CANADA RARE EARTH CORP.
(A Development Stage Enterprise)

Condensed consolidated interim financial statements

(Stated in Canadian Dollars)

For the Three Months Ended June 30, 2015

Responsibility for Financial Statements

The accompanying unaudited condensed consolidated interim financial statements for Canada Rare Earth Corp. have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") consistently applied. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company hereby discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the period ended June 30, 2015.

CANADA RARE EARTH CORP.

(A Development Stage Enterprise)

June 30, 2015

CANADA RARE EARTH CORP.
(A Development Stage Enterprise)
Condensed Consolidated Interim Statements of Financial Position

As at	Note	June 30, 2015 (unaudited) $	March 31 2015 (audited) $
ASSETS			
Current			
Cash		215,567	52,617
Short-term investments	5	280,000	540,000
Receivables		-	94,995
Interest and other receivables		77,843	38,090
Prepaid expenses and deposits		8,706	-
Total current assets		582,116	725,702
Non-current			
Exploration and evaluation assets	6	1,771,146	1,829,580
Long-term investments	7	1,141,720	1,141,720
Mata Azul participation right	8	38,548	38,548
		2,951,414	3,009,848
Total assets		3,533,530	3,735,550
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	35,421	35,466
		35,421	35,466
SHAREHOLDERS' EQUITY			
Share capital	10	14,340,194	14,340,194
Reserves	10	7,713,143	7,711,655
Deficit		(18,555,227)	(18,351,765)
Total shareholders' equity		3,498,109	3,700,084
Total liabilities and shareholders' equity		3,533,530	3,735,550

Note 2 d) – Going concern of operations
Note 16 – Events after the reporting period

On behalf of the Company:

"Tracy A. Moore"	Director	*"Peter Shearing"*	Director
Tracy A. Moore		Peter Shearing	

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

CANADA RARE EARTH CORP.
(A Development Stage Enterprise)
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Prepared by Management – Unaudited)

Three months ended June 30	Note	2015 $	2014 $
Revenue			
Corporate finance fees	9, 14	92,363	-
Exploration costs	6	-	21,365
Expenses			
Consulting fees	9	163,130	90,000
Advertising and promotion		9,584	-
Listing, filing and transfer agent		5,217	16,055
Office and miscellaneous	9	4,843	7,853
Professional fees	9	22,017	26,009
Rent	9	2,400	5,400
Share-based payments	9	1,487	11,055
Travel and accommodations		10,502	(317)
Wages and benefits		18,860	43,445
		238,040	199,500
Loss before other items		(145,677)	(220,865)
Other income (expense)			
Write-down of exploration and evaluation assets	6	(58,754)	-
Unrealized foreign exchange loss		(585)	-
Interest and investment income		1,554	2,992
Net loss and comprehensive loss for the period		(203,462)	(217,873)
Loss per share – basic and diluted per common share	15	(0.00)	(0.00)
Weighted average shares outstanding, basic and diluted		142,762,141	142,762,141

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

CANADA RARE EARTH CORP.
(A Development Stage Enterprise)
Condensed Consolidated Interim Statements of Changes in Equity
(Prepared by Management – Unaudited)

	Share capital		Reserves		Deficit	Total
	Number of shares	Share capital	Warrants	Equity-settled benefits		
		$	$	$	$	$
Balance at March 31, 2014	142,761,141	14,340,194	952,000	6,746,256	(17,685,247)	4,353,203
Share-based payments	-	-	-	11,055	-	11,055
Loss and comprehensive loss for the period	-	-	-	-	(217,873)	(217,873)
Balance at June 30, 2014	142,761,141	14,340,194	952,000	6,757,311	(17,903,120)	4,146,385
Balance at March 31, 2015	142,761,141	14,340,194	952,000	6,759,655	(18,351,765)	3,700,084
Share-based payments	-	-	-	1,487	-	1,487
Loss and comprehensive loss for the period	-	-	-	-	(203,462)	(203,462)
Balance at June 30, 2015	142,761,141	14,340,194	952,000	6,761,142	(18,555,227)	3,498,109

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

CANADA RARE EARTH CORP.
(A Development Stage Enterprise)
Condensed Consolidated Interim Statements of Cash Flows
(Prepared by Management – Unaudited)

Three months ended June 30	Note	2015 $	2014 $
Cash flows provided by (used in):			
Operating activities			
Loss and comprehensive loss for the period		(203,462)	(217,873)
Adjustments for:			
Unrealized foreign exchange loss		585	-
Share-based payments		1,487	11,055
Changes in non-cash working capital items:			
Write-down of exploration and evaluation assets		58,754	-
Receivables		94,995	-
Interest and other receivables		(39,753)	227
Prepaid expenses and deposits		(8,706)	2,047
Accounts payable and accrued liabilities		(45)	10,886
Cash flows used in operating activities		(96,145)	(193,658)
Investing activities			
Acquisition of exploration and evaluation assets		(320)	-
Net redemption of short-term investments		260,000	-
Cash flows provided by financing activities		259,680	-
Effect of foreign exchange on cash		(585)	-
Change in cash during the period		162,950	(193,658)
Cash, beginning of period		52,617	232,671
Cash, end of period		215,567	39,013

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

1. Corporate Information

Canada Rare Earth Corp. ("Canada Rare Earth" or the "Company"), was incorporated under the laws of British Columbia on July 8, 1987. The Company is a development stage company developing a vertically integrated business within the rare earth industry from the initial mandate of acquiring and exploring mineral property interests. The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "LL".

These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern (see note 2c).

The address of the Company's corporate office and principal place of business is Suite 400 – 602 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1P2.

2. Basis of Presentation

a) Statement of compliance

These condensed consolidated interim financial statements for the three month period ended June 30, 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Company's March 31, 2015 audited annual financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's March 31, 2015 audited annual financial statements except for income tax expense which is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The Company's audit committee approved the release of these condensed consolidated interim financial statements on August 24, 2015.

b) Basis of consolidation

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: REM Metals Corp., an Ontario corporation and CREC South American Holdings Corp., a British Columbia corporation; and CanBras Minerals S.A., a Brazilian corporation 80% owned by CREC South American Holdings Corp.

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

c) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets and at fair value through profit or loss ("FVTPL"). The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2. Basis of Presentation (continued)

d) Going concern of operations

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Other than certain corporate finance fees, the Company has not generated revenue from operations. The Company incurred a loss of $203,462 during the three months ended June 30, 2015 and, as of that date the Company's deficit was $18,555,227. The Company is dependent on its ability to raise additional debt or equity to raise sufficient cash resources to meet its current financial obligations and plans including establishing a vertically integrated business within the rare earth industry. As the Company is in the development stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company had cash and short-term investments of $495,567 at June 30, 2015 (March 31, 2015 - $592,617). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

3. Adoption of New Accounting Pronouncements and Recent Developments

Standards, amendments and interpretations not yet effective

a) IFRS 9 Financial Instruments

As part of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

- deals with classification and measurement of financial assets;
- establishes two primary measurement categories for financial assets: amortized cost and fair value;
- prescribes that classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset; and
- eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

This Standard is to be adopted for accounting periods beginning or after January 1, 2018, with early adoption permitted.

4. Critical Accounting Judgements, Estimates and Assumptions

The preparation of the Company's condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies:

Critical Judgments

Going concern of operations

Management has made the determination that the Company will continue as a going concern for the next year.

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

5. Short-term Investments

As at June 30, 2015, the Company held $280,000 (March 31, 2015 - $540,000) in short-term investments consisting of GICs. The yields on these investments are prime less 1.95% (March 31, 2015 - 1.95%) 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 condensed consolidated financial statements.

6. Exploration and Evaluation Assets

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

The Company has capitalized the following acquisition costs of its mineral property interests during the year ended March 31, 2015 and three months ended June 30, 2015:

	Springer	Red Wine Complex	Clay-Howells	Coldwell Complex	Hinton Coal	Manitouwadge Graphite	Other	Total
	$	$	$	$	$	$	$	$
March 31, 2014	50,000	374,061	408,572	13,666	1,020,000	28,705	-	1,895,004
Acquisition costs for the year	300	275	2,706	-	-	-	-	3,281
Sale/recoveries	-	-	-	-	(40,000)	(28,705)	-	(68,705)
March 31, 2015	50,300	374,336	411,278	13,666	980,000	-	-	1,829,580
Acquisition costs for the year	320	-	-	-	-	-	-	320
Write-downs	-	-	(58,754)	-	-	-	-	(58,754)
June 30, 2015	50,620	374,336	352,524	13,666	980,000	-	-	1,771,146

During the three months ended June 30, 2015, the Company did not incur any exploration expenditures.

During the three months ended June 30, 2014, the Company incurred the following exploration expenditures that were expensed as incurred:

	Springer	Red Wine Complex	Other	Total
	$	$	$	$
Other	41	6,900	14,424	21,365
	41	6,900	14,424	21,365

6. Exploration and Evaluation Assets (continued)

a) Springer

Lavergne prospect

On June 7, 2011, the Company completed agreements to acquire the mineral rights to one patented claim comprising approximately 130 hectares of the Lavergne-Springer rare earth prospect in Springer Township, located immediately north of the town of Sturgeon Falls and 80 km east of Sudbury, Ontario.

The Company terminated this option and therefore at March 31, 2014 the Company wrote off $243,591 in related acquisition costs.

A second agreement was also completed by the Company by paying $150,000 to purchase the surface rights to the eastern half of the Patent. The Company currently retains these surface rights.

The Company intends to sell the surface rights for the Springer project.

Springer - Zimtu

During the year ended March 31, 2014, the Company wrote off $273,130 in related acquisition costs as the Company is no longer exploring the property.

Springer-Field-Pedley

This property is currently comprised of 32 unpatented mining claims located in Springer Township and the adjacent townships of Field to the north and Pedley to the east. During the year ended March 31, 2014, the Company wrote off $20,555 in acquisition costs related to lapsed or inactive claims.

b) Red Wine Complex

The Company has acquired, by an option agreement and staking, three properties: Mann #1 (48 claim units), Two Tom Lake (34 claim units) and Dory Pond (155 claim units acquired by staking) in Labrador. The properties, together with the property known as the Zimtu Property, are situated in four separate claim groups located over a 30 kilometre length of the Red Wine Complex.

Mann #1, Two Tom Lake

Pursuant to an amended option agreement dated September 6, 2012, the Company acquired 100% ownership in the property. The optionors retain a 2% net smelter return (“NSR”) of which the Company has the right to purchase one-half (1%) of the NSR from the optionors for $1,000,000.

Dory Pond

The Dory Pond prospect consists of 155 claims acquired by the Company through staking.

Red Wine Property - Zimtu

Pursuant to an amended option agreement dated September 6, 2012, the Company acquired 100% ownership in the property. The optionors retain a 2% NSR of which the Company has the right to purchase one-half (1%) of the NSR from the optionors for $1,000,000.

During the year ended March 31, 2014, the Company allowed 450 claim units to lapse or decided not to renew certain claims that were expiring during fiscal 2015, reducing the size of the property to 50 claim units. During 2014, the Company wrote off $702,240 in related acquisition costs.

6. Exploration and Evaluation Assets (continued)

c) Clay-Howells Property

Pursuant to an option agreement executed in 2010, the Company acquired 100% ownership in the Clay-Howells Property, consisting of 45 patented claims. The Optionors retain a 2% NSR subject to the right of the Company to purchase at any time one-half (1%) of the NSR for $1,000,000. The property also currently includes 28 unpatented claim units acquired via staking. During the year ended March 31, 2014, the Company allowed 17 unpatented claims to lapse. During the quarter ended June 30, 2015, the Company allowed 4 additional unpatented claims to lapse and wrote off $58,754.

d) Coldwell Complex

During fiscal 2011, the Company completed the staking of 740 unpatented mining claims located in the Coldwell Alkaline Complex in Northern Ontario. Various claims lapsed during fiscal 2014 and 2015, reducing the property to 51 unpatented mining claims. During 2014, the Company wrote off $108,336 in related acquisition costs.

e) Hinton Coal Property

Pursuant to an agreement executed in 2008, the Company acquired 100% ownership in the Hinton Coal Property (the “Hinton Property”) located in the Foothills Region of central Alberta for $1,020,000 and a 5% net profits royalty on any sale of coal from the property. The $1,020,000 purchase price was recorded as a mineral interest in accordance with the Company’s accounting policy. The Company continues to own 100% interest in the Hinton Property.

In September 2014, the Company entered into an agreement to option the Hinton Property and on September 11, 2014, the Company received a non-refundable deposit of $20,000. Further, payments of 1) $200,000, 2) $400,000 and 3) $400,000 are payable at the option of the optionee with a minimum of half cash and the balance of shares of a publicly traded company issued at a discount to the volume weighted adjusted price. The payments are due four months (the “due diligence period”) from entering into the option agreement, 12 months thereafter and then a further 12 months thereafter, respectively. The Company will be granted a royalty of $0.15 per tonne on the first 20,000,000 tonnes of coal produced from the site. The optionee may purchase this royalty for $1,000,000.

In December 2014 and March 2015, the Company received additional non-refundable deposits totalling $20,000 in consideration of extending the due diligence period until June 24, 2015. The $20,000 is to be applied against the first $200,000 payment due upon successful conclusion of the due diligence being undertaken by the optionee.

On receipt of the remaining balance of the $200,000 payment, the Company is required to pay a service provider $25,000 for past advisory services. If and when the Company completes the sale of Hinton Property, the Company is required to purchase the 5% net royalty from the original owner for 8% of the sale price subject to a minimum sale price of $1,000,000.

In July 2015, the Company negotiated an agreement in principle to extend the due diligence period for the Hinton Property option agreement to February 29, 2016 in consideration for the reimbursement by the optionee of property taxes paid by the Company during fiscal 2015.

f) Manitouwadge Graphite Property

In February 2015, the Company completed the sale of the property for aggregate proceeds of $159,000. The Company was granted a 2% gross production royalty based on the graphite produced from the property. The purchaser may acquire half of this royalty for $250,000.

7. Long-Term Investments

The Company currently owns an investment in the common shares of a private Delaware company ("Delaware Co."). Delaware Co. is a U.S. based mineral exploration and exploitation company.

At June 30, 2015, the Company owned 2,348,147 common shares of Delaware Co., which represented approximately a 12% equity interest in Delaware Co. The investment in Delaware Co. shares have been recorded at cost of $1,141,720, which reflects total gross consideration paid.

As part of its agreement to purchase the shares of Delaware Co., the Company also obtained the right to lease, for an initial period of 25 years, 15 acres of deeded land. The Company has also been given an option to enter into a second 25-year term at the end of the initial term.

8. Mata Azul Participation Right

In July 2014, the Company paid US$35,000 (CDN$38,548) to Mineracao Mata Azul S.A. ("Mata Azul") and entered into a long-term rights agreement to purchase all of the rare earth concentrate to be produced from the Mata Azul property. Pursuant to the longer term supply/sales agreement, the Company has the right but not the obligation to purchase all of the rare earth concentrate produced from the Mata Azul property. The duration of the agreement is for 20 years plus automatic extensions under certain situations.

An affiliated company was instrumental in facilitating this purchase agreement and, as a result, 712,500 stock options were released pursuant to their first vesting provision.

In November 2014, the Company entered into a joint venture agreement with Mata Azul to advance exploration and establish and operate mining and concentration operations for rare earth and other mineral rights owned by Mata Azul. This business arrangement allows for the Company to control the exploration and development of the Mata Azul property and ratifies the previously announced agreement between the Company and Mata Azul which provides the Company with the right to purchase all of the rare earth concentrate from the project.

In November 2014, the Company also advanced a loan in the amount of US$12,500 (CDN$14,196) to Mata Azul. The loan carries an interest rate of 6% and matures in November 2015.

In November 2014, the Company entered into two letters of intent (each an "LOI") to sell 10,000 metric tons annually, of rare earth concentrate to two affiliated full spectrum rare earth separation refineries situated in Asia. The two LOIs, each having a five year term, are hedged with the Company's 20-year right (but not obligation) to purchase rare earth concentrate from the Mata Azul property in Brazil.

As a result of the Company entering into the two LOIs facilitated by the affiliated company, an additional 1,425,000 stock options were released pursuant to their second vesting provision.

9. Related Party Transactions

Key management personnel compensation was:

Three months ended June 30	2015 $	2014 $
Short-term benefits	34,500	50,938
Share-based payments	1,487	5,300
	35,987	56,238

9. Related Party Transactions (continued)

The short-term benefits were paid or accrued to management and directors of the Company or to companies controlled by management and directors. The Company also paid or accrued $8,172 (June 30, 2014 - $5,400) to certain officers and directors or to companies controlled by certain officers and directors for travel, exploration, office rent and other related expenses.

During the three months ended June 30, 2015, the Company paid $135,000 (June 30, 2014 - $75,000) in consulting fees to a company related by common directors.

The Company also paid or accrued legal fees of $8,000 (June 30, 2014 - $16,390) to a company controlled by an officer of the Company.

During the three months ended June 30, 2015, the Company earned $92,363 (June 30, 2014 - $nil) in corporate finance fees from a company controlled by a director's relative.

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 amount of consideration established and agreed to by the related parties.

The Company had $8,000 included in accounts payable and accrued liabilities that was payable to related parties as at June 30, 2015 (March 31, 2015 - $4,323). The payment terms are similar to the payment terms of non-related party trade payables.

10. Share Capital and Reserves

a) Share Capital

Authorized: Unlimited common shares without par value.

Issued: 142,762,141 common shares

b) Share Purchase Warrants

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

	Number of Warrants	Weighted Average Exercise Price $
March 31, 2014	28,000,000	0.10
Expired	(28,000,000)	0.10
March 31, 2015 and June 30, 2015	-	-

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. In December 2012, the shareholders of the Company approved an incentive stock option plan which provides that the maximum number of common shares reserved for issuance under the plan is 28,552,428. The Company recognizes share-based payments 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.

10. Share Capital and Reserves (continued)

Two affiliated companies were granted options during fiscal 2013 to acquire 5,000,000 shares of the Company at $0.10 per share, exercisable for five years and vesting in four equal instalments over 18 months. An additional vesting requirement was imposed on 2,850,000 of these shares under the option – 712,500 shares shall be released with each multi-year letter of intent arranged on behalf of the Company for the supply of rare earth concentrate or the sale of rare earth oxides.

During fiscal 2015, the affiliated company was instrumental in facilitating a purchase agreement and arranged two letters of intent which resulted in 2,137,500 options being released pursuant to the second vesting provision. The remaining 712,500 options have yet to vest.

In May 2015, the Company granted stock options to a consultant of the Company to purchase up to 500,000 common shares at an exercise price of $0.05 until May 2020. The options vest in four equal instalments over 18 months with the first instalment vesting in August 2015.

The weighted average grant-date fair value of options awarded in the three months ended June 30, 2015 was $0.03 (June 30, 2014 - $nil). The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions:

	2015	2014
Risk-free interest rate	1.00%	-%
Expected life	5 years	- years
Dividend yield	0%	-%
Volatility	151%	-%

The stock price volatility was determined using the historical fluctuations in the Company's share price.

A summary of stock option activity to June 30, 2015 is as follows:

	Number	Weighted Average Exercise Price $
Options outstanding at March 31, 2014	22,756,393	0.19
Granted	250,000	0.05
Cancelled	(4,075,000)	0.28
Expired	(2,231,393)	0.55
Options outstanding at March 31, 2015	16,700,000	0.12
Granted	500,000	0.05
Options outstanding at June 30, 2015	17,200,000	0.11

10. Share Capital and Reserves (continued)

The Company's outstanding and exercisable stock options at June 30, 2015 were:

	Outstanding Options			Exercisable Options	
Expiry Date	Number	Weighted Average Remaining Life	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
August 2015	50,000	0.15	0.35	50,000	0.35
January 2016	775,000	0.54	0.37	775,000	0.37
January 2017	800,000	1.56	0.17	800,000	0.17
November 2017	14,825,000	2.36	0.10	14,112,500	0.10
February 2020	250,000	4.63	0.05	62,500	0.05
May 2020	500,000	4.88	0.05	-	0.05
	17,200,000	2.01	0.12	15,800,000	0.11

11. 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; and
- 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 requirements. 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 requirements. 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 year.

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. 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 June 30, 2015.

12. Risk Management

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, investments and receivable 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 development 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 short-term investments

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

iii) Derivative financial instruments

As at June 30, 2015, the Company had no derivative financial instruments.

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

The Company's interest revenue earned on cash and or short-term investments is exposed to interest rate risk. The Company does not enter into derivative contracts to manage this risk. The Company's exposure to interest rate risk is very low as the Company's short-term investments are fully liquid.

The Company limits its exposure to interest rate risk as it invests only in short-term investments at major Canadian financial institutions.

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.

12. Risk Management (continued)

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 June 30, 2015 and March 31, 2015:

	As at June 30, 2015		
	Level 1 $	Level 2 $	Level 3 $
Cash	215,567	-	-
Short-term investments	280,000	-	-
	495,567	-	-

	As at March 31, 2015		
	Level 1 $	Level 2 $	Level 3 $
Cash	52,617	-	-
Short-term investments	540,000	-	-
	592,617	-	-

13. Commitments

The Company has entered into a consulting agreement with CEC Rare Earth Corp. (“REC”), where, REC provides the Company access to personnel experienced in designing, building and establishing operations of full spectrum rare earth refineries as well as the ongoing sales and marketing of refined rare earths. The agreement may be terminated with three months’ notice. Based on this required notice, the Company has a commitment to pay three months of fees totaling $75,000 to REC in the future.

14. Corporate Finance Fees

The Company is engaged to provide corporate finance, strategic and business development services for a mechanically complete, full spectrum rare earth separation refinery built in Laos. In consideration, the Company receives a retainer of US$25,000 per month for the duration of the mandate, and success fees for securing industry related strategic investors, customers for the separated oxides and for securing a source of rare earth concentrate. The duration of this engagement, which began in September 2014, is one year, with further four-month extensions if certain milestones are reasonably achievable during the extension periods.

15. Loss Per Share

Three months ended June 30	2015	2014
Net loss for the period ($)	(203,462)	(217,873)
Weighted average number of common shares outstanding	142,762,141	142,762,141
Loss per share, basic and diluted ($ per share)	(0.00)	0.00

Basic loss per common share has been calculated using the weighted average number of common shares outstanding in each respective period. As the issue of shares upon the exercise of stock options and warrants would be anti-dilutive, diluted loss per common share is equivalent to basic loss per common share.

16. Events After the Reporting Period

In July 2015, the Company granted stock options to directors, officers, employees and consultants to purchase up to 7,875,000 common shares at an exercise price of $0.05 until July 8, 2020. The options vest in four equal instalments over 18 months.

In July 2015, the Company negotiated an agreement in principle to extend the due diligence period for the Hinton Property option agreement to February 29, 2016 in consideration for the reimbursement by the optionee of property taxes paid by the Company during fiscal 2015.