CANADA RARE EARTH CORP.
(A Development Stage Enterprise)

Consolidated Annual Financial Statements

(Stated in Canadian Dollars)

For the year ended March 31, 2016

CANADA RARE EARTH CORP.
(A Development Stage Enterprise)

March 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canada Rare Earth Corp.,

We have audited the accompanying consolidated financial statements of Canada Rare Earth Corp., which comprise the consolidated statements of financial position as at March 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended March 31, 2016 and 2015, 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 Canada Rare Earth Corp. as at March 31, 2016 and 2015 and its financial performance and its cash flows for the years ended March 31, 2016 and 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial statements, which indicates the Company has limited working capital, limited sources of revenue, and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
July 29, 2016

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

As at	Note	March 31 2016 $	March 31 2015 $
ASSETS			
Current			
Cash		323,471	52,617
Short-term investments	6	-	540,000
Receivables		-	94,995
Interest and other receivables	10	17,932	38,090
Prepaid expenses and deposits		9,034	-
Total current assets		350,437	725,702
Non-current			
Exploration and evaluation assets	8	-	1,829,580
Long-term investment	9	-	1,141,720
Promissory note	9	1,558,440	-
Interest receivable on promissory note	9	10,305	-
Intangible assets	7	232,765	-
Mata Azul participation right	10	38,548	38,548
		1,840,058	3,009,848
Total assets		2,190,495	3,735,550
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11	26,046	35,466
SHAREHOLDERS' EQUITY			
Share capital	12	14,823,754	14,340,194
Reserves	12	7,827,235	7,711,655
Deficit		(20,486,540)	(18,351,765)
Total shareholders' equity		2,164,449	3,700,084
Total liabilities and shareholders' equity		2,190,495	3,735,550

Note 2 c) – Going concern of operations
Note 16 – Commitments
Note 19 – 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 consolidated financial statements.

CANADA RARE EARTH CORP.
(A Development Stage Enterprise)
Consolidated Statements of Loss and Comprehensive Loss

Year ended March 31	Note	2016 $	2015 $
Revenue			
Corporate finance fees	11, 17	92,363	192,667
Exploration costs	8, 11	-	33,315
Expenses			
Consulting fees	11	269,582	591,640
Advertising and promotion		47,122	6,884
Listing, filing and transfer agent		19,620	18,904
Office and miscellaneous	11	21,275	27,508
Professional fees	11	133,118	114,742
Rent	11	43,635	17,600
Share-based payments	11	115,580	13,399
Travel and accommodations		26,750	23,256
Wages and benefits		90,907	151,227
		767,589	965,160
Loss before other items		(675,226)	(805,808)
Other income (expense)			
Write-off of exploration and evaluation assets	8	(1,840,203)	-
Write-off of inventory	7	(60,000)	-
Gain on sale of long-term investment	9	462,920	-
Foreign exchange loss	9, 10	(42,181)	-
Recovery of property tax		4,618	-
Other income		2,475	-
Interest and investment income	9	12,822	8,995
Gain on sale of exploration and evaluation assets		-	130,295
Net loss and comprehensive loss for the year		(2,134,775)	(666,518)
Loss per share – basic and diluted per common share	18	(0.01)	(0.00)
Weighted average shares outstanding, basic and diluted		155,181,442	142,762,141

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

CANADA RARE EARTH CORP.
(A Development Stage Enterprise)
Consolidated Statements of Changes in Equity

	Share capital		Reserves		Deficit	Total
	Number of shares	Share capital	Warrants	Equity-settled benefits		
		$	$	$	$	$
Balance at March 31, 2014	142,762,141	14,340,194	952,000	6,746,256	(17,685,247)	4,353,203
Share-based payments	-	-	-	13,399	-	13,399
Loss and comprehensive loss for the year	-	-	-	-	(666,518)	(666,518)
Balance at March 31, 2015	142,762,141	14,340,194	952,000	6,759,655	(18,351,765)	3,700,084
Shares issued on acquisition of assets	24,178,000	483,560	-	-	-	483,560
Share-based payments	-	-	-	115,580	-	115,580
Loss and comprehensive loss for the year	-	-	-	-	(2,134,775)	(2,134,775)
Balance at March 31, 2016	166,940,141	14,823,754	952,000	6,875,235	(20,486,540)	2,164,449

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

CANADA RARE EARTH CORP.
(A Development Stage Enterprise)
Consolidated Statements of Cash Flows

Year ended March 31	Note	2016 $	2015 $
Cash flows provided by (used in):			
Operating activities			
Net loss and comprehensive loss for the year		(2,134,775)	(666,518)
Adjustments for:			
Share-based payments		115,580	13,399
Write-off (gain on sale) of exploration and evaluation assets		1,840,203	(130,295)
Write-off of inventory		60,000	-
Gain on sale of long-term investment		(462,920)	-
Unrealized foreign exchange loss on promissory note		46,200	-
Unrealized foreign exchange loss on interest receivable on promissory note		585	-
Interest accrued on promissory note		(10,890)	-
Changes in non-cash working capital items:			
Foreign exchange loss on cash		21,277	-
Receivables		94,995	(94,995)
Interest and other receivables		20,158	(22,324)
Prepaid expenses and deposits		(9,034)	7,129
Refundable security deposits		-	105,024
Accounts payable and accrued liabilities		(9,420)	(8,645)
Cash flows used in operating activities		(428,041)	(797,225)
Investing activities			
Acquisition of exploration and evaluation assets		(10,623)	(3,281)
Net redemption of short-term investments		540,000	460,000
Cash received on acquisition of assets	7	190,795	-
Mata Azul participation right		-	(38,548)
Proceeds received on sale of exploration and evaluation assets		-	159,000
Non-refundable deposits received on exploration and evaluation assets		-	40,000
Cash flows provided by investing activities		720,172	617,171
Effect of exchange rate changes on cash		(21,277)	-
Change in cash during the year		270,854	(180,054)
Cash, beginning of year		52,617	232,671
Cash, end of year		323,471	52,617
Supplementary Information:			
Shares issued for acquisition of assets		483,560	-
Proceeds on sale of long-term investment		1,604,640	-
Inventory acquired in exchange for shares issued		60,000	-
Intangible assets acquired in exchange for shares issued		232,765	-

The accompanying notes form an integral part of these consolidated 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 an 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".

In September 2015, the Company acquired various assets from REC, an affiliated company (see note 7).

In October 2015, the Company executed a commercial agreement with a company in China. Pursuant to this agreement, the Company has been appointed the exclusive sales agent and distributor for products in Europe, the Americas, India and Russia, and the non-exclusive sales agent and distributor in Asia. This agreement will be extended in two-year increments in perpetuity so long as the Company purchases minimum amounts of products, as defined in the agreement, during sequential two-year periods.

In May 2016, the Company entered into an agreement to acquire 60% of the shares of a company based in Laos that owns a full capability rare earth refinery (see note 19).

These consolidated 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 15th Floor – 1040 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4H1.

2. Basis of Presentation

a) Statement of compliance

These consolidated financial statements for the year ended March 31, 2016 have been 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.

The Company's board of directors approved the release of these consolidated financial statements on July 28, 2016.

b) Basis of measurement

These consolidated 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 consolidated 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 5.

c) Going concern of operations

These consolidated 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 $2,134,775 during the year ended March 31, 2016 and, as of that date the Company's deficit was $20,486,540. The Company is dependent on its ability to raise additional debt, equity or general revenues to raise sufficient cash resources to meet its current financial obligations and plans

2. Basis of Presentation (continued)

c) Going concern of operations (continued)

including establishing an integrated business within the rare earth industry. 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 of $323,471 at March 31, 2016 (March 31, 2015 – cash and short-term investments of $52,617). 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. Significant Accounting Policies

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: REM Metals Corp., an Ontario corporation; CREC South American Holdings Corp., a British Columbia corporation; and CanBras Minerals S.A., a Brazilian corporation 100% 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.

b) 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 or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

c) Impairment

At each statement of 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 value 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

3. Significant Accounting Policies (continued)

c) Impairment (continued)

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 impairment is recognized immediately in profit or loss.

d) 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.

e) 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.

f) Share capital

Share capital represents the fair value of consideration received.

g) Operating expenses

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

h) 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.

3. Significant Accounting Policies (continued)

h) Share-based payment transactions (continued)

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.

i) Interest

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

j) 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 of cash and which are subject to an insignificant risk of changes in value. At March 31, 2016 and 2015, the Company did not have any cash equivalents.

k) 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 related 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 profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of loss and 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.

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 on successful development and commercial exploration, or alternatively, sale of the respective areas of interest.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by

3. Significant Accounting Policies (continued)

l) Intangible assets (continued)

changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

m) 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.

n) 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 miscellaneous’ or ‘interest and investment income’.

i) 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

3. Significant Accounting Policies (continued)

n) Financial assets (continued)

i) Loans and receivables (continued)

impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's promissory note, trade and most other receivables fall into this category of financial instruments.

ii) 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 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.

iii) 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.

iv) Available for sale financial assets

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's long-term investment was classified as an available-for-sale financial asset.

o) 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 miscellaneous' or 'interest and investment income'.

p) 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 available-for-sale, 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:

3. Significant Accounting Policies (continued)

p) Impairment of financial assets (continued)

- Significant financial difficulty of the issuer or counterpart; or
- Default or 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 available-for-sale 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 available-for-sale 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.

4. Adoption of New Accounting Pronouncements and Recent Developments

Standards, amendments and interpretations not yet effective

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Company's future financial statements for accounting periods beginning on or after January 1, 2018, with early adoption permitted:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The potential impact of the adoption of these standards on consolidated financial statements of the Company has not yet been determined.

5. Critical Accounting Judgements, Estimates and Assumptions

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.

5. Critical Accounting Judgements, Estimates and Assumptions (continued)

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.

Intangible assets

Management is in the process of evaluating the business arrangements acquired from REC (see note 7) and assessing whether they have finite or infinite lives.

The application of the Company's accounting policy for intangible 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 intangible asset is capitalized, information becomes available suggesting that the recovery of the value of the asset is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

6. Short-term Investments

As at March 31, 2016, the Company held $nil (March 31, 2015 - $540,000) in short-term investments consisting of GICs. The yields on these investments was prime less 2.00% (March 31, 2015 - 1.95%) per year.

7. Acquisition of CEC Rare Earth Corp. Assets

In September 2015, the Company acquired assets from CEC Rare Earth Corp. ("REC"), an affiliated private British Columbia company. The acquired assets included $190,795 of cash, $60,000 of inventory, receivables determined to have $nil fair value and intangible assets determined to have a fair value of $232,765 in the form of certain business arrangements that relate to exploring for, mining, concentrating, sourcing, treating, separating and selling rare earths in all forms and at all stages, and rights to earn equity positions in various initiatives.

The fair market value of the assets acquired is as follows:

	$
Cash	190,795
Inventory	60,000
Intangible assets	232,765
Assets acquired	483,560

Consideration paid and payable for the acquired assets is as follows:

a) Common Shares – the Company issued 24,178,000 common shares subject to an escrow provision over 18 months.

7. Acquisition of CEC Rare Earth Corp. Assets (continued)

b) Royalty Streams – the Company will pay three royalty streams, for the implementation and execution of contracts and business arrangements and the disposition of the assets acquired by the Company, as follows:

i) *Royalty Stream A* – a royalty stream consisting of 5% of the first US$70 million or equivalent of non-refundable gross cash collected;

ii) *Royalty Stream B* – for a period of 12 years from closing, a royalty stream consisting of 5% of the non-refundable gross cash collected plus 10% of dividends received from equity ownership in rare earth businesses derived from the acquired assets. For a period of three years from closing, the Company retains the right to buy out the obligation for payments of this royalty stream and dividends for the amount of US$15 million less 50% of payments previously made pursuant to this royalty stream.

iii) *Royalty Stream C* – a royalty stream consisting of 3% of the first US$70 million or equivalent of non-refundable gross cash collected. For a period of two years from closing, the Company has the right, subject to shareholder and/or regulatory approval, to purchase or otherwise cancel this royalty stream by issuing 15,712,000 escrow shares to REC's major shareholder.

The Company assumed responsibility to pay for success-based compensation that would otherwise have been payable by REC in recognition of past services to REC by management and advisors of REC. To enable the Company to make these payments, it will retain 30% and 20% respectively of the payments otherwise payable to REC under Royalty Streams A and B. This compensation will be paid concurrently with the royalty stream payments.

In addition, 5,000,000 options shall remain exercisable at $0.10 per share until November 8, 2017 and the Company agreed to indemnify REC for up to $40,000 of Canadian corporate income taxes resulting from this transaction, if any.

The fair value of the common shares issued was determined to be $483,560, based on the Company's share price.

As at March 31, 2016, the Company wrote off the $60,000 value of inventory acquired.

8. 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 years ended March 31, 2015 and March 31, 2016:

	Springer	Red Wine Complex	Clay-Howells	Coldwell Complex	Hinton Coal	Manitouwadge Graphite	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	-	121	550	9,632	-	10,623
Write-off	(50,620)	(374,336)	(411,399)	(14,216)	(989,632)	-	(1,840,203)
March 31, 2016	-	-	-	-	-	-	-

8. Exploration and Evaluation Assets (continued)

During the year ended March 31, 2016, the Company did not incur any exploration expenditures and wrote off all capitalized acquisition costs.

During the year ended March 31, 2015, the Company incurred the following exploration expenditures that were expensed as incurred:

	Red Wine Complex	Clay-Howells	Coldwell Complex	Other	Total
	$	$	$	$	$
Prospecting	-	-	8,656	-	8,656
Other	6,900	41	455	17,263	24,659
	6,900	41	9,111	17,263	33,315

a) Springer

Lavergne prospect

The Company paid $150,000 to purchase the surface rights to the eastern half of a patented claim comprising part 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 intends to sell these surface rights or relinquish its rights if the Company is unable to sell them.

Springer-Field-Pedley

This property is currently comprised of 8 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, 2016, the Company wrote off $50,620 in related acquisition costs.

b) Red Wine Complex

The Company 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. During the year ended March 31, 2016, the Company wrote off $374,336 in related acquisition costs.

Mann #1, Two Tom Lake

Pursuant to an option agreement in September 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 option agreement in September 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. Currently the property is comprised of 7 claim blocks totalling 50 units.

c) Clay-Howells

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. Currently, the property is comprised of 12 unpatented claim units. During the year

8. Exploration and Evaluation Assets (continued)

c) Clay-Howells (continued)

ended March 31, 2016, the Company wrote off $411,399 in related acquisition costs.

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. The property currently consists of one 16 unit of unpatented mining claims. During the year ended March 31, 2016, the Company wrote off $14,216 in related acquisition costs.

e) Hinton Coal

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.

In the year ended March 31, 2015, the Company entered into an agreement to option the Hinton Property for $1,020,000 and received non-refundable deposits of $40,000.

On June 24, 2015, the agreement to option the Hinton property expired due to non-payment. Due to conditions in the coal market, negotiations with the former optionee have ceased. In the year ended March 31, 2016, the Company wrote off $989,632 in related acquisition costs.

f) Manitouwadge Graphite

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.

9. Promissory Note

In September 2013, the Company acquired a 15% interest (2,348,147 common shares) in a private Delaware company ("Delaware Co."). Delaware Co. is mineral exploration and exploitation company. The Master Agreement comprised a Common Stock Purchase Agreement ("CSPA") and a Land Lease Agreement ("LLA"). Pursuant to the CSPA, the Company paid US$1,100,000 ($1,141,720) for its 15% interest and was provided with a 25 year lease of 15 acres of deeded land in accordance with the LLA. Pursuant to the LLA, the Company was granted an option to renew the lease for an additional consecutive 25 years. For the purposes of the LLA, the US$1,100,000 investment was considered to represent a pre-payment of rent for the initial 25 year period of the lease.

On December 1, 2015, the Company entered into the CREC Stock Purchase Agreement ("SPA"). Pursuant to the SPA, Delaware Co. repurchased the Company's 15% interest for gross proceeds of US$1,200,000 ($1,604,640) resulting in a gain on sale of its long-term investment of $462,920. The gross proceeds are secured by a US$1,200,000 promissory note. The promissory note bears interest at 2% per annum for the first 24 months and 6% per annum for the final 12 months. The principal balance plus accrued interest is due on or before November 30, 2018. Pursuant to the SPA, the lease and lease option were cancelled. The Company, in its sole discretion, has the right to extend the maturity date in the event Delaware Co. fails to pay on a timely basis. If Delaware Co. defaults, the Company has the right and option to either extend the promissory note on its current terms or reinstate the equity investment in Delaware Co., any company that owns, directly or indirectly, the deeded land or any entity affiliated with any of these companies. The equity investment shall be US$1,200,000 plus interest accrued on the promissory note converted at a 10% discount to the lowest priced issuance of shares by that entity in the past 24 months. In addition, the lease and lease option shall be reinstated with an extension for the lease term equal to the duration of the period of time the promissory note was outstanding.

At March 31, 2016, the fair value of the promissory note was approximately $1,530,000

9. Promissory Note (continued)

(approximately US$1,178,000). Fair value was determined using an income approach. An income approach is a present value technique that takes into account the future cash flows that would be expected to be received from holding the promissory note. Present value was calculated using the following attributes: future lump sum payment of US$1,323,389, including principal and interest, at the three-year anniversary date of the promissory note, 32 months to maturity, and a discount rate of 6%.

10. Mata Azul Participation Right

In July 2014, the Company paid US$35,000 ($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 commencing with production plus automatic extensions under certain situations.

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 January 2016, the joint venture agreement expired, although the long-term rights agreement continues.

In November 2014, the Company also advanced a loan in the amount of US$12,500 ($14,196) to Mata Azul. The loan carries an interest rate of 6% and matured in November 2015 and the amount is overdue. The loan deadline was subsequently extended to November 2016.

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.

11. Related Party Transactions

Key management personnel compensation was:

Year ended March 31	2016 $	2015 $
Short-term benefits	166,300	134,250
Share-based payments	71,963	7,645
	238,263	141,895

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 $43,516 (March 31, 2015 - $57,763) to certain officers and directors or to companies controlled by certain officers and directors for reimbursement of travel, exploration, office rent and other related expenses.

During the year ended March 31, 2016, the Company paid $135,000 (March 31, 2015 - $428,000) in consulting fees to a company related by common directors.

The Company also paid or accrued legal fees of $56,659 (March 31, 2015 - $32,679) to a company controlled by an officer of the Company.

During the year ended March 31, 2016, the Company earned $92,363 (March 31, 2015 - $192,667) in

11. Related Party Transactions (continued)

corporate finance fees from a company controlled by a former 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 $6,194 included in accounts payable and accrued liabilities that was payable to related parties as at March 31, 2016 (March 31, 2015 - $4,323). The payment terms are similar to the payment terms of non-related party trade payables.

12. Share Capital and Reserves

a) Share capital

Authorized: Unlimited common shares without par value.

Issued: 166,940,141 (2015 – 142,762,141) common shares.

b) Share purchase warrants

Details of share purchase warrant transactions for the years ended March 31, 2016 and 2015 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 March 31, 2016	-	-

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.

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 were being 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 vested as part of the agreement in which the Company acquired certain assets of REC (note 7).

In February 2015, the Company granted stock options to an officer of the Company to purchase up to 250,000 shares of the Company at an exercise price of $0.05 until February 2020. The options vest in four equal instalments over 18 months.

12. Share Capital and Reserves (continued)

c) Stock options (continued)

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 were to vest in four equal instalments over 18 months and were cancelled in March 2016.

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.

The weighted average grant-date fair value of options awarded in the year ended March 31, 2016 was $0.02 (March 31, 2015 - $0.03). The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions:

	2016	2015
Volatility	136.03% - 157.14%	144%
Expected life	4 - 5 years	5 years
Risk-free interest rate	0.54% - 1.00%	0.73%
Dividend yield	0%	0%

A summary of stock option activity to March 31, 2016 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	8,375,000	0.05
Cancelled	(500,000)	0.05
Expired	(825,000)	0.37
Options outstanding at March 31, 2016	23,750,000	0.09

12. Share Capital and Reserves (continued)

c) Stock options (continued)

The Company's outstanding and exercisable stock options at March 31, 2016 were:

	Outstanding Options			Exercisable Options	
Expiry Date	Number	Weighted Average Remaining Life	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
January 2017	800,000	0.80	0.17	800,000	0.17
June 2017[(1)]	500,000	1.21	0.07	350,000	0.08
November 2017	14,625,000	1.61	0.10	14,625,000	0.10
February 2020	250,000	3.88	0.05	187,500	0.05
July 2020	7,575,000	4.27	0.05	3,937,500	0.05
	23,750,000	2.52	0.09	19,900,000	0.09

(1) On March 22, 2016, the Company amended the expiry date of 500,000 options, including 200,000 options originally due to expire in November 2017 and 300,000 options originally due to expire in July 2020, to June 2017, pursuant to a consulting agreement with a former director.

13. 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 March 31, 2016.

14. 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

In order to manage credit and liquidity risk the Company's cash is held through a large Canadian financial institution.

iii) Derivative financial instruments

As at March 31, 2016, 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. At March 31, 2016, the Company did not have any short-term investments.

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:

14. Risk Management (continued)

- 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, 2016 and March 31, 2015:

	As at March 31, 2016		
	Level 1 $	Level 2 $	Level 3 $
Cash	323,471	-	-
	323,471	-	-

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

15. Income Taxes

The provision for income taxes differs from the amount that would have resulted by applying combined federal and provincial statutory rates of 26.00% (March 31, 2015 – 26.00%) to the Company's loss before income taxes. A reconciliation of income taxes at statutory rates is as follows:

	2016 $	2015 $
Net loss for the year before tax recovery	(2,134,775)	(666,518)
Expected income tax recovery	(555,042)	(173,295)
Net adjustment for deductible and non-deductible amounts	414,077	272
Taxable capital gain on sale of long-term investment	231,460	-
Capital gains reserve	(185,168)	-
Application of 2006 non-capital loss carryforwards	(46,292)	-
Unrecognized benefit on non-capital losses	140,965	173,023
Total income tax	-	-

15. Income Taxes (continued)

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

	2016 $	2015 $
Deferred income tax assets:		
Exploration and evaluation assets and share issue costs	2,962,344	2,497,358
Non-capital loss carryforwards	2,290,860	2,119,000
Eligible capital property	42,212	-
Net deferred tax assets	5,295,416	4,616,358
Valuation allowance	(5,295,416)	(4,616,358)
	-	-

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets/(liabilities) have been recognized are attributable to the following:

	2016 $	2015 $
Deferred income tax assets:		
Exploration and evaluation assets and share issue costs	11,393,634	10,570,602
Non-capital loss carryforwards	8,811,000	7,959,000
Eligible capital property	162,354	-
	20,366,988	18,529,602

The Company has non-capital losses amounting to $8,811,000 expiring from 2026 to 2036 available for deduction against future years' taxable income. The Company has not recognized any future benefit for these tax losses, as it is not considered likely that they will be utilized. If unused, these tax losses will expire as follows:

Year	$
2026	460,000
2027	721,000
2028	779,000
2029	292,000
2030	571,000
2031	1,154,000
2032	1,230,000
2033	1,221,000
2034	1,011,000
2035	830,000
2036	542,000
	8,811,000

16. Commitments

On December 7, 2015 the Company entered into a commercial property lease expiring April 29, 2021. The future minimum rental payments under the non-cancellable operating lease at March 31, 2016 are:

Year ending March 31	$
2017	62,050
2018	62,292
2019	62,292
2020	66,864
2021	67,280
Subsequent	5,607
	326,385

The Company has a written agreement with a related party to sublease to the related party 50% of this office space. The related party will split premises costs on a 50/50 basis with the Company for the duration of the lease. Each party pays its 50% share.

17. Corporate Finance Fees

In September 2014, the Company was engaged to provide corporate finance, strategic and business development services for a mechanically complete, full spectrum rare earth separation refinery built in Laos for a period of one year ending September 2015. In consideration, the Company received a retainer of US$25,000 per month for the duration of the mandate. However, payments ceased with mutual consent in June 2016, as the parties began negotiating a new arrangement.

18. Loss Per Share

Year ended March 31	2016	2015
Net loss for the year ($)	(2,134,775)	(666,518)
Weighted average number of common shares outstanding	155,181,442	142,762,141
Loss per share, basic and diluted ($ per share)	(0.01)	(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.

19. Events After the Reporting Period

a) In April 2016, the Company granted stock options to a director of the Company to purchase up to 300,000 common shares at an exercise price of $0.05 until April 4, 2021. The options vest in four equal instalments over 18 months.

b) In May 2016, the Company entered into an agreement (the “Agreement”) to purchase 60% of the issued and outstanding shares (the “Shares”) of a company based in Laos ("LaosCo"). LaosCo owns a full capability rare earth refinery (the “Refinery”) that is designed to process monazite rare earth concentrate and separate the concentrate into the entire spectrum of commercially traded rare earths including light and heavy elements. LaosCo’s future development plans include extending operating capabilities and rare earth metal making.

   The Agreement is subject to certain terms and conditions including: receiving an operating permit within 6 months of the date of the Agreement; and paying a specified purchase price for the

19. Events After the Reporting Period (continued)

Shares within 12 months of the date of the Agreement. There can be no assurance that either or both of the operating permit or the necessary funding for the purchase of the Shares will be achieved within the specified time frames. For proprietary business and competitive pricing reasons and while fund raising for this initiative, the Agreement precludes the parties from disclosing the purchase price of the Shares until the acquisition of the Shares has closed. As additional consideration, subject to closing of the purchase of the Shares, the Company will grant to the owner of LaosCo warrants to purchase 40,000,000 common shares of the Company at $0.25 per warrant share, exercisable within 30 days of closing.

Once the purchase of the Shares closes (the “Closing”), shareholders of LaosCo will be responsible for contributing their respective pro-rata shares of working capital requirements. Additionally, shareholders will be responsible for their pro-rata share of future, agreed upon capital expenditures (such as for extending the Refinery’s capabilities to rare earth metal making utilizing the oxide production).