RARE EARTH
METALS INC

(A Development Stage Enterprise)

Consolidated Financial Statements

March 31, 2012 and 2011

(Stated in Canadian Dollars)

RARE EARTH METALS INC.
(A Development Stage Enterprise)

March 31, 2012

Index	**Page**

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rare Earth Metals Inc.

We have audited the accompanying consolidated financial statements of Rare Earth Metals Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position at March 31, 2012, March 31, 2011 and April 1, 2010 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rare Earth Metals Inc. and its subsidiaries as at March 31, 2012, March 31, 2011 and April 1, 2010 and their financial performance and their cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

De Visser Gray LLP

CHARTERED ACCOUNTANTS
Vancouver, BC
July 26, 2012

RARE EARTH METALS INC.
(A Development Stage Enterprise)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian Dollars)

As at	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
		(Note 12)	(Note 12)
ASSETS			
Current			
Cash	71,860	167,467	496,496
Short-term investments (Note 3)	2,169,517	7,470,664	9,836,024
Interest and other receivables	264,235	289,366	102,206
Prepaid expenses and deposits	28,722	26,557	14,098
Refundable security deposits (Note 10)	-	56,966	9,800
	2,534,334	8,011,020	10,458,624
Exploration and evaluation assets (Note 4)	2,980,656	2,335,583	1,573,758
Property and equipment (Note 5)	132,825	151,620	97,467
Total assets	5,647,815	10,498,223	12,129,849
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 7)	163,102	509,344	672,443
Deferred premium on flow-through shares	-	248,041	-
	163,102	757,385	672,443
SHAREHOLDERS' EQUITY			
Share capital (Note 6)	12,696,144	12,069,710	8,831,039
Reserves (Note 6)	5,941,673	5,251,877	4,807,379
Deficit	(13,153,104)	(7,580,749)	(2,181,012)
Total shareholders' equity	5,484,713	9,740,838	11,457,406
Total liabilities and shareholders' equity	5,647,815	10,498,223	12,129,849

Nature and Continuance of Operations (Note 1)
Commitments (Note 13)

These consolidated financial statements are authorized for issue by the Board of Directors on July 26, 2012. They are signed on the Company's behalf by:

"Michael Stares " Director

"Stephen Stares" Director

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

RARE EARTH METALS INC.
(A Development Stage Enterprise)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Stated in Canadian Dollars)

For the year ended March 31,	2012 $	2011 $ (Note 12)
Exploration costs (Note 4)	4,027,998	3,346,086
Expenses		
Depreciation	46,775	42,282
Consulting fees (Note 7)	63,278	77,627
Advertising and promotion	357,990	228,518
Listing, filing and transfer agent	76,269	62,438
Office and general	86,399	109,995
Professional fees	73,458	61,518
Rent	52,324	45,645
Share-based payments	668,616	1,243,715
Travel and accommodations	78,918	169,128
Wages and benefits	366,542	283,087
Part XII.6 tax expense	3,430	-
	1,873,999	2,323,953
Loss before the following:	(5,901,997)	(5,670,039)
Interest and investment income	107,277	59,812
Adjustment to fair value for fair value through profit and loss investments	(31,712)	33,405
Fees earned on mineral properties	-	2,258
Write-down of exploration and evaluation assets (Note 4)	(164,878)	(58,986)
Premium received for flow through shares	418,955	233,813
Loss and comprehensive loss for the year	(5,572,355)	(5,399,737)
Loss per share - basic and diluted	(0.07)	(0.07)
Weighted Average Shares Outstanding - basic and diluted	83,166,273	76,782,561

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

RARE EARTH METALS INC.
(A Development Stage Enterprise)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Stated in Canadian Dollars)

	Share capital		Reserves			
	Number of shares	Share capital	Warrants	Equity settled benefits	Deficit	Total
	#	$	$	$	$	$
Balance as at April 1, 2010 (Note 12)	73,530,134	8,831,039	4,423,960	383,419	(2,181,012)	11,457,406
Issued for cash:						
Private placements	4,015,448	1,847,106	-	-	-	1,847,106
Exercise of warrants	2,410,000	643,500	-	-	-	643,500
Exercise of options	100,000	30,000	-	-	-	30,000
Reclassified from exercise of warrants	-	926,098	(926,098)	-	-	-
Value of warrants issued to investors	-	(126,881)	126,881	-	-	-
Share issue costs	-	(151,416)		-	-	(151,416)
Deferred premium on flow-through shares	-	(481,854)	-	-	-	(481,854)
Share-based payments	-	-	-	1,243,715	-	1,243,715
Shares issued on property acquisitions	1,317,500	552,118	-	-	-	552,118
Comprehensive loss for the year	-	-	-	-	(5,399,737)	(5,399,737)
Balance at March 31, 2011	81,373,082	12,069,710	3,624,743	1,627,134	(7,580,749)	9,740,838
Issued for cash:						
Private placements	2,824,059	480,090	-	-	-	480,090
Value of warrants issued to investors	-	(21,180)	21,180	-	-	-
Share issue costs	-	(12,512)	-	-	-	(12,512)
Deferred premium on flow-through shares	-	(170,914)	-	-	-	(170,914)
Expiry of warrants	-	-	(3,497,862)	3,497,862	-	-
Shares issued on property acquisitions	1,665,000	350,950	-	-	-	350,950
Share-based payments	-	-	-	668,616	-	668,616
Comprehensive loss for the year	-	-	-	-	(5,572,355)	(5,572,355)
Balance at March 31, 2012	85,862,141	12,696,144	148,061	5,793,612	(13,153,104)	5,484,713

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

RARE EARTH METALS INC.
(A Development Stage Enterprise)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

For the year ended March 31,	2012 $	2011 $
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Loss for the year	(5,572,355)	(5,399,737)
Depreciation	46,775	42,282
Share-based payments	668,616	1,243,715
Adjustment to fair market value for investments	31,712	(33,405)
Write-down of exploration and evaluation assets	164,878	58,986
Recognized premium on flow-through shares	(418,955)	(233,813)
Decrease (increase) in interest and other receivables	25,131	(187,160)
Increase in prepaid expenses	(2,165)	(12,459)
Decrease (increase) in refundable security deposits	56,966	(47,166)
Decrease in accounts payable and accrued liabilities	(359,442)	(163,099)
Cash flows used in operating activities	(5,358,839)	(4,731,856)
FINANCING ACTIVITIES		
Proceeds from private placements, net of costs	467,578	1,695,690
Proceeds from exercise of stock options	-	30,000
Proceeds from exercise of warrants	-	643,500
Cash flows from financing activities	467,578	2,369,190
INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(445,801)	(268,693)
Acquisition of property and equipment	(27,980)	(96,435)
Net redemption of short-term investments	5,269,435	2,398,765
Cash flows from investing activities	4,795,654	2,033,637
Decrease in cash	(95,607)	(329,029)
Cash, beginning of year	167,467	496,496
Cash, end of year	71,860	167,467

Supplemental information (see note 11)

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

1. Nature and Continuance of Operations

Rare Earth Metals Inc. ("Rare Earth" or "the Company", formerly East Energy Corp., "East Energy") is a development stage public company in the business of the acquisition and exploration of mineral property interests and has not yet determined whether or not its properties contain ore reserves that are economically recoverable. The ability of the Company to meet its commitments as they become payable, including the completion of acquisitions, exploration and development of mineral properties and projects, is dependent on the ability of the Company to obtain necessary financing.

The accompanying financial statements have been prepared on the basis applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company's investment in exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop its properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has working capital in the amount of $2,371,232 (March 31, 2011: $7,253,635) and has a deficit in the amount of $13,153,104 (March 31, 2011: $7,580,749). The Company has not earned any revenues to date and is considered to be in the exploration stage.

2. Summary of Significant Accounting Policies

Statement of compliance and conversion to International Financial Reporting Standards

These are the Company's first set of International Financial Reporting Standards ("IFRS") consolidated annual financial statements to be presented in accordance with IFRS for the year ending March 31, 2012. Previously, the Company prepared its annual financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

The consolidated annual financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expenses. The measurement bases are more fully described in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

These consolidated financial statements including comparatives have been prepared on the basis of IFRS standards that are effective or available for early adoption on March 31, 2012, the Company's first annual reporting date.

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. They also have been applied in preparing an opening IFRS balance sheet at April 1, 2010 for the purposes of the transition to IFRS as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 12.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary REM Metals Corp.

All transactions and balances between the Company and its subsidiary are eliminated on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Business combinations

Business combinations that occurred prior to January 1, 2010 were not accounted for in accordance with IFRS 3, Business Combinations (“IFRS 3”) or IAS 27, Consolidated and Separate Financial Statements (“IAS 27”), as the Company in the transition year chose to apply the IFRS 1 exemption discussed in note 12.

For business combinations occurring after April 1, 2010, the requirements of IFRS 3 have been applied. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree’s financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately.

Investments in joint ventures

Entities whose economic activities are controlled jointly by the Company and other ventures independent of the Company (joint ventures) are accounted for using the proportionate consolidation method, whereby the Company’s share of the assets, liabilities, income and expenses is included line by line in the consolidated financial statements.

Unrealized gains and losses on transactions between the Company and its joint ventures are eliminated to the extent of the Company’s interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

Amounts reported in the financial statements of jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies of the Company.

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Flow-through financing

The Company raises equity through the issuance of flow-through shares. Under such an arrangement, shares are issued which transfer the tax deductibility of mineral property exploration expenditures to investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of the tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A deferred flow through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in the statement of loss and comprehensive loss. The spending can also give rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a specified period.

Property and equipment

Purchased property and equipment are carried at acquisition costs less subsequent depreciation and impairment losses.

Depreciation is recognized on a declining balance basis to recognize the cost of the item over its estimated useful life. The rates generally applicable are:

Computer equipment	30%
Computer software	100%
General and field equipment	20 - 30%
Office equipment and furniture	30%

Signs	20%
Vehicles	30%

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within “other income” or “other expenses”.

Provisions

Provisions are recognized when the Company or its subsidiary have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Contingent liabilities are not recognized in the financial statements, if not estimable and probable, and are disclosed in notes to the financial statements unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for the restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Impairment

At each financial position reporting date the carrying amounts of the Company’s assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair values less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value to their present value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating units to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment is recognized immediately in profit or loss.

Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity’s management, and (iii) for which discrete financial information is available. The Company has only one single reportable operating segment.

Share capital

Share capital represents the fair value of consideration received.

Operating expenses

Operating expenses are recognized in profit and loss upon utilization of the services or at the date of their origin.

Share-based payment transactions

The Company operates an equity-settled share-based remuneration plan for its employees, directors and consultants. None of the Company’s plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees’ services are determined indirectly by reference to the fair value of the equity instruments granted. The fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to ‘reserves’.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term investments, highly liquid investments that are readily convertible into known amounts or cash and which are subject to an insignificant risk of changes in value.

Exploration and evaluation assets

Exploration and evaluation assets include the costs associated with exploration and evaluation activity (e.g. geological, geophysical studies, exploratory drilling and sampling), and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or asset purchase. The Company follows the practice of capitalizing all costs related to the acquisition of mineral claims, expensing all costs relating to the exploration and evaluation of mineral claims, and crediting all revenue received against the acquisition cost of the claims, with any excess included in income. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of comprehensive loss.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation expenditures are expensed as incurred.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent of successful development and commercial exploration, or alternatively, sale of the respective areas of interest.

Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value adjusted by transaction costs and subsequently accounted for at amortized cost, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at fair value through profit or loss
- Held-to-maturity investments
- Available for sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within ‘office and general’ or ‘interest and investment income’, except for impairment of trade receivables which is presented within ‘other expenses’.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company’s deposits, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain criteria conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The Company's cash and short-term investments fall into this category of financial instruments.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company currently does not hold any investments designated into this category.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale investments

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company does not hold any available-for-sale financial assets.

All other available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'interest and investment income'.

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges, and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'office and general' or 'interest and investment income'.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment has been impacted. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterpart; or
- default of delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, deposits and prepayments, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly through the use of an allowance account. When an amount receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

The Company does not have any derivative instruments.

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. the recoverability of amounts receivable and deposits which are included in the consolidated statement of financial position

ii. the estimated useful lives of property and equipment which are included in the consolidated statement of financial position and the related depreciation included in the consolidated statement of comprehensive loss;

iii. the inputs used in accounting for share purchase option expense in the consolidated statement of comprehensive loss; and

iv. the provision for income taxes which is included in the consolidated statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the consolidated statement of financial position.

Recent accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not yet early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

a) Accounting Standards Issued and Effective January 1, 2013 or later

IFRS 9, *Financial Instruments*, replaces the current standard IAS 39, Financial Instruments: Recognition and Measurement, replacing current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 10, *Consolidated Financial Statements*, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard:

- Requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements

- Defines the principle of control, and establishes control as the basis for consolidated financial statements

- Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee: and

- Sets out the accounting requirements for the preparation of consolidated financial statements

IFRS 10 supercedes IAS 27 and SIC-12, Consolidation – Special Purpose Entities

IFRS 11, *Joint Arrangements*, establishes the core principle that a party to a joint arrangement determines the type of joint arrangements in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with the type of joint arrangement.

IFRS 12, *Disclosure of Involvement with Other Entities*, requires the disclosure of information that enables users of consolidated financial statements to evaluate the nature of and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13, *Fair Value Measurement*, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for the following:

- Share-based payment transactions within the scope of IFRS 2, Share-based Payment;

- Leasing transactions within the scope of IAS 17, Leases;

- Measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS2, Inventories, or value in use in IAS 36, Impairment Assets.

IAS 27, Consolidated and *Separate Financials Statements*, has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements

IAS 28, *Investments in Associates and Joint Ventures,* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associated or joint venture).

3. Short-term Investments

As at March 31, 2012 the Company had $2,169,517 (March 31, 2011: $7,470,664) in short-term investments consisting of cashable guaranteed investment certificates in major Canadian Banks, money market funds and bonds maturing from April 18, 2012 to September 10, 2012. The yields on these investments range from 1.50% to 5.29% per year.

These investments are fully liquid and available at the request of the Company, and accordingly they have been classified as a current asset in these consolidated financial statements.

4. Exploration and evaluation assets

The Company has capitalized the following acquisition costs of its mineral property interests during the years ended March 31, 2011 and March 31, 2012:

Mineral Interests	Hinton Coal $	Clay-Howells $	Springer $	Coldwell Complex $	Red Wine Complex $	Manitouwadge Graphite $	Other $	Total $
Balance, March 31, 2010	1,020,000	414,926	-	-	79,846	-	58,986	1,573,758
Acquisition costs for the year	-	9,117	-	122,002	678,648	-	11,044	820,811
Write-downs	-	-	-	-	-	-	(58,986)	(58,986)
Balance, March 31, 2011	1,020,000	424,043	-	122,002	758,494	-	11,044	2,335,583
Acquisition costs for the year	-	2,706	444,990	-	289,051	12,800	60,404	809,951
Write-downs	-	-	-	-	(164,878)	-	-	(164,878)
Balance, March 31, 2012	1,020,000	426,749	444,990	122,002	882,667	12,800	71,448	2,980,656

During the year ended March 31, 2012, the Company incurred the following exploration expenditures that were expensed as incurred:

Exploration Expenditures	Clay-Howells $	Springer $	Coldwell Complex $	Red Wine Complex $	Manitouwadge Graphite $	Other $	Total $
Prospecting	1,793	9,145	16,458	418,428	262	3,486	449,572
Geology	55,775	84,622	6,243	159,269	1,300	5,368	312,577
Geophysical	3,600	52,855	72,126	4,080	-	-	132,661
Trenching	-	-	-	3,627	-	-	3,627
Diamond drilling	296,270	1,133,736	-	1,688,550	-	-	3,118,556
Other	-	-	-	-	-	11,005	11,005
Exploration Expenditures for the year	357,438	1,280,358	94,827	2,273,954	1,562	19,859	4,027,998

During the period ended March 31, 2011, the Company incurred the following exploration expenditures that were expensed as incurred:

Exploration Expenditures	Clay-Howells $	Coldwell Complex $	Red Wine Complex $	Other $	Total $
Prospecting	246,628	16	728,821	29,133	1,004,598
Geology	96,926	325	217,067	20,592	334,910
Geophysical	26,960	1,625	97,969	400	126,954
Trenching	-	-	239,308	238	239,546
Diamond drilling	826,480	-	784,763	-	1,611,243
Other	4,170	500	803	23,362	28,835
Exploration Expenditures for the year	1,201,164	2,466	2,068,731	73,725	3,346,086

Hinton Coal Property

On June 25, 2008, the Company acquired 100% ownership in the Hinton Coal Property (the "Hinton Property") located in the Foothills Region of central Alberta for $1 million and a 5% net profits royalty on any sale of coal from the property. The $1 million purchase price was recorded as a mineral interest in accordance with the Company's accounting policy.

On July 16, 2008, the Company issued 50,000 common shares at a value of $20,000 as a finder's fee in conjunction with the above transaction.

The Company continues to own a 100% interest in the Hinton Coal property.

Clay-Howells Property

The Clay-Howells property consists of 45 patented claims (mining and surface) and is located 30 kilometres north-northeast of Kapuskasing, Ontario. During fiscal 2010, the Company entered into an agreement to acquire a 100% interest in the Clay-Howells property. Pursuant to the agreement, the Company exercised the option by paying the optionor an aggregate of $350,000. The optionor retains a 2-per-cent net smelter returns royalty ("NSR") and the Company has the right to purchase, at any time, one-half of the NSR in consideration for the payment of $1 million.

Coldwell Complex

During fiscal 2011, the Company completed the staking of 740 claim units located in the Coldwell Alkaline Complex in Northern Ontario.

Red Wine Complex

The Company has acquired, by an option agreement and staking, three properties: Mann #1 (37 claim units), Two Tom Lake (34 claim units) and Red Wine #2 (167 claim units acquired by staking) in Labrador. The properties are located in three separate claim groups located over a 30 kilometre length of the Red Wine Complex.

Mann #1, Two Tom Lake

Pursuant to an option agreement dated September 29, 2009 as amended November 3, 2009 between the Company and Roland Quinlan, Marilyn Quinlan, Andrew Quinlan and Eddie Quinlan (the “Mann Optionors”), the Company may acquire a 100% interest in the Mann # 1 and Two Tom Lake properties (the “Optioned Properties”). Pursuant to the agreement, in order to exercise the option and earn a 100% interest in the Optioned Properties, the Company must make the following payments and share issuances to the Mann Optionors: (a) within 60 days of the date of the agreement, pay $25,000 (paid) and issue 60,000 shares (issued); (b) pay $35,000 (paid) and issue 135,000 shares (issued) on or before September 29, 2010; (c) pay $45,000 (paid) and issue 135,000 shares (issued) on or before September 29, 2011; and (d) pay $70,000 and issue 170,000 shares on or before September 29, 2012.

Upon the Company exercising the option, the Mann Optionors will retain a 2% NSR in the Optioned Properties and beginning on September 29, 2014, the Company will issue 20,000 shares per annum to the Mann Optionors as advance royalty payments, all of which will be credited against royalty payments payable once commercial production commences. The Company may at any time purchase one-half (1%) of the NSR from the Mann Optionors for $1,000,000.

Letitia Lake Property - Cornerstone Capital

Pursuant to an option agreement dated February 8, 2010 between the Company and Cornerstone Capital Resources Inc., the Company may earn a 51% interest in a 155 claim unit property. The Company must make cash payments, issue common shares and incur expenditures as follows: (a) initial payment of $10,000 (paid) and 20,000 shares (issued), (b) first year expenditures of $50,000 (expended), (c) cash payment of $10,000 (paid), and issuance of an additional 20,000 shares (issued) within 12 months following the approval date, (d) cash payment of $20,000, issuance of 40,000 shares, and an additional $100,000 of exploration expenditures within 24 months following the approval date, and (e) an additional $200,000 of exploration expenditures within 36 months following the approval date.

During the period, the Company elected to terminate the Cornerstone Capital property option agreement and, accordingly, the Company has written off the related acquisition costs.

Red Wine Property – Playfair Mining Ltd.

Pursuant to an option agreement dated February 8, 2010 between the Company and Playfair Mining Ltd., the Company may earn a 51% interest in 6 claim licences forming Playfair’s Red Wine Property in Labrador. The Company must make cash payments, common share issuances and incur expenditures as follows: (a) initial payment of $15,000 (paid) and 20,000 shares (issued), (b) first year expenditures of $100,000 (expended), (c) cash payment of $15,000 (paid) and issuance of an additional 30,000 shares (issued) within 12 months following the approval date, (d) cash payment of $20,000 (paid), issuance of 50,000 shares (issued), and an additional $200,000 of exploration expenditures within 24 months following the approval date, and (e) cash payment of $20,000, issuance of 50,000 shares and an additional $200,000 of exploration expenditures within 36 months following the approval date.

During the period, the Company elected to terminate the Playfair Mining Ltd. property option agreement and, accordingly, the Company has written off the related acquisition costs.

Ten Mile Lake/Letitia Lake – Hicks agreement

Pursuant to an option agreement dated April 26, 2010 between the Company and Darrin Hicks, the Company may acquire a 100% interest in a claim licence located in the Ten Mile Lake/Letitia Lake area of west of central Newfoundland, known as the Hicks Property. Pursuant to the agreement, in order to exercise the option and earn a 100% interest in the Hicks Property, the Company must make the following cash payments and share issuances to Darrin Hicks: (a) on exchange approval, pay $1,500 (paid) and issue 5,000 shares (issued); (b) pay $7,500 (paid) and issue 10,000 shares (issued) on or before April 26, 2011; and (c) pay $10,000 and issue 15,000 shares on or before April 26, 2012. In addition, there is a 2% NSR retained by the optionor. The Company may, at any time, purchase 1% of the NSR for $750,000.

During the period, the Company elected to terminate the Ten Mile Lake/Letitia Lake - Hicks property option agreement and, accordingly, the Company has written off the related acquisition costs.

Ten Mile Lake/Letitia Lake – Quinlan agreement

Pursuant to an option agreement dated April 26, 2010 between the Company and Eddie Quinlan, the Company may acquire a 51% interest in 5 claim licences and 61 claim units located in the Ten Mile Lake/Letitia Lake area of west central Newfoundland known as the Ten Mile Property. Pursuant to the agreement, in order to exercise the option and earn a 51% interest in the Ten Mile Lake Property, the Company must make the following payments and share issuances to Eddie Quinlan: (a) on exchange approval, pay $5,000 (paid) and issue 10,000 shares (issued); (b) pay $8,000 (paid) and issue 20,000 shares (issued) prior to April 26, 2011; and (c) pay $20,000 and issue 60,000 shares prior to April 26, 2012.

Once the above payments have been completed, the Company will have earned a 51% interest in the claims and additional work will be carried out as a joint venture.

During the current year, the Company elected to terminate the Ten Mile Lake/Letitia Lake - Quinlan property option agreement and, accordingly, the Company has written off the related acquisition costs.

Partridge River - Belmont Resources and International Montoro Resources

Pursuant to an option agreement dated August 30, 2010 between the Company, Belmont Resources Inc. and International Montoro Resources Inc., the Company may acquire a 75% interest in one claim licence comprising 23 claim units located in the Red Wine area of west central Labrador, Canada known as the Partridge River Property. The Company must make cash payments, issue common shares and incur exploration expenditures, as follows: (a) on signing, pay $5,000 (paid); (b) on exchange approval, pay $5,000 (paid) and issue 50,000 shares (issued); (c) pay $10,000, issue 50,000 shares and incur $50,000 of exploration expenditures prior to August 30, 2011; (d) pay $10,000, issue 50,000 shares and incur $100,000 of exploration expenditures prior to August 30, 2012; and (e) pay $20,000, issue 100,000 shares and incur $100,000 of exploration expenditures prior to

August 30, 2013. In addition, there is a 2% NSR relating to the acquisition. The Company may, at any time, purchase 1% of the NSR for $1,000,000.

During the current year, the Company elected to terminate this property option agreement and, accordingly, it has written off the related acquisition costs.

Hick's Partridge River

Pursuant to an option agreement dated September 1, 2010 between the Company and Darrin Hicks, the Company may acquire a 100% interest in 2 claim licences comprised of 12 claim units located in the Letitia Lake area of west central Labrador, Canada known as the Hick's Partridge River Property. The Company must make the following cash payments and share issuances to Darrin Hicks: (a) on signing, pay $2,000 (paid) and issue 7,500 shares (issued); (b) payment of $6,000 and issuance of11,500 shares prior to September 1, 2011; (c) payment of $12,500 and issuance of 16,500 shares prior to September 1, 2012; and (d) payment of $17,500 and issuance of 20,000 shares prior to September 1, 2013. In addition, there is a 2% NSR relating to the acquisition. The Company may, at any time, purchase 1% of the NSR for $750,000.

During the current year, the Company elected to terminate this property option agreement and, accordingly, the it has written off the related acquisition costs.

Red Wine Property - Zimtu

Pursuant to an option agreement dated August 31, 2010 between the Company, Zimtu Capital Corp., Gary Lewis, Aubrey Budgell and Neh Pinsent, the Company may acquire a 100% interest in 500 claim units located in the Red Wine/Letitia Lake area of west central Labrador, Canada and known as the Zimtu Property. The Company must make the following cash payments and share issuances to the optionors: (a) payment of $50,000 on signing (paid) and issuance of1,000,000 shares (issued) on TSX-V approval of the formal agreement; (b) payment of $50,000 (paid) and issuance of 500,000 shares (issued) prior to September 30, 2011; (c) payment of $50,000 and issuance of 500,000 shares prior to September 30, 2012. The optionors will maintain a 2% NSR on the Property; one-half of which the Company has the right to purchase for $1,000,000 at any time.

Northcott/Hare Hill

Pursuant to an option agreement dated November 10, 2010, the Company may acquire a 100% interest in a 20 claim unit property located in western Newfoundland. The Company must make payments of $43,000 and issue 200,000 shares over three years, including $2,000 (paid) and 10,000 shares on Exchange approval (issued). Once vested, the vendor will be entitled to a 2% NSR, of which one-half could be purchased by the Company at any time for $1,000,000.

The Company subsequently entered into a joint venture with Ucore Rare Metals Inc. ("Ucore") dated December 3, 2010 to jointly fund completion of the Northcott option. Terms of the joint venture with Ucore allow for both companies to obtain a 50% interest in the Northcott Property by funding 50% of the acquisition, exploration and development costs.

During the current year, the Company elected to terminate the Northcott/Hare Hill property option agreement and, accordingly, the Company has written off the related acquisition costs.

Springer

Lavergne prospect

On June 7, 2011, the Company completed agreements to acquire the Lavergne rare earth prospect in Springer Township, located immediately north of the town of Sturgeon Falls and 80 km east of Sudbury, Ontario.

Terms of the initial agreement to option the Mineral Rights to the 320 acre patent (the "Patent"), covering the prospect, include staged payments of $217,000 over three years, including (a) $36,000 on signing (paid), (b) $36,000 on or before April 13, 2012 (paid), (c) $45,000 on or before April 13, 2013, and (d) $100,000 on or before April 13, 2014. The Company must also make the following payments commencing January 12, 2012: (a) $4,000 (paid), (b) $4,000 on or before May 16, 2012 (paid), (c) $5,000 on or before May 16, 2013, and (d) $11,111 on or before May 16, 2014. The owners will retain a 1% NSR and the Company will have the right to purchase one-half of this for $1,000,000.

A second agreement was also completed to purchase the Surface Rights to the eastern half of the Patent (153 acres) for a total of $150,000, in two payments which include (a) $50,000 on signing (paid), and (b) $100,000 on or before October 16, 2011 (paid).

Springer – Zimtu

A separate third agreement was negotiated with Zimtu Capital Corp. and two private prospectors (the "Optionors") to option a total of 40 unpatented claim units totaling 647 hectares adjacent to the above-described Patent. Terms of the Zimtu option agreement include total payments of $200,000 and 2,000,000 shares over four years, including initial payments of $50,000 (paid) and 500,000 shares (issued).

On January 13, 2012, terms of the agreement were amended to: (a) a $50,000 initial cash payment (paid) and initial issuance of 500,000 shares (issued), (b) issuance of 500,000 shares prior to December 7, 2011 (issued), (c) issuance of 500,000 shares prior to June 7, 2012 (see Note 15), and (d) issuance of 500,000 shares prior to June 7, 2013.

The Optionors will retain a 2% NSR on the 40 unpatented claim unit property with the Company having the right to purchase half of this for $1,000,000.

Springer-Field-Pedley

During fiscal 2012, the Company completed the staking of 153 claim units located in the Springer Township and the adjacent townships of Field to the north and Pedley to the east.

Manitouwadge Graphite Property

During fiscal 2012, the Company completed the staking of this property which comprises 128 claim units totaling 2,072 hectares located approximately 30 kilometres north of the town of Manitouwadge in northwestern Ontario. The property encompasses the Thomas Lake Road Graphite Occurrence.

Other

Included in Other are the following: Lackner Property, Armstrong Dyno Property, James Bay Property and miscellaneous properties.

Lackner Property

The Lackner property consisted of 105 unpatented claim units and was located 25 kilometres southeast of Chapleau, Ontario. During fiscal 2010, the Company entered into an option agreement on September 9, 2009 to acquire up to a 90% interest in the Lackner property by making minimum cash payments totaling $2.625 million, issuing shares of the Company with a value of $2.625 million and, finally, completing exploration work totaling $1.75 million, all over a seven year period. On signing the Lackner property agreement, the Company made a $50,000 cash payment. In fiscal 2011, the Company elected to terminate the Lackner property option agreement and, accordingly, the Company has written off $58,986 in related acquisition costs.

5. Property and Equipment

	March 31, 2012			March 31, 2011		
	Cost $	Accumulated Depreciation $	Net $	Cost $	Accumulated Depreciation $	Net $
Computer equipment	12,456	4,968	7,488	9,851	2,317	7,534
Computer software	9,182	9,182	-	9,182	6,624	2,558
Office equipment & furniture	12,142	4,237	7,905	11,221	2,376	8,845
General equipment	46,854	15,725	31,129	40,000	8,800	31,200
Field equipment	133,336	54,251	79,085	115,736	24,128	91,608
Signs	3,915	1,472	2,443	3,915	861	3,054
Vehicles	8,025	3,250	4,775	8,025	1,204	6,821
Total	225,910	93,085	132,825	197,930	46,310	151,620

6. Capital and Reserves

(a) Share Capital

Authorized: Unlimited common shares without par value.

During the year ended March 31, 2011, the Company completed a non-brokered private placement for gross proceeds of $1.85 million by issuing 4,015,448 million flow-through units at a price of $0.46 per unit. Each unit consists of one flow-through common share and one half of one share purchase warrant, with each whole warrant entitling the holder to acquire one additional common share at a price of $0.60 per share for a period of one year from closing. Pursuant to the private placement, cash commissions totaling $134,176 were paid to the finders. As at March 31, 2012, the full amount of these flow-through proceeds had been expended.

During the year ended March 31, 2012, the Company completed a non-brokered private placement for gross proceeds of $480,090 by issuing 2,824,059 flow-through units at a price of $0.17 per unit. Each unit consists of one flow-through common share and one half of one share purchase warrant, with each whole warrant entitling the holder to acquire one additional common share at a price of $0.22 per share for a period of one year from closing. Pursuant to the private placement, cash commissions totaling $12,512 were paid to the finders. As at March 31, 2012, the full amount of these flow-through proceeds had been expended.

(b) Share Purchase Warrants

Details of share purchase warrant transactions for the year are as follows:

	# of Warrants	Weighted Average Exercise Price $	Expiry
Outstanding at March 31, 2010	11,952,000	0.33	
Exercised during the year	(2,410,000)	0.27	
Issued during the period to investors	2,007,724	0.60	November 2012
Outstanding at March 31, 2011	11,549,724	0.39	
Expired during the year	(9,542,000)	0.35	
Issued during the year	1,412,030	0.22	December 2012
Outstanding at March 31, 2012	3,419,754	0.44	

For all warrants issued during the year ended March 31, 2011, the fair values have been estimated using the Black-Scholes Option Pricing Model and the following assumptions: dividend yield of 0%, expected volatility of 90.1% to 90.2%, a risk-free interest rate of 1.50 to 1.51% and an expected life of 1 year. The value of the warrants reduced the proceeds attributed to share capital and are recognized under shareholders' equity as part of reserves.

For all warrants issued during the year ended March 31, 2012, the fair values have been estimated using the Black-Scholes Option Pricing Model and the following assumptions: dividend yield of 0%, expected volatility of 85.25%, a risk-free interest rate of 0.95% and an expected life of 1 year. The value of the warrants reduced the proceeds attributed to share capital and are recognized under shareholders' equity as part of reserves.

As at March 31, 2012, the following share purchase warrants were outstanding:

Number of common shares issuable	Exercise price $	Date of expiry
2,007,724	0.60	November 10, 2012
1,412,030	0.22	December 6, 2012
3,419,754		

During the reporting period on November 4, 2011, the Company received Exchange approval to extend the exercise period of 2,007,724 warrants to November 10, 2012. These warrants were issued pursuant to the $1.85 million private placement that closed in November 2010. All other terms and conditions of the warrants remain the same.

(c) Stock Options

The Company may grant options to the Company's directors, officers, employees and service providers under the Company's stock option plan. The maximum number of common shares reserved for issuance under the plan is 16,480,616. The Company recognizes stock-based compensation in connection with stock options granted over their respective vesting periods, with stock options typically vesting in various increments and having a maximum term of five years.

Stock option transactions for the years ended March 31, 2012 and March 31, 2011 are as follows:

	Number	Weighted Average Exercise Price $
Options outstanding at March 31, 2010	3,430,000	0.56
Expired / cancelled / forfeited	(1,015,000)	0.58
Granted	3,525,000	0.37
Exercised	(100,000)	0.30
Options outstanding at March 31, 2011	5,840,000	0.45
Granted	3,100,000	0.19
Expired	(200,000)	0.55
Options outstanding at March 31, 2012	8,740,000	0.35

The weighted-average fair value of options granted during the year ended March 31, 2012 was $0.19. Each option entitles the holder to purchase one common share.

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (yr)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.17 - $0.60	8,740,000	3.40	$ 0.35	6,946,264	$0.41

The following table summarizes information about the options outstanding at March 31, 2012 and March 31, 2011:

Expiry Dates	Exercise Price $	March 31, 2012 # of options	March 31, 2011 # of options
January 2012	0.55	-	200,000
August 2012	0.35	50,000	50,000
February 2013	0.38	200,000	200,000
July 2013	0.37	100,000	-
January 2015	0.60	65,000	65,000
January 2015	0.55	2,150,000	2,150,000
April 2015	0.35	450,000	450,000
August 2015	0.35	100,000	100,000
January 2016	0.37	2,625,000	2,625,000
July 2016	0.37	75,000	-
September 2016	0.37	100,000	-
January 2017	0.17	2,825,000	-
		8,740,000	5,840,000

The Company applies the fair value method of accounting for share-based payments using an option pricing model.

Stock options granted to directors, officers and employees vested during the year ended March 31, 2012 as follows:

Grant Date	# of Option Vested	Exercise Price $	Expiry Date	Fair Value Of Option $	Dividend Yield	Volatility	Risk-free Interest Rate	Expected Life
January 15, 2010	146,455	0.55	January 15, 2015	0.49	0%	137%	2.70%	5 yrs
January 20, 2010	4,068	0.55	January 20, 2015	0.58	0%	137%	2.62%	5 yrs
January 22, 2010	1,220	0.60	January 22, 2015	0.53	0%	137%	2.55%	5 yrs
April 29, 2010	71,926	0.35	April 29, 2015	0.20	0%	134%	2.92%	5 yrs
August 25, 2010	28,462	0.35	August 25, 2015	0.23	0%	132%	2.79%	5 yrs
January 14, 2011	1,338,204	0.37	January 14, 2016	0.30	0%	124%	2.60%	5 yrs
July 5, 2011	60,574	0.37	July 5, 2016	0.17	0%	118%	2.32%	5 yrs
September 1, 2011	74,027	0.37	September 1, 2016	0.24	0%	117%	1.58%	5 yrs
January 18, 2012	1,094,592	0.17	January 18, 2017	0.09	0%	87%	1.30%	5 yrs
	2,819,528							

The Company has calculated $623,841 recorded as compensation expense and credited under capital stock as reserves for the 2,819,528 options vesting to directors, officers and employees during the year (2011 - $1,123,046).

Stock options granted to non-employees vested during the year ended March 31, 2012 as follows:

Grant Date	# of Option Vested	Exercise Price $	Expiry Date	Fair Value Of Option $	Dividend Yield	Volatility	Risk-free Interest Rate	Expected Life
January 15, 2010	28,477	0.55	January 15, 2015	0.26	0%	122%	2.62%	3.5 yrs
April 29, 2010	8,990	0.35	April 29, 2015	0.12	0%	118%	1.43%	3.5 yrs
February 11, 2011	100,983	0.38	February 11, 2013	0.08	0%	89%	0.89%	1.26 yrs
July 27, 2011	78,191	0.37	July 27, 2013	0.03	0%	86%	1.02%	1.5 yrs
January 18, 2012	130,051	0.17	January 18, 2017	0.09	0%	87%	1.30%	5 yrs
	346,692							

The Company has calculated $44,775 recorded as compensation expense and credited under capital stock as reserves for the 346,692 options vesting to non-employees during the year (2011 - $120,669).

Option pricing models require highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

(d) Shares subject to escrow or hold periods

As of March 31, 2012, 1,710,000 of the Company's issued and outstanding common shares are subject to an escrow agreement under which the shares will be released in stages every six months. Each future release will consist of 855,000 shares, with the next release date being June 14, 2012 (see Note 15).

7. Related Party Transactions

The Company paid or accrued the following amounts to related parties during the periods ended March 31, 2012 and March 31, 2011:

Payee	Description of Relationship	Nature of Transaction	March 31, 2012 Amount $	March 31, 2011 Amount $
Stares Contracting Corp.	Company controlled by Michael Stares, Director and Officer and Stephen Stares, Director	Payments for equipment rentals, supply of labour and reimbursement of exploration expenditures, and premises rental	111,164	144,030
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Secretary	Legal fees charged/accrued during the year	35,975	51,270
Eastrock Exploration Inc.	Company controlled by Wayne Reid, Director	Payments for geological consulting services and reimbursement of exploration expenditures	56,850	108,252

Felix Geo-Consultants	Company controlled by Reg Felix, VP Exploration	Payments for geological consulting services and reimbursement of exploration expenditures	164,450	150,425
Benton Resources Corp.	Company where Stephen Stares is President and Director; Clinton Barr is VP Exploration and Director; Evan Asselstine is Chief Financial Officer, and; Michael Stares, Gordon Fretwell and William Harper are Directors	Payments for shared office costs and advertising and promotion	8,380	18,946

The purchases from and fees charged by the related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accrued liabilities is $10,536 (2011 - $10,845) to Gordon J. Fretwell Law Corporation, $5,255 (2011 - $5,820) to Eastrock Exploration Inc., $23,703 (2011 - $8,947) to Stares Contracting Corp., $8,136 (2011 - $nil) to Felix Geo-Consultants and $2,839 to Benton Resources Corp. (2011 - $1,231). The payment terms are similar to the payment terms of non-related party trade payables.

During the 2012 fiscal year, the Company paid fees to one of its directors totaling $10,000 (2011 - $10,000) for services rendered as Chair of the Company's Audit Committee.

Key management personnel remuneration during the period included $470,305 (March 31, 2011 - $390,936) in salaries and benefits and $465,114 (March 31, 2011 - $885,067) in share-based payments.

8. Capital Disclosures

The Company's objectives when managing capital are as follows:

- To safeguard the Company's ability to continue as a going concern;
- To raise sufficient capital to finance its exploration and evaluation activities on its mineral exploration properties;
- To raise sufficient capital to meet its general and administrative expenditures

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short term working capital requirements, and its planned exploration and evaluation program expenditure requirement. The Company may increase its capital by issuing flow-through or non-flow-through common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the underlying assumptions as necessary.

There were no changes in the Company's approach to managing capital during the period. In order to maintain or adjust the capital structure, the Company considers the following:

i. Incremental investment and acquisition opportunities;
ii. Equity and debt capital available from capital markets;
iii. Equity and debt credit that may be obtainable from the marketplace as a result of growth in mineral reserves;
iv. the sale of assets;
v. limiting the size of the exploration programs; and
vi. new share issuances if available on favourable terms.

Except as otherwise disclosed, the Company is not subject to any external financial covenants at March 31, 2012.

9. Financial Instrument Risks

The Company's financial instruments are exposed to certain risks, including credit risk, liquidity risk, interest rate risk and market risk.

a) Credit Risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i) Trade credit risk

The Company is in the exploration stage and has not yet commenced production or sales. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

ii) Cash and cash equivalents

In order to manage credit and liquidity risk the Company's cash and short term investments are held through large Canadian Financial Institutions. Staking security deposits are held by the Government of Newfoundland.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities.

Accounts payable and accrued liabilities are due within the current operating period.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Company manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates.

d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk. The Company currently does not have any financial instruments that would be impacted by changes in market prices.

e) Fair value of financial instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount due to their short term nature and capacity for prompt liquidation.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of 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 and 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 is an analysis of the Company's financial assets, which are measured at fair value as at March 31, 2012 and March 31, 2011:

	As at March 31, 2012		
	Level 1	Level 2	Level 3
	$	$	$
Cash	71,860	-	-
Short-term investments	2,169,517	-	-
	2,241,377	-	-

	As at March 31, 2011		
	Level 1	Level 2	Level 3
	$	$	$
Cash	167,467	-	-
Short-term investments	7,470,664	-	-
	7,638,131	-	-

10. Refundable Security Deposits

Refundable security deposits of nil (March 31, 2011: $56,966) represent security amounts paid to the Government of Newfoundland and Labrador in connection with exploration work on mineral property claims located in Newfoundland. These deposits are refundable to the Company upon submission by the Company of a report outlining the work performed which meets the requirements of the Government of Newfoundland and Labrador.

11. Supplemental Cash Flow Information

The following transactions did not result in cash flows and have been excluded from operating, financing and investing activities in the cash flow statements:

	March 31, 2012	March 31, 2011
	$	$
Non-cash financing activities		
Common shares issued pursuant to property agreements	350,950	552,118
Non-cash investing activities		
Common shares issued pursuant to property agreements	(350,950)	(552,118)

12. Transition to International Financial Reporting Standards

As stated in note 2, these are the Company's first set of consolidated annual financial statements for the period covered by the first annual financial statements prepared in accordance with IFRS.

The accounting policies in note 2 have been applied in preparing the consolidated annual financial statements for the year ended March 31, 2012, and the comparative information for the year ended March 31, 2011.

In preparing its opening IFRS statement of financial position, comparative information for the year ended March 31, 2011, the Company adjusted amounts reported previously in financial statements prepared in accordance with GAAP.

An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS are set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exception for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date; and
- to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

With respect to mandatory exceptions to retrospective application, hindsight was not used to create or revise estimates and, accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

12. Transition to International Financial Reporting Standards (Cont'd)

Reconciliation of Assets, Liabilities and Equity

	As at April 1, 2010			
	GAAP	Effect of transition to IFRS	Notes	IFRS
	$	$		$
ASSETS				
Current Assets				
Cash	496,496	-		496,496
Short-term investments	9,836,024	-		9,836,024
Interest and other receivables	102,206	-		102,206
Prepaid expenses	14,098	-		14,098
Refundable security deposits	9,800	-		9,800
Total current assets	10,458,624	-		10,458,624
Non-current assets	-	-		-
Exploration and evaluation assets	1,573,758	-		1,573,758
Property and equipment	97,467	-		97,467
Total non-current assets	1,671,225	-		1,671,225
	12,129,849	-		12,129,849
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	672,443	-		672,443
Total current liabilities	672,443	-		672,443
Equity				
Share capital	8,831,039	-		8,831,039
Warrants	4,423,960	(4,423,960)	c	-
Contributed surplus	383,419	(383,419)	c	-
Reserves	-	4,807,379	c	4,807,379
Deficit	(2,181,012)	-		(2,181,012)
Total equity	11,457,406	-		11,457,406
	12,129,849	-		12,129,849

12. Transition to International Financial Reporting Standards (Cont'd)

Reconciliation of Assets, Liabilities and Equity

	As at March 31, 2011			
	GAAP	Effect of transition to IFRS		IFRS
			Notes	
	$	$		$
ASSETS				
Current Assets				
Cash	167,467	-		167,467
Short-term investments	7,470,664	-		7,470,664
Interest and other receivables	289,366	-		289,366
Prepaid expenses	26,557	-		26,557
Refundable security deposits	56,966	-		56,966
Total current assets	8,011,020	-		8,011,020
Non-current assets		-		-
Exploration and evaluation assets	2,335,583	-		2,335,583
Property and equipment	151,620	-		151,620
Total non-current assets	2,487,203	-		2,487,203
	10,498,223	-		10,498,223
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	509,344	-		509,344
Deferred premium on flow-through shares	-	248,041	d	248,041
Total current liabilities	509,344	248,041		757,385
Equity				
Share capital	12,551,564	(481,854)		12,069,710
Warrants	3,624,743	(3,624,743)	c	-
Contributed surplus	1,627,134	(1,627,134)	c	-
Reserves	-	5,251,877	c	5,251,877
Deficit	(7,814,562)	233,813		(7,580,749)
Total equity	9,988,879	(248,041)		9,740,838
	10,498,223	-		10,498,223

12. Transition to International Financial Reporting Standards (Cont'd)

Reconciliation of Loss and Comprehensive Loss

	For the year ended March 31, 2011			
	GAAP	Effect of transition to IFRS	Notes	IFRS
	$	$		$
Exploration costs	3,346,086	-		3,346,086
Expenses				
Depreciation	42,282	-		42,282
Consulting fees	77,627	-		77,627
Investor relations	228,518	-		228,518
Listing, filing and transfer agent	62,438	-		62,438
Office and miscellaneous	109,995	-		109,995
Professional fees	61,518	-		61,518
Rent	45,645	-		45,645
Share-based payments	1,243,715	-		1,243,715
Travel and accommodations	169,128	-		169,128
Wages & benefits	283,087	-		283,087
Loss before the following:	(5,670,039)	-		(5,670,039)
Interest and sundry income	59,812	-		59,812
Adjustment to fair market value for investments	33,405	-		33,405
Fees earned on mineral properties	2,258	-		2,258
Write-down of exploration and evaluation assets	(58,986)	-		(58,986)
Recognized premium on flow-through shares	-	233,813	d	233,813
Comprehensive loss for the year	(5,633,550)	233,813		(5,399,737)

12. Transition to International Financial Reporting Standards (Cont'd)

Notes to Reconciliation:

(a) Basis of Consolidation

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

(b) Share-based payment

IFRS 2 Share-based payments requires the Company to measure share-based compensation related to share purchase options granted to employees at the fair value of the options on the grant date and to recognize such expense over the vesting period of the options. The recognition of such expense has been done with a "graded vesting" methodology.

The Company has elected to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date. There was no impact on the financial statements. For the purposes of accounting for share-based payment transactions an individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair values of options granted to employees were measured on the date of grant. The fair value of options granted to contractors and consultants are measured on the date the services are completed.

(c) Reclassification within equity section

IFRS requires an entity to present for each component of equity, reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company reviewed its contributed surplus account and concluded that as at the Transition Date, the entire amount of $383,419 relates to "Equity settled benefits reserve". As a result, the Company believes a reclassification would be necessary in the equity section between "Contributed surplus" and the "Equity settled benefits reserve" account. For comparatives, as at March 31, 2011, the entire "Contributed surplus" account was reclassified into "Equity settled benefits reserve".

(d) Deferred flow through premium

Under GAAP, the Company, in accounting for flow through funds received, recorded the funds to share capital. IFRS requires that excess to market value upon issuance of flow through common share be recorded in the statement of loss and comprehensive loss (deferred liability for flow through raised funds at time of issuance of flow through common shares and charged to the statement of loss and comprehensive loss as the necessary expenditures to be renounced under flow through common share agreements are spent).

13. Commitments

The Company has commitments as described in Note 4 with respect to certain agreements on its mineral property interests; however, such future payments remain entirely at the Company's option and only if it intends to maintain its interest in a particular property.

During 2010, the Company entered into lease agreements for the use of two automobiles for 36 month periods, expiring January 12, 2013 and January 26, 2013. The Company entered into a lease agreement for the use of a photocopier for 48 months, expiring January 2, 2014.

During the fiscal year ended March 31, 2012, the Company terminated one of the lease agreements for the use of an automobile.

The Company's minimum annual lease payments required are payable as follows:

	$
2013	8,049
2014	1,190
	9,239

14. Income Taxes

The provision for income taxes differs from the amount that would have resulted by applying combined federal and provincial statutory rates of 26.13% (March 31, 2011 - 28%) to the Company's loss before income taxes.

A reconciliation of income taxes at statutory rates is as follows:

	2012 $	2011 $
Net loss for the year before tax recovery	(5,572,355)	(5,399,737)
Expected income tax recovery	(1,455,778)	(1,511,926)
Net adjustment for deductible and non-deductible amounts	761,292	958,851
Valuation allowance	694,486	553,075
Total income tax	-	-

The significant components of the Company's deferred income tax liabilities are as follows:

	2012 $	2011 $
Deferred income tax assets:		
Mineral property and equipment amounts in excess of tax pools	1,792,606	779,163
Non-capital loss carryforwards	1,750,750	1,291,500
Net deferred tax assets	3,543,356	2,070,663
Valuation allowance	(3,543,356)	(2,070,663)
	-	-

The Company has non-capital losses available for deduction against future years' taxable income amounting to $6,835,000. The Company has not recognized any future benefit for these tax losses and resource deductions, as it is not considered likely that they will be utilized. If unused, these tax losses will expire as follows:

Year		Amount
2014	$	25,000
2015		34,000
2026		262,000
2027		506,000
2028		721,000
2029		980,000
2030		518,000
2031		1,142,000
2032		2,647,000
	$	6,835,000

15. Subsequent events

- On June 8, 2012, the Company's directors approved an amendment to the June 7, 2011 property option agreement with Zimtu Capital Corp. and two private prospectors to option a total of 40 unpatented claim units totaling 647 hectares adjacent to the Lavergne rare earth prospect. Terms of the agreement were amended to: (a) $50,000 initial cash payment (paid) and issuance of 500,000 shares (issued), (b) issuance of 500,000 shares on or before December 7, 2011 (issued), and (c) issuance of 800,000 shares on or before June 7, 2012. The Company issued 800,000 shares pursuant to this property option agreement on June 19, 2012, completing the option and acquiring the above claim units.
- On June 14, 2012, 855,000 common shares were released from escrow.