders' options, each finders' option exercisable to acquire one common share at an exercise price of $0.25 until August 25, 2022. The warrants were ascribed a value of $437,233 under the Black-Scholes valuation model with the residual being allocated to share capital. In accordance with the Company's accounting policy in regards to unit bifurcation, the Company calculated the relative fair value of the unit warrants with the use of the

NOTE 11 – EVENTS AFTER THE REPORTING PERIOD (cont'd)

Black-Scholes option pricing model with the following assumptions: term of 3 years, dividend yield of 0%, expected volatility of 123.49% and a risk free interest rate of 1.53%.

The Company issued an aggregate of 805,400 common shares for gross proceeds of $124,266 pursuant to the exercise of warrants.

Subsequent to June 30, 2020, 12,500 stock options expired unexercised.