CANADA RARE EARTH CORP.

(A Development Stage Enterprise)

Condensed Consolidated Interim Financial Statements

(Stated in Canadian Dollars)

For the Nine Months Ended December 31, 2014

Responsibility for Financial Statements

The accompanying financial statements for Canada Rare Earth Corp. have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") consistently applied. Only changes in accounting policies have been disclosed in these unaudited condensed consolidated interim financial statements. 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 December 31, 2014.

CANADA RARE EARTH CORP.
(A Development Stage Enterprise)

December 31, 2014

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

	Note	December 31 2014 (unaudited) $	March 31 2014 (audited) $
ASSETS			
Current			
Cash		95,062	232,671
Short-term investments	5	620,000	1,000,000
Interest and other receivables		19,110	15,766
Prepaid expenses and deposits		15,125	7,129
Refundable security deposits	6	-	105,024
Total current assets		749,297	1,360,590
Non-current assets			
Exploration and evaluation assets	7	1,855,004	1,895,004
Long-term investments	8	1,141,720	1,141,720
Mata Azul participation right	9	38,549	-
		3,035,273	3,036,724
Total assets		3,784,570	4,397,314
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10	56,426	44,111
Total current liabilities		56,426	44,111
SHAREHOLDERS' EQUITY			
Share capital	11	14,340,194	14,340,194
Reserves	11	7,709,311	7,698,256
Deficit	2	(18,321,361)	(17,685,247)
Total shareholders' equity		3,728,144	4,353,203
Total liabilities and shareholders' equity		3,784,570	4,397,314

Note 1 – Corporate information
Note 15 – Subsequent events

On behalf of the Company:

"Tracy A. Moore" Director — Tracy A. Moore

"Bill Purcell" Director — Bill Purcell

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)

	Note	Three Months Ended December 31		Nine Months Ended December 31	
		2014	2013	2014	2013
		$	$	$	$
Revenue					
Corporate finance fee		86,672	-	97,672	-
Exploration costs		9,100	12,836	31,315	62,514
Expenses					
Consulting fees		194,936	105,090	416,627	333,815
Advertising and promotion		2,740	1,160	4,185	21,860
Listing, filing and transfer agent		931	8,744	16,759	23,252
Office and miscellaneous		6,245	6,710	17,942	20,982
Professional fees		49,560	68,247	99,870	94,753
Rent		4,399	5,400	15,199	16,200
Share-based payments		-	35,095	11,055	213,850
Travel and accommodations		20,051	19,704	20,362	74,157
Wages and benefits		40,301	50,565	124,969	139,961
		319,163	300,715	726,968	938,830
Loss before other items		(241,591)	(313,551)	(660,611)	(1,001,344)
Other income (expense)					
Foreign exchange		8,987	-	8,987	-
Interest and investment income		9,717	15,957	15,510	23,103
Loss and comprehensive loss for the period		(222,887)	(297,594)	(636,114)	(978,241)
Loss per share – basic and diluted per common share		(0.00)	(0.00)	(0.00)	(0.01)
Weighted average shares outstanding, basic and diluted		142,762,141	142,762,141	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 April 1, 2013	142,762,141	14,340,194	952,000	6,505,932	(15,051,506)	6,746,620
Share-based payments	-	-	-	213,850	-	213,850
Loss and comprehensive loss for the period	-	-	-	-	(978,241)	(978,241)
Balance at December 31, 2013	142,762,141	14,340,194	952,000	6,719,782	(16,029,747)	5,982,229
Balance at April 1, 2014	142,761,141	14,340,194	952,000	6,746,256	(17,685,247)	4,353,203
Expiry of warrants	-	-	(952,000)	952,000	-	-
Share-based payments	-	-	-	11,055	-	11,055
Loss and comprehensive loss for the period	-	-	-	-	(636,114)	(636,114)
Balance at December 31, 2014	142,761,141	14,340,194	-	7,709,311	(18,321,361)	3,728,144

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)

	Note	Nine months ended December 31 2014 $	2013 $
Cash flows provided by (used in):			
Operating activities			
Loss and comprehensive loss for the period		(636,114)	(978,241)
Adjustments for:			
Share-based payments		11,055	213,850
Unrealized foreign exchange gain		(8,987)	-
Changes in non-cash working capital items:			
Interest and other receivables		(3,344)	32,984
Prepaid expenses		(7,996)	3,499
Refundable security deposits		105,024	(105,024)
Accounts payable and accrued liabilities		12,315	(47,286)
Net cash provided by (used in) operating activities		(528,047)	(880,218)
Investing activities			
Recovery (acquisitions of exploration and evaluation assets)		40,000	(53,581)
Mata Azul participation right		(38,549)	-
Acquisition of long-term investments		-	(1,141,720)
Net redemption of short-term investments		380,000	2,400,000
Net cash provided by investing activities		381,451	1,204,699
Foreign exchange effect on cash		8,987	-
Change in cash and cash equivalents during period		(137,609)	324,481
Cash, beginning of period		232,671	117,793
Cash, end of period		95,062	442,274

Cash paid (received) for interest	$ (15,510)	$ (23,103)
Cash paid (received) for income tax	$ -	$ -

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.

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 nine month period ended December 31, 2014 have been prepared in accordance with *IAS 34 Interim Financial Reporting* and should be read in conjunction with the Company's March 31, 2014 audited annual financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's March 31, 2014 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.

b) *Basis of measurement*

The 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)

c) *Going concern of operations*

These 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 fee, the Company has not generated revenue from operations. The Company incurred a loss of $636,114 during the nine months ended December 31, 2014 and, as of that date the Company's deficit was $18,321,361. The Company is dependent on its ability to raise additional debt or equity to raise sufficient cash resources to meet its current financial obligations. 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 $715,062 at December 31, 2014 (March 31, 2014 - $1,232,671). 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

Certain pronouncements, issued by the IASB or the IFRS Interpretations Committee, were adopted during the year, or are mandatory for the Company's fiscal years beginning on or after April 1, 2014 or are required to be adopted in future periods. The following pronouncements are relevant to the consolidated financial statements, although none of these are expected to have a material effect on financial statement presentation:

New standards, interpretations and amendments effective April 1, 2014

a) IAS 24 - Related Party Disclosures

The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The application of the revised standard does not have a material impact on the Company's financial statements.

3. Adoption of New Accounting Pronouncements and Recent Developments (continued)

b) IAS 32 – Financial Instrument, Presentation

This standard was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of setoff" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014. The adoption of Amended IAS 32 did not have a material impact on the Company's condensed consolidated interim financial statements.

c) IAS 36 – Impairment of Assets

This standard prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the standard requires the entity to recognize an impairment loss. The standard also specifies when an entity should reverse an impairment loss and prescribes disclosures. This amendment is effective for annual periods beginning on or after January 1, 2014. The adoption of amended IAS 36 did not have a material impact on the Company's condensed consolidated interim financial statements.

New standards, interpretations and amendments not yet effective

a) IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for the Company's fiscal year beginning April 1, 2015.

b) IFRS 15 – Revenue Recognition

The IASB issued IFRS 15, Revenue Recognition, in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is in the process of assessing the impact of IFRS 15 and has not yet determined when it will adopt the new standard.

There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's financial statements.

4. Critical Accounting Estimates and Judgments

The preparation of the Company's 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 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:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- the determination that the Company will continue as a going concern for the next year; and
- the determination that there have been no events or changes in circumstances that indicate the carrying amount of exploration and evaluation assets may not be recoverable.

5. Short-term Investments

As at December 31, 2014 the Company held $620,000 (March 31, 2014 - $1,000,000) in short-term investments consisting of GICs. The yields on these investments are prime less 1.8% (1.20%) 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 interim financial statements.

6. Refundable Security Deposits

Refundable security deposits of $nil (March 31, 2014 - $105,024), which represented amounts paid pursuant to a letter of intent for the acquisition of a site for a rare earth refinery in the Pacific Northwest region of the United States. The deposit was refunded during the period ending December 31, 2014.

7. Exploration and Evaluation Assets

The Company has capitalized the following acquisition costs of its mineral property interests during the year ended March 31, 2014 and nine months ended December 31, 2014:

	Springer	Red Wine Complex	Clay-Howells	Coldwell Complex	Hinton Coal	Manitouwadge Graphite	Other	Total
	$	$	$	$	$	$	$	$
March 31, 2013	533,523	1,076,467	429,455	122,002	1,020,000	33,514	71,448	3,286,409
Acquisition costs for the year	53,753	-	2,706	-	-	-	-	56,459
Write-downs	(537,276)	(702,406)	(23,589)	(108,336)	-	(4,809)	(71,448)	(1,447,864)
March 31, 2014	50,000	374,061	408,572	13,666	1,020,000	28,705	-	1,895,004
Acquisition costs for the year	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	(30,000)	(10,000)	-	(40,000)
December 31, 2014	50,000	374,061	408,572	13,666	990,000	18,705	-	1,855,004

During the nine months ended December 31, 2014, the Company incurred the following exploration expenditures that were expensed as incurred:

	Springer	Red Wine Complex	Clay-Howells	Coldwell Complex	Manitouwadge Graphite	Other	Total
	$	$	$	$	$	$	$
Prospecting	-	-	-	6,656	-	-	6,656
Other	-	6,900	41	455	-	17,263	24,659
December 31, 2014	-	6,900	41	7,111	-	17,263	31,315

During the nine months ended December 31, 2013, the Company incurred the following exploration expenditures that were expensed as incurred:

	Springer	Red Wine Complex	Clay-Howells	Coldwell Complex	Manitouwadge Graphite	Total
	$	$	$	$	$	$
Prospecting	-	-	-	408	-	408
Geology	19,056	9,351	-	-	100	28,507
Diamond drilling	17,097	6,912	-	-	-	24,009
Other	-	-	40	-	9,550	9,590
December 31, 2013	36,153	16,263	40	408	9,650	62,514

7. 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 75 unpatented mining claims located in Springer Township and the adjacent townships of Field to the north and Pedley to the east.

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.

7. Exploration and Evaluation Assets (continued)

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.

c) Clay-Howells Property

Pursuant to an option agreement executed in 2010, the Company acquired 100% ownership in the property. 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.

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 reducing the property to 35 unpatented mining claims.

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 5% net profits royalty can be purchased for an amount in Canadian dollars which is equal to 8% of the sales price of the Hinton Property to an unrelated third party through a commercial market process subject to a minimum sales price of $1,000,000.

The Company continues to own 100% interest in the Hinton Property.

On September 11, 2014, the Company received a non-refundable deposit of $20,000 regarding the Hinton Property. 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 (‘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, the Company received a further non-refundable deposit of $10,000 in consideration of extending the due diligence period until March 7, 2015. The $10,000 is to be applied against the first $200,000 payment due upon successful conclusion of the due diligence being undertaken by the optionee.

7. Exploration and Evaluation Assets (continued)

f) Manitouwadge Graphite Property

The Manitouwadge Graphite Property, located in Flanders Township within the Thunder Bay Mining Division, Ontario and in Foch Township within the Porcupine Mining Division, consists of 191 unpatented mining claims acquired by staking, centered about the Thomas Lake Road Graphite Occurrence.

On September 11, 2014, the Company received a non-refundable deposit of $10,000 for the sale of the Manitouwadge property. In order to complete the sale, a further $149,000 is due at the option of the optionee within six months from entering the option agreement. The optionee has committed to spending $15,200 to advance exploration of the property and reimburse property taxes during the term of the option.

In December 2014, the parties agreed to reduce the time period to acquire the property from six months to four months.

8. 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 December 31, 2014, the Company owned 2,348,147 common shares of Delaware Co., which represented 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.

9. Mata Azul Participation Right

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 July 2014, the Company paid US$35,000 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.

In November 2014, the Company entered into two letters of intent (each an "LOI") to sell 10,000 metric tons ("MT") 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 the two LOI's, 1,425,000 stock options were released pursuant to their second vesting provision.

10. Related Party Transactions

Key management personnel compensation was:

	Three months ended December 31		Nine months ended December 31	
	2014	2013	2014	2013
	$	$	$	$
Short-term benefits	33,000	33,000	99,000	99,000
Share-based payments	-	-	5,300	62,177
	33,000	33,000	104,300	161,177

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 $46,919 (December 31, 2013 - $112,712) to certain officers and directors or to companies controlled by certain officers and directors for travel, exploration, office and other related expenses.

During the nine months ended December 31, 2014, the Company paid $293,000 (December 31, 2013 - $nil) in consulting fee to a company related by common directors.

During the nine months ended December 31, 2014, the Company earned $97,672 (December 31, 2013 - $nil) in corporate finance fee from a company controlled by a director's relative.

The Company also paid or accrued legal fees of $34,233 (December 31, 2013 - $97,803) to a company controlled by an officer of the Company.

As at December 31, 2014, $32,833 (March 31, 2014 - $15,000) is owing to directors and officers or to companies controlled by officer and directors for services and $3,292 (March 31, 2014 - $6,395) is owing to officers and directors for expenses paid on the Company's behalf. There are no terms or conditions related to any outstanding debt to related parties and the debt is unsecured.

11. 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, 2013 and March 31, 2014	28,000,000	0.10
Expired	(28,000,000)	-
December 31, 2014	-	-

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 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.

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 installments 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 from the second vesting provision 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 the period, the affiliated company arranged two letters of intent which resulted in 1,425,000 options being released pursuant to the second vesting provision. The remaining 712,500 options have yet to vest.

11. Capital and Reserves (continued)

Stock option transactions for the nine months ended December 31, 2014 and the year March 31, 2014 are as follows:

	Number	Weighted Average Exercise Price $
Options outstanding at March 31, 2013	22,740,000	0.19
Granted	1,000,000	0.10
Cancelled	(5,058,607)	0.10
Expired	(16,393)	0.10
Options outstanding at March 31 and December 31, 2014	18,665,000	0.17

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
$0.10 - $0.60	18,665,000	1.55	$0.17	17,952,500	$0.17

The following table summarizes information about the options outstanding at December 31, 2014:

Expiry dates	Exercise Price $	Options Outstanding
January 2015	0.60	65,000
January 2015	0.55	2,150,000
August 2015	0.35	50,000
January 2016	0.37	775,000
January 2017	0.17	800,000
November 2017	0.10	14,825,000
		18,665,000

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

11. Capital and Reserves (continued)

Stock options granted to directors, officers and employees vested during the nine months ended December 31, 2014 as follows:

Grant Date	Options Vested	Exercise Price $	Expiry Date	Fair Value Of Option $
November 8, 2012	208,356	0.10	November 9, 2017	0.04
	208,356			

Risk-free Interest Rate	1.32%
Expected Life	5 years
Dividend Yield	0%
Volatility	86%

The Company has calculated $11,055 (December 31, 2013 - $212,866) recorded as share-based payments expense and credited under capital stock as reserves for the 208,356 (December 31, 2013 – 4,826,674) options vesting to directors, officers and employees during the period.

The Company has calculated $nil (December 31, 2013 – $984) recorded as share-based payments expense and credited under capital stock as reserves for the nil (December 31, 2013 – $21,375) options vesting to non-employees during the period.

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.

12. Commitments

The Company has commitments as described in note 7 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.

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.

13. 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.

14. Loss Per Share

	Three months ended December 31		Nine months ended December 31	
	2014	2013	2014	2013
Loss for the period	(222,887)	(297,594)	(636,114)	(978,241)
Weighted average number of common shares outstanding	142,762,141	142,762,141	142,762,141	142,762,141
Loss per share, basic and diluted	(0.00)	0.00	(0.00)	(0.01)

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.

15. Subsequent Events

In February 2015, the Company completed the sale of the Manitouwadge graphite property and received the final payment of $149,000. The Company was granted a 2% gross production royalty based on the graphite produced form the property. The purchaser may acquire half of this royalty for $250,000.