CANADA RARE EARTH CORP.

Consolidated Annual Financial Statements

(Stated in Canadian Dollars)

For the year ended March 31, 2019

CANADA RARE EARTH CORP.

March 31, 2019

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Independent Auditor's Report

To the Shareholders of Canada Rare Earth Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Canada Rare Earth Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Company as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a loss of $791,231, had a deficit of $24,401,083 and 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. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Keith Macdonald.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
July 29, 2019

CANADA RARE EARTH CORP.
Consolidated Statements of Financial Position

As at	Note	March 31 2019 $	March 31 2018 $
ASSETS			
Current			
Cash		514,227	1,502,098
Accounts receivable	19	346,371	-
Interest and other receivables	9, 10	6,033	17,192
Prepaid expenses and deposits	6	162,123	323,113
Total current assets		1,028,754	1,842,403
Non-current			
Intangible assets	8	79,580	139,262
Mata Azul participation right	10	1	1
Promissory note	9	1	1
		79,582	139,264
Total assets		1,108,336	1,981,667
LIABILITIES			
Current			
Accounts payable and accrued liabilities	12	299,958	307,092
Convertible note	11	1,116,522	410,436
Derivative liability – warrants	11	324,000	459,900
Deferred revenue	14, 16	-	617,515
Total current liabilities		1,740,480	1,794,943
Non-current			
Accounts payable and accrued liabilities	12	250,000	250,000
Convertible note	11	-	516,622
Derivative liability – warrants	11	-	197,100
		250,000	963,722
Total liabilities		1,990,480	2,758,665
SHAREHOLDERS' DEFICIENCY			
Share capital	13	15,235,832	14,823,754
Reserves	13	8,283,107	8,009,100
Deficit		(24,401,083)	(23,609,852)
Total shareholders' deficiency		(882,144)	(776,998)
Total liabilities and shareholders' deficiency		1,108,336	1,981,667

Note 2 c) – Going concern of operations
Note 18 – Commitments and contingent liabilities

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.
Consolidated Statements of Loss and Comprehensive Loss

Year ended March 31	Note	2019 $	2018 $
Revenue	19, 20	1,082,762	1,756,486
Expenses			
Cost of sales	6, 8, 12, 18, 20	1,079,902	1,649,358
Consulting fees	12	443,000	775,692
Advertising and promotion		18,527	12,859
Listing, filing and transfer agent		21,244	22,784
Office and miscellaneous	12	18,356	16,694
Professional fees	12	76,489	36,509
Rent	18	39,417	39,291
Share-based payments	12	274,007	140,771
Travel and accommodations		86,827	81,012
		2,057,769	2,774,970
Loss before other items		(975,007)	(1,018,484)
Other income (expense)			
Write-off of exploration and evaluation assets	7	(9,632)	(9,632)
Write-down of deposits	6	(274,751)	-
Write-down of promissory note receivable	9	-	(1,547,279)
Write-down of interest receivable on promissory note	9	-	(95,694)
Write-down of loan receivable from Mata Azul	10	-	(19,594)
Impairment of Mata Azul participation right	10	-	(38,547)
Impairment of intangible assets	8	-	(9,947)
Foreign exchange gain		46,693	6,881
Change in fair value of derivative liability	11	333,000	9,000
Interest expense	11	(529,049)	(141,498)
Sale of option on refinery	14	617,515	-
Interest and investment income	9, 10	-	57,170
Net loss and comprehensive loss for the year		(791,231)	(2,807,624)
Loss per share – basic and diluted per common share		(0.00)	(0.02)
Weighted average shares outstanding, basic and diluted		171,764,601	166,940,141

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

CANADA RARE EARTH CORP.
Consolidated Statements of Changes in Equity (Deficiency)

		Share capital				
		Number of	Share capital	Reserves	Deficit	Total
	Note	shares	$	$	$	$
Balance at March 31, 2017		166,940,141	14,823,754	7,868,329	(20,802,228)	1,889,855
Share-based payments		-	-	140,771	-	140,771
Net loss and comprehensive loss for the year		-	-	-	(2,807,624)	(2,807,624)
Balance at March 31, 2018		166,940,141	14,823,754	8,009,100	(23,609,852)	(776,998)
Shares issued on note conversion	11, 13	6,000,000	188,878	-	-	188,878
Shares issued to settle related party amounts payable	12, 13	4,464,000	223,200	-	-	223,200
Share-based payments		-	-	274,007	-	274,007
Net loss and comprehensive loss for the year		-	-	-	(791,231)	(791,231)
Balance at March 31, 2019		177,404,141	15,235,832	8,283,107	(24,401,083)	(882,144)

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

CANADA RARE EARTH CORP.
Consolidated Statements of Cash Flows

Year ended March 31	Note	2019 $	2018 $
Cash flows provided by (used in):			
Operating activities			
Net loss and comprehensive loss for the year		(791,231)	(2,807,624)
Adjustments for:			
Accretion of convertible note	11	378,342	93,058
Share-based payments		274,007	140,771
Change in fair value of derivative liability	11	(333,000)	(9,000)
Amortization	8	59,682	59,683
Write-off of exploration and evaluation assets	7	9,632	9,632
Write-down of deposits	6	274,751	-
Write-down of promissory note		-	1,547,279
Write-off of interest receivable on promissory note		-	95,694
Write-down of loan receivable from Mata Azul		-	16,116
Write-off of interest receivable from Mata Azul		-	3,478
Impairment of Mata Azul participation right		-	38,547
Impairment of intangible assets		-	9,947
Unrealized foreign exchange (gain) loss on promissory note		-	48,600
Unrealized foreign exchange (gain) loss on interest receivable on promissory note		-	2,928
Unrealized foreign exchange gain on loan receivable from Mata Azul		-	(506)
Interest accrued on promissory note		-	(56,001)
Changes in non-cash working capital items:			
Foreign exchange (gain) loss on cash		13,144	(70,574)
Accounts receivable		(346,371)	62,420
Interest and other receivables		11,159	(14,866)
Prepaid expenses and deposits		(113,761)	(143,878)
Accounts payable and accrued liabilities		216,066	413,256
Sale of option on refinery	14	(617,515)	617,515
Cash flows provided by (used in) operating activities		(965,095)	56,475
Financing activities			
Convertible note issued		-	1,500,000
Repayment of loan		-	(66,495)
Loans, related parties		-	150,384
Repayment of related party loans		-	(244,807)
Cash flows provided by financing activities		-	1,339,082
Investing activities			
Acquisition of exploration and evaluation assets		(9,632)	(9,632)
Cash flows provided by (used in) investing activities		(9,632)	(9,632)
Effect of exchange rate changes on cash		(13,144)	70,574
Change in cash during the year		(987,871)	1,456,499
Cash, beginning of year		1,502,098	45,599
Cash, end of year		514,227	1,502,098

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 a vertically and horizontally integrated business within the global rare earth industry. Historically, the Company was engaged in the exploration and development of precious metal and base metal mineral properties. More recently, its focus has been directed to properties with the potential to host rare earth elements. As the Company has become more involved in the rare earth sector and has gained greater knowledge of the global rare earth supply chain, management’s attention has extended to the down-stream processing and sale of rare earth products. The Company’s shares trade on the TSX Venture Exchange (“TSX-V”) under the symbol “LL”.

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, 2019 have been prepared by management 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 adopted IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) and IFRS 9, Financial Instruments (“IFRS 9”), which became effective January 1, 2018. Note 4 discloses the effects of the adoption of these new IFRS pronouncements for all periods presented, including the nature and effect of changes in accounting policies.

The Company’s board of directors approved the release of these consolidated financial statements on July 26, 2019.

b) Basis of measurement

Depending on the applicable IFRS requirements, the measurement basis used in the preparation of these financial statements is cost, net realizable value, fair value or recoverable amount. These financial statements, except for the statement of cash flows, are based on the accrual basis. 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.

2. Basis of Presentation (continued)

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. The Company incurred a loss of $791,231 during the year ended March 31, 2019 (March 31, 2018 - $2,807,624) and, as of that date, the Company's deficit was $24,401,083 (March 31, 2018 - $23,609,852). 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 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 $514,227 at March 31, 2019 (March 31, 2018 – $1,502,098) to meet current financial obligations of $1,740,480 (March 31, 2018 - $1,177,428).

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 Ltda., 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.

3. Significant Accounting Policies (continued)

c) Revenue recognition

The Company's revenue consists of sales of various types of products, including oxides and mineral concentrates and other products ("Mineral Products") sourced from sellers to match buyers' expectations. The Company's performance obligations relate primarily to the delivery of Mineral Products to buyers, with each individual shipment representing a separate performance obligation.

Revenue is recognized at the point in time when the buyer obtains control of the Mineral Products. Control of Mineral Products generally transfers to the buyer when an individual shipment parcel is loaded onto a carrier, quality and quantity are accepted by the buyer and all the related shipping documents have been presented to the buyer. The Company generally has a right to payment when significant risks and/or rewards of ownership have transferred to the buyer according to contract terms and there are no known or anticipated unfulfilled obligations that could affect the buyer's acceptance of the product.

The terms of sale for some Mineral Products, including pricing and payment terms, are often supported by an analysis report prepared by an independent testing agency. Pricing is determined through negotiations and reference to best available market information and other factors, if applicable.

Option fees

Option fees received for granting the right to acquire a percentage of the equity in a business, asset, entity or opportunity are recognized as revenue based on the contractual terms of the option that may involve milestones, specified deadlines, fulfillment of obligations or best efforts.

d) 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 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 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.

e) 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.

3. Significant Accounting Policies (continued)

f) 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, the sale of oxides and mineral concentrate. Currently, substantially all sales are made to a company in Asia.

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. The Company's plan does not feature any options for a cash settlement.

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

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

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period.

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

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term investments and 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, 2019 and 2018, the Company did not have any cash equivalents.

3. Significant Accounting Policies (continued)

j) 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 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 statement of loss and comprehensive loss 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 statement of loss and comprehensive loss when the asset is derecognized.

During the year ended March 31, 2018, the Company changed the amortization method used for contracts and customer relationships from a straight-line basis over the period of expected future benefit to a straight-line basis over three years.

A summary of the policies applied to the Company's intangible assets is as follows:

	Supply Agreements	Contracts	Customer Relationships
Useful lives	Finite	Finite	Finite
Amortization method used	Amortized on a straight-line basis over five years	Amortized on a straight-line basis over three years	Amortized on a straight-line basis over three years

k) Financial instruments

The following financial instruments accounting policies have been applied as at April 1, 2018 on adoption of IFRS 9 and for the year ended March 31, 2019. For the year ended March 31, 2018, the Company applied financial instruments policies aligned with IAS 39, Financial Instruments Recognition and Measurement (IAS 39). Note 4 outlines the policy changes required to the Company's IAS 39 polices to meet the IFRS 9 requirements, effective April 1, 2018.

The Company recognizes financial assets and liabilities on the statement of financial position when it becomes a party to the contractual provisions of the instrument.

3. Significant Accounting Policies (continued)

k) Financial instruments (continued)

At initial recognition, financial assets are measured at fair value and classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). At initial recognition, financial liabilities are measured at fair value and classified as, subject to certain exceptions, subsequently measured at amortized cost. For financial assets and financial liabilities not at FVTPL, fair value is adjusted for transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Cash and deposits

Cash and deposits are classified as financial assets that are subsequently measured at amortized cost.

Trade receivables

Trade receivables relate to amounts received from sales of Mineral Products. These receivables are usually non-interest bearing, recognized at face amount, except when fair value is materially different, and are subsequently measured at amortized cost. Trade receivables recorded are net of lifetime expected credit losses.

Trade payables

Trade payables are non-interest bearing if paid when due and are recognized at face amount, except when fair value is materially different. Trade payables are subsequently measured at amortized cost.

Debt

Debt is initially recorded at fair value, less transaction costs. Debt is subsequently measured at amortized cost, calculated using the effective interest rate method.

Derivative instruments

Derivative instruments, including embedded derivatives in executory contracts or financial liability contracts, are classified as at fair value through profit or loss and, accordingly, are recorded on the statement of financial position at fair value. Unrealized gains and losses on derivatives not designated in a hedging relationship are recorded as part of other income (expense). Fair values for derivative instruments are determined using inputs based on market conditions existing at the statement of financial position date or settlement date of the derivative. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract.

Impairment

The Company recognizes an allowance using the Expected Credit Loss ("ECL") model on financial assets classified as amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all amounts recoverable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of loss and comprehensive loss.

3. Significant Accounting Policies (continued)

l) Derivative liability

The Company evaluates its convertible debt, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for. This accounting treatment requires that the carrying amount of embedded derivatives be marked-to-market at each statement of financial position date and carried at fair value. In the event that the fair value is recorded as a liability, the change in fair value during the period is recorded in the statement of loss as either income or expense. Upon conversion, exercise or modification to the terms of a derivative instrument, the instrument is marked to fair value at the conversion date and then the related fair value is reclassified to equity.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

The classification of financial instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities will be classified in the statement of financial position as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the balance sheet date.

Management must determine whether an instrument (or an embedded feature) is indexed to the Company's own shares. An entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own shares, including evaluating the instrument's contingent exercise and settlement provisions. This exercise affects the accounting for (i) certain freestanding warrants that contain exercise price adjustment features and (ii) convertible notes containing full-ratchet and anti-dilution protections (iii) certain free standing warrants that contain contingently puttable cash settlement.

4. Adoption of New Accounting Pronouncements and Recent Developments

The Company has adopted the new IFRS pronouncements listed below as at April 1, 2018, in accordance with the transitional provisions outlined in the respective standards and described below. The adoption of these new IFRS pronouncements has not resulted in any adjustments to previously reported figures as outlined below.

a) Financial Instruments

The Company adopted IFRS 9 on April 1, 2018 in accordance with the transitional provisions of the standard, with the exception of the hedging provisions.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39.

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the statement of loss and comprehensive loss, unless this creates an accounting mismatch.

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

a) Financial Instruments (continued)

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The new hedge accounting model in IFRS 9 aligns hedge accounting with risk management activities undertaken by an entity. Components of both financial and non-financial items are now eligible for hedge accounting, as long as the risk component can be identified and measured. The hedge accounting model includes eligibility criteria that must be met, but these criteria are based on an economic assessment of the strength of the hedging relationship.

Classification and Measurement Changes

Management has assessed the classification and measurement of the Company's financial assets and financial liabilities under IFRS 9 and has summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Original classification (IAS 39)	New classification (IFRS 9)
Financial assets		
Cash	Fair value through profit or loss	Amortized cost
Trade receivables	Loans and receivables, measured at amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Financial liabilities		
Trade payables	Financial liabilities, measured at amortized cost	Amortized cost
Convertible note	Financial liabilities, measured at amortized cost	Amortized cost
Derivative liability	Held-for-trading, measured at fair value	Fair value through profit or loss

b) Revenue from Contracts with Customers

The Company adopted IFRS 15 on April 1, 2018 in accordance with the transitional provisions of the standard.

The new revenue standard introduces a single principles-based, five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

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

b) Revenue from Contracts with Customers (continued)

Based on management's analysis, the timing and amount of revenue from concentrate sales did not change under IFRS 15.

New IFRS pronouncements that have been issued but are not yet effective at the date of these financial statements are listed below. The Company plans to apply the new standards or interpretations in the annual period for which they are first required.

a) Leases

The IASB issued IFRS 16, Leases ("IFRS 16"), which eliminates the classification of leases as either operating or finance leases for a lessee. IFRS 16 is effective from January 1, 2019. Under IFRS 16, all leases will be recorded on the statement of financial position. The only exemptions to this will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases on the statement of financial position under IFRS 16 will increase "right-of-use" assets and lease liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases, as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for right-of-use assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (a) information about right-of-use assets and expenses and cash flows related to leases, (b) a maturity analysis of lease liabilities and (c) any additional company-specific information that is relevant to satisfying the disclosure objective.

The Company will apply IFRS 16 as at April 1, 2019 using a cumulative catch-up approach where leases will be recorded prospectively from that date forward and will not restate comparative information. Right-of-use assets will be recorded based on the lease liabilities determined as at April 1, 2019 and, as a result, there will not be a deficit adjustment on transition.

b) Conceptual Framework

In March 2018, the IASB issued a comprehensive set of concepts for financial reporting, the revised Conceptual Framework for Financial Reporting ("revised Conceptual Framework"), replacing the previous version of the Conceptual Framework issued in 2010. The purpose of the revised Conceptual Framework is to assist preparers of financial reports to develop consistent accounting policies for transactions or other events when no IFRS applies or IFRS allows a choice of accounting policies and to assist all parties to understand and interpret IFRS.

The revised Conceptual Framework sets out the objective of general purpose financial reporting; the qualitative characteristics of useful financial information; a description of the reporting entity and its boundary; definitions of an asset, a liability, equity, income and expenses and guidance on when to derecognize them; measurement bases and guidance on when to use them; concepts and guidance on presentation and disclosure; and concepts relating to capital and capital maintenance. The revised Conceptual Framework provides concepts and guidance that underpin the decisions the IASB makes when developing standards but is not in itself an IFRS standard and does not override any IFRS standard or any requirement of an IFRS standard. The revised Conceptual Framework is applicable to annual periods beginning on or after January 1, 2020 for preparers who develop an accounting policy based on the Conceptual Framework.

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.

Critical judgments in applying accounting policies and significant estimates and assumptions made are as follows:

Critical Judgments

Going concern of operations

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

Intangible assets

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.

Assessment of impairment indicators

Judgment is required in assessing whether certain factors would be considered an indicator of impairment or impairment reversal. Management considers both internal and external information to determine whether there is an indicator of impairment or impairment reversal present and, accordingly, whether impairment testing is required. The information considered in assessing whether there is an indicator of impairment or impairment reversal includes, but is not limited to, market transactions for similar assets, commodity prices, interest rates, inflation rates, the Company's market capitalization and operating results.

Significant Estimates and Assumptions

Convertible note / Derivative liability

Management has made significant assumptions in the application of the Black-Scholes option-pricing model when calculating the fair value of the derivative liability and the residual fair value of the convertible note.

6. Prepaid Expenses and Deposits

At the year ended March 31, 2019, the Company had advanced $414,924 (March 31, 2018 - $315,534) to suppliers to secure future deliveries of Mineral Products, of which $274,751 (March 31, 2018 - $nil) was written off.

	March 31, 2019 $	March 31, 2018 $
Prepaid expenses	21,950	7,579
Deposits	140,173	315,534
	162,123	323,113

7. 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.

During the year ended March 31, 2019 and March 31, 2018, the Company did not incur any exploration expenditures and wrote off all capitalized acquisition costs.

During the year ended March 31, 2018, the Company allowed all the claims relating to the Springer property and 11 claims relating to the Red Wine Complex to lapse. As of March 31, 2019, the Company held an interest in the Red Wine Complex and Hinton Coal properties. The Company is seeking business opportunities for all its existing exploration and evaluation assets.

8. Intangible Assets

	Supply Agreements $	Contracts $	Memorandum Of Understanding $	Customer Relationships $	Total $
Cost					
At March 31, 2017, 2018 and 2019	99,472	29,842	3,979	99,472	232,765
Accumulated amortization and impairment					
At March 31, 2017	19,894	-	3,979	-	23,873
Amortization expense	19,894	6,632	-	33,157	59,683
Impairment provision	-	9,947	-	-	9,947
At March 31, 2018	39,788	16,579	3,979	33,157	93,503
Amortization expense	19,894	6,631	-	33,157	59,682
At March 31, 2019	59,682	23,210	3,979	66,314	153,185
Net book value					
At March 31, 2017	79,578	29,842	-	99,472	208,892
At March 31, 2018	59,684	13,263	-	66,315	139,262
At March 31, 2019	39,790	6,632	-	33,158	79,580

Supply Agreements

The Company has supply agreements to sell Mineral Products to refineries.

Contracts

The Company acquired a design, build and operating agreement to build a rare earth refinery with 3,000 tons per annum capacity. The contract was partially executed (phase 1 of 3 complete) but was halted for lack of payment by the contracting party and a drop in the rare earth prices that made the project uneconomical. The project is currently on hold and may be restarted if the rare earth market recovers sufficiently.

Customer Relationships

The Company has acquired relationships with customers in the rare earth market.

8. Intangible Assets (continued)

Amortization expense of $59,682 (2018 - $59,683) is included in cost of sales.

Pursuant to the acquisition of the intangible assets, the Company will pay royalties relating to the implementation and execution of contracts and business arrangements and the disposition of certain assets in accordance with the following royalty streams:

- 5% of the first US$70 million or equivalent of non-refundable gross cash collected;
- 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, until September 2027; and
- 3% of the first US$70 million or equivalent of non-refundable gross cash collected.

The royalty on trading activities is 13% of gross profit, with gross profit being defined as gross selling price less gross purchase price in CAD.

For the year ended March 31, 2019, the Company accrued or paid $12,046 (2018 - $28,696) of royalties, which are reflected in cost of sales.

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 a 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 were secured by a US$1,200,000 promissory note. The promissory note bore 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 was due on or before November 30, 2018. Pursuant to the SPA, the lease and lease option were cancelled. The Company, in its sole discretion, had the right to extend the maturity date in the event Delaware Co. failed to pay on a timely basis. If Delaware Co. defaulted, the Company had the right and option to either extend the promissory note on its existing 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 was to 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 was to be be reinstated with an extension for the lease term equal to the duration of the period of time the promissory note was outstanding.

On April 10, 2017, the Company entered into a restructuring agreement (the “2017 Restructuring Agreement”) with Delaware Co. to convert the promissory note into shares of two private Haitian companies and one private US company once certain conditions are met.

During the year ended March 31, 2018, it was determined that collectability of the promissory note was uncertain and, accordingly, the promissory note was written down to $1 at March 31, 2018 and the related accrued interest receivable was written off.

9. Promissory Note (continued)

In July 2018, the Company entered into an agreement to revise the 2017 Restructuring Agreement (the “2018 Restructuring Agreement”) based on details provided by management of Delaware Co. including estimated assumptions pertaining to mine life, ore recovery and sales over a six year period. Details of the latest restructuring include:

- converting the Company’s position into a certain equity percentage of two companies which hold prospective gold, silver and copper properties;
- obtaining the right to receive a specified percentage of net profit interest received from the two prospective properties until US$1.3 million has been recouped and then receive distributions in proportion to its equity holdings; and
- reinstating the original land lease for 25 years with an option for a further 25 years on previously agreed terms, in the event the Company does not recover at least US$675,000 within two years from commencement of commercial mining operations or commercial mining operations do not commence within five years of the effective date of the anticipated new Mining Act affecting the two properties.

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.

During the year ended March 31, 2018, it was determined that recoverability of the participation right and collectability of the US$12,500 loan advanced in November 2014 were uncertain. Accordingly, the participation right and the loan were each written down to $1 at March 31, 2018 and the related accrued interest receivable was written off.

11. Convertible Note

On January 1, 2018, the Company entered into a Convertible Loan Agreement (the “CLA”) with Talaxis Limited (“Talaxis” or the “Lender”) pursuant to which Talaxis advanced $1,500,000 to the Company on January 30, 2018 (the “Advance Date”) for the purpose of providing working capital. Pursuant to the CLA, the loan:

- is comprised of two tranches – tranche A ($800,000) due and payable 12 months after the Advance Date and tranche B ($700,000) due and payable 24 months after the Advance Date;
- bears interest at 12% per annum, payable semi-annually, not in advance, accruing without compounding until the maturity date with the first interest payment being due six months after the Advance Date and the final payment of the relevant tranche being made on the maturity date;
- is unsecured and evidenced by the CLA and a convertible promissory note; and
- is repayable or convertible into units and common shares of the Company at the Lender’s sole discretion as follows:
    - tranche A loan – the first $300,000 was convertible into units at $0.05 per unit and the next $500,000 at $0.075 per unit during the first 12 months after the Advance Date or must be repaid in full within the first 12 months after the Advance Date; and
    - tranche B loan – the first $533,333 is convertible into units at $0.10 per unit and the next $166,667 at $0.10 per share during the first 24 months after the Advance Date or must be repaid in full within 24 months after the Advance Date.

11. Convertible Note (continued)

Each unit is comprised of one common share of the Company plus one half of a warrant. Each share purchase warrant is exercisable at the greater of (i) $0.10 and (ii) the 10-day value weighted average price of the Company's common shares on the TSX Venture Exchange less 15%, for a period of 30 months from the Advance Date.

Upon providing the Lender with 15 days written notice, the Company has the right to repay the loan at any time with minimum payments of $500,000 subject to the Lender's conversion rights in respect to the proposed repayment amount.

In June 2018, the Company issued to Talaxis 6 million common shares and 3 million warrants in consideration of Talaxis converting the first $300,000 of tranche A (see Note 13). The conversion was recorded at the carrying amount of debt and the derivative liability. The Company has potentially has an additional 13,666,667 shares and 6 million warrants issuable if the entire remaining loan is converted.

In February 2019, Talaxis extended the repayment date for the tranche A loan of $500,000 due in January 2019 to April 30, 2019. In April 2019, Talaxis further extended the repayment date for this portion of the loan to July 31, 2019.

Pursuant to IFRS (*IAS 32 – Financial Instruments: Presentation*), the convertible promissory note is comprised of two components, being a liability host contract (the convertible note) plus a separate conversion feature. Because the conversion feature does not meet the "fixed-for-fixed" criterion, it fails equity classification which means that it is a financial liability. The conversion feature is a derivative liability because it is a written option that provides the Lender with a choice over whether the convertible note is exchanged for shares or cash. This links with the definition of a derivative in IAS 39 – *Financial Instruments: Recognition and Measurement* with all three characteristics of a derivative being met. The conversion feature is accounted for separately from the host contract, because the fair value of the conversion feature is affected by changes in the fair value of the Company's shares and the fair value of the host loan is not. Accordingly, the conversion feature is not "closely related" to the host contract. The effect of this is that the convertible note has been accounted for at amortized cost, with the embedded derivative being measured at fair value with changes in fair value being recorded in profit or loss. Pursuant to IAS 39, the fair value of the embedded derivative liability is calculated first and the residual value is assigned to the debt host liability component.

At inception, the proceeds of $1,500,000 were allocated between the fair value of the convertible note ($834,000) and the fair value of the derivative liability ($666,000). The convertible note is being accreted to its face value over the term of the obligation. The accretion charge for the year was $378,343 (2018 - $93,058) and is recorded as interest expense. At March 31, 2019, $22,488 (2018 - $29,589) in accrued interest is included in accounts payable and accrued liabilities. At March 31, 2019, the carrying amount of the convertible note was as follows:

March 31	2019 $	2018 $
Convertible note – beginning of year	927,058	1,500,000
Fair value of derivative liability	-	(666,000)
Converted to equity	(188,878)	-
Accretion	378,342	93,058
Convertible note – end of year	1,116,522	927,058
Current portion	(1,116,522)	(410,436)
Long-term portion	-	516,622
Principal balance – end of year	1,200,000	1,500,000
Future accretion	(83,478)	(572,942)
Carrying amount	1,116,522	927,058

11. Convertible Note (continued)

The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions to calculate the fair value of the derivative liability:

	2019	2018
Volatility	192.33 – 217.01%	228.71 – 229.50%
Expected life	1.33 – 2.13 years	2.33 – 2.50 years
Risk-free interest rate	1.56 – 2.21%	1.71 – 1.76%
Dividend yield	0%	0%

12. Related Party Transactions

Key management personnel compensation was:

Year ended March 31	2019 $	2018 $
Short-term benefits (includes bonuses of $nil; 2018 - $44,692)	438,000	770,692
Share-based payments	116,304	134,322
	554,304	905,014

The short-term benefits were paid or accrued to management and directors of the Company or to companies controlled by management and directors.

The Board of Directors approved executive compensation plans (“ECPs”) for the Chief Executive Officer (“CEO”) and Chief Operating Officer (“COO”) of the Company for the years ended March 31, 2017 and 2018 in December 2017 and March 2018 respectively. Prior to the approval of the ECPs, the CEO and COO each received annual base compensation of $60,000. Pursuant to the ECPs, the base compensation was increased to $204,000. The retroactive increase in base compensation for the year ended March 31, 2017 was included in consulting fees for the year ended March 31, 2018.

Each ECP has a one-year term, with the follow on ECP usually being negotiated and finalized prior to the expiry of, and being no less favorable than, the current one. Pursuant to the ECPs for the years ended March 31, 2019 and 2020, the CEO and COO are entitled to the following bonus compensation:

- a performance bonus to a maximum of $156,000 based on achieving specified annual milestones approved by Board of Directors;
- a public market performance bonus to a maximum of $45,000 based on achieving specified levels of market capitalization;
- a minimum of 500,000 in stock options priced at market (but not less than $0.05 per share) vesting over 18 months (waived by the CEO and COO for the current year); and
- additional bonuses at the discretion of the Board of Directors.

The Company paid or accrued legal fees of $23,370 (March 31, 2018 - $15,000) to a company controlled by an officer and a director of the Company. Also, $32,507 (March 31, 2018 - $31,788) of the office rental and related costs have been paid by the officer of the Company as per an agreement to share such expenses equally between the Company and the officer. See Note 18.

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.

12. Related Party Transactions (continued)

In March 2019, the Company settled $223,200 payable to related parties by issuing 4,464,000 shares at a deemed price of $0.05 per share. See Note 13.

The Company owes related parties $369,987 as at March 31, 2019 (March 31, 2018 - $443,892). $250,000 of this amount has been presented as a long term liability and the balance as current accounts payable and accrued liabilities. The payment terms are similar to the payment terms of non-related party trade payables.

13. Share Capital and Reserves

a) Share Capital

Authorized: Unlimited common shares without par value.

Issued: 177,404,141 (2018 – 166,940,141) common shares.

Share Issuance

In June 2018, the Company issued to Talaxis 6 million common shares and 3 million warrants in consideration of Talaxis converting the first $300,000 of Tranche A under the convertible note (see Note 11).

In March 2019, the Company settled $223,200 payable to related parties by issuing 4,464,000 shares at a deemed price of $0.05 per share.

b) 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 March 2017, the shareholders of the Company approved an increase in the number of options reserved for issuance under the plan to 33,880,028. The plan was amended so that the number of shares reserved for issuance is 20% of the Company's outstanding shares. 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.

In April 2017, the Company granted stock options to a consultant of the Company to purchase up to 100,000 common shares at an exercise price of $0.05 until April 3, 2022. The options vest in four equal instalments over 18 months.

In December 2017, the Company granted stock options to officers, directors and consultants to purchase up to 7,925,000 common shares at an exercise price of $0.05 until December 4, 2022. The options vest in four equal instalments over eighteen months. Of these options, 2,800,000 options have additional 'earn out' vesting conditions.

In August 2018, the Company granted stock options to a consultant to purchase up to 3,400,000 common shares of the Company at an exercise price of $0.065 until December 31, 2019.

In March 2019, the Company granted stock options to officers, directors and consultants to purchase up to 1,350,000 common shares at an exercise price of $0.05 until March 22, 2024. The options vest in four equal instalments over eighteen months.

The weighted average grant-date fair value of options awarded in the year ended March 31, 2019 was $0.05 (March 31, 2018 - $0.05). The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions:

	2019	2018
Volatility	182.49% - 199%	157.41% - 231.71%
Expected life	1.39 - 5 years	5 years
Risk-free interest rate	1.48% - 2.10%	1.10% - 1.94%
Dividend yield	0%	0%

13. Share Capital and Reserves (continued)

b) Stock Options (continued)

A summary of stock option activity to March 31, 2019 is as follows:

	Number	Weighted Average Exercise Price $
Options outstanding at March 31, 2017	23,350,000	0.08
Granted	8,025,000	0.05
Expired	(14,925,000)	0.10
Options outstanding at March 31, 2018	16,450,000	0.05
Granted	4,750,000	0.06
Options outstanding at March 31, 2019	21,200,000	0.05

The Company's outstanding and exercisable stock options at March 31, 2019 were:

	Outstanding Options			Exercisable Options	
Expiry Date	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
December 2019	3,400,000	0.75	0.065	3,400,000	0.065
February 2020	250,000	0.88	0.05	250,000	0.05
July 2020	7,575,000	1.27	0.05	7,575,000	0.05
April 2021	300,000	2.01	0.05	300,000	0.05
February 2022	300,000	2.90	0.05	300,000	0.05
April 2022	100,000	3.01	0.05	100,000	0.05
December 2022	7,925,000	3.68	0.05	5,943,750	0.05
March 2024	1,350,000	4.90	0.05	337,500	0.05
	21,200,000	2.36	0.05	18,206,250	0.05

c) Warrants

The Company's outstanding warrants at March 31, 2019 were:

	Outstanding Warrants	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price $	Expiry Date
March 31, 2017 and March 31, 2018	-		-	
Issued	3,000,000	1.33	0.10	July 30, 2020
March 31, 2019	3,000,000	1.33	0.10	

In June 2018, 3 million stock purchase warrants exercisable at the greater of (i) $0.10 and (ii) the 10-day value weighted average price of the Company's common shares on the TSX Venture Exchange less 15%, for a period of 30 months from the Advance Date were issued pursuant to Talaxis converting $300,000 of tranche A of a convertible loan provided to the Company on January 30, 2018. See Note 11.

14. Agreement to Purchase a Rare Earth Refinery

In May 2016, the Company entered into an agreement to purchase 60% of the issued and outstanding shares of a company based in Laos ("LaosCo"). LaosCo owns a full capability rare earth refinery that is designed to process mineral 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.

In August 2017, the Company, LaosCo and the current owner of LaosCo entered into a Purchase and Sale Agreement (the "PSA") replacing all previous agreements between the parties pertaining to the refinery. Pursuant to the PSA:

i) the Company will continue to take responsibility for the application and issuance of the final operating permits ("FOPs") authorizing the operation of the refinery;

ii) if and when the FOPs are issued the Company will have earned:

    i) the right of first refusal to sell concentrate to LaosCo to the full extent of the refinery's requirements;

    ii) the right of first refusal to sell products produced by the refinery to the full extent of production; and

    iii) the right to purchase 60% of the issued and outstanding shares of LaosCo (the "CREC Option") for an amount and price of equity to be negotiated between the parties based on market conditions, capabilities of the refinery, working capital requirements of the refinery and the amount of funds raised by the Company.

iii) simultaneous to the permitting efforts, the Company will seek to raise between US$50 million and US$110 million to purchase LaosCo equity and to contribute to the working capital requirements through a special purpose vehicle so as to not dilute shareholders of the Company. After the purchase of the LaosCo shares, the shareholders of LaosCo will be required to contribute working capital to LaosCo for the operations of the refinery in proportion to their respective equity holdings; and

iv) the Company and its financiers will have six months from the receipt of the FOPs to complete negotiations for the purchase of the LaosCo shares, to pay for the LaosCo shares and to contribute to the working capital requirements.

In February 2018, the Company entered into a Rights Agreement (the "RA") with an arm's length company with an officer who is also a director of the Company (the "Investor Group") whereby the Company granted the Investor Group the exclusive right to acquire 83.33% of the CREC Option in consideration for a non-refundable option fee of US$500,000 ($617,515). Pursuant to the RA, if the Investor Group exercises its right it must, subject to the terms and conditions of the agreement noted below:

- raise working capital to support operations of the refinery with the assistance of the Company; and
- pay the entire amount required by the Company to exercise the CREC Option within five months of the issuance of the FOPs or as mutually agreed.

If the Investor Group successfully exercises its right, it will be granted a similar exclusive right for the next available refinery optioned to the Company. If that right is successfully exercised, then a similar follow on option will be granted. If the FOPs are not issued by August 31, 2018, the Company will grant the Investor Group a similar option for the next available refinery optioned to it.

14. Agreement to Purchase a Rare Earth Refinery (continued)

In May 2018, the current owner of LaosCo, the Investor Group and the Company further documented their relationship regarding LaosCo through a term sheet (the "Term Sheet") which supersedes all previous correspondence, agreements and understandings between the parties except for the RA and the PSA. Pursuant to the Term Sheet, the key terms were confirmed and certain requirements were modified or specified including:

- the Investor Group is to provide a certain amount of working capital within 30 and 60 days of the issuance of the FOPs;
- if the FOPs are not received by December 31, 2018, the Company, in addition to this transaction, will grant the Investor Group a similar right to purchase an interest in the next available refinery optioned to the Company; and
- the Term Sheet will remain in force until the earlier of (i) the execution of the definitive agreement, (ii) five months after the issuance of the FOPs and (iii) June 1, 2019.

As at March 31, 2019, the FOPs had not been issued. Accordingly, the first option under the RA expired on August 31, 2018. The Company recognized the non-refundable fee as revenue from the sale of the option on refinery of US$500,000 ($617,515) in the year ended March 31, 2019.

The RA will terminate on the earliest of a written agreement to terminate, failure to close the transaction within five months of issuance of the FOPs or as mutually agreed, or upon notice to the defaulting party by the other party.

15. 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 trading activities; 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 and its short-term working capital 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, 2019.

16. 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

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. Credit risk arises from cash, trade receivables and deposits. While the Company is exposed to credit losses due to the non-performance of its counterparties and there is a significant concentration of credit risk because the trade receivables and deposits are receivable from/held by a single counterparty, management does not consider this to be a material risk.

The Company mitigates the risk of default of accounts receivable by assessing the credit worthiness of customers prior to sale and shipment of product.

For trade receivables, the simplified approach is applied for determining expected credit losses. This requires the lifetime expected losses to be determined for all trade receivables. The expected lifetime credit loss provision for trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, as required. Since the Company's buyer is considered to have low default risk and the Company's historical default rate and frequency of loss are low, the lifetime expected credit loss allowance for trade receivables is nominal as at March 31, 2019.

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. At March 31, 2019, the Company had cash of $514,227 to meet current financial liabilities of $1,740,480.

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

c) 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.

d) Foreign currency exchange rate risk

The Company is exposed to foreign currency fluctuations as it has cash and prepaid expenses and deposits denominated in US dollars. There are no exchange rate contracts in place. A 10% change in the US dollar will affect profit/loss by approximately $18,000.

Financial instruments denominated in foreign currencies are:

At March 31, 2019	US Dollars
Assets	634,236
Liabilities	84,906
Exchange rate / $1.00 =	.7483

16. Risk Management (continued)

d) Foreign currency exchange rate risk (continued)

At March 31, 2018	US Dollars
Assets	1,393,384
Liabilities	18,516
Exchange rate / $1.00 =	.7756

e) Risk of economic dependency

The Company is reliant on one customer for the majority of its sales of mineral concentrate. If the Company’s relationship is impaired with this customer, it would have an adverse impact on the Company’s business.

f) Fair value of financial instruments

The fair value of the Company’s financial assets and liabilities, excluding the convertible note and derivative liability – warrants, approximates the carrying amount due to their short term nature and capacity for prompt liquidation. See Note 11 for the fair value of the derivative liability - warrants. Deferred revenue is not a financial liability.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company’s financial assets and liabilities which are measured at fair value as at March 31, 2019 and March 31, 2018:

	As at March 31, 2019		
	Level 1 $	Level 2 $	Level 3 $
Derivative liability - warrants	-	-	324,000

	As at March 31, 2018		
	Level 1 $	Level 2 $	Level 3 $
Derivative liability - warrants	-	-	657,000

There were no transfers between Level 1, 2 or 3 during the years ended March 31, 2019 and March 31, 2018.

17. Income Taxes

a) Provision for current tax

No provision has been made for current income taxes, as the Company has no taxable income.

b) Provision for deferred tax

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at March 31, 2019, the Company has unused non-capital loss carry forwards of approximately $10,266,000 (2018 – $9,900,000) expiring from 2026 to 2039 available for deduction against future years' taxable income. In addition, the Company has approximately $11,361,000 (2018 – $11,351,000) of resource tax pools available, which may be used to shelter certain resource income. The Company has not recognized any future benefit for these tax losses, as it is not considered likely that they will be utilized.

The provision for income taxes differs from the amount that would have resulted by applying combined federal and provincial statutory rates of 27.00% (March 31, 2018 – 27.00%) to the Company's loss before income taxes. A reconciliation of income taxes at statutory rates is as follows:

	2019 $	2018 $
Net loss for the year before tax recovery	(791,231)	(2,807,624)
Expected income tax recovery	(213,632)	(758,058)
Net adjustment for deductible and non-deductible amounts	102,285	538,552
Capital gains reserve	46,292	46,292
Unrecognized benefit on non-capital losses	65,055	173,214
Total income tax	-	-

18. Commitments and Contingent Liabilities

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, 2019 are:

Year ending March 31	$
2020	66,864
2021	67,280
2022	5,607
	139,751

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.

The Company has a commitment to pay US$20/ton to a maximum of 30,000 tons as finders' fee for mineral concentrate sourced from a certain entity.

Pursuant to the Company's contracts for the sale of concentrate to a rare earth company in Asia, the buyer has the right to the following claims within 90 days and 12 months after arrival of the goods at destination based on an inspection certificate issued by the relevant government inspection authority:

- within 90 days – the right to claim for replacement with new goods or for compensation if the quality, specification or quantity is not in conformity with the contract; and
- within 12 months – as regarding quality based on the Company's guarantee that if damages occur in the course of operation as a result of inferior quality, bad workmanship or the use of

18. Commitments and Contingent Liabilities (continued)

inferior materials, the right to claim for immediate replacement of the defect, complete or partial replacement of the commodity, devaluation of the commodity according to the state of the defect(s) or, where necessary, elimination of the defects at the Company's expense.

19. Revenue

During the year ended March 31, 2019, the Company's trading activities involved sourcing Mineral Products from sellers to match the buyer's specifications. The Company has no commitments to its buyer or sellers other than operating under certain guidelines. The price of the Mineral Products is fully hedged at the onset of the purchase of each shipment.

a) Total Revenues by Major Product Type

The following table shows the Company's revenue disaggregated by major product type:

Year ended March 31	2019 $	2018 $
Revenue from sale of oxides	12,161	-
Revenue from sale of concentrates	1,070,601	1,756,486
	1,082,762	1,756,486

b) Total Revenues by Regions

The following table shows the Company's revenue disaggregated by geographical region. Revenues are attributed to regions based on the destination port or delivery location as designated by the buyer:

Year ended March 31	2019 $	2018 $
North America	12,161	-
Asia	1,070,601	1,756,486
	1,082,762	1,756,486

As at March 31, 2019, $346,371 of revenue was included in accounts receivable (March 31, 2018 - $nil) in the consolidated statement of financial position.

20. Segment Reporting

Based on the primary products the Company sell, it has two reportable segments – oxides and concentrates:

Year ended March 31, 2019	Oxides $	Concentrates $	Corporate $	Total $
Segment revenues	12,161	1,070,601	-	1,082,762
Cost of sales	(11,434)	(1,068,468)	-	(1,079,902)
Gross profit	727	2,133	-	2,860
Expenses	-	-	(977,867)	(977,867)
Profit (loss) from operations	727	2,133	(977,867)	(975,007)
Other items (net)	-	(274,751)	458,527	183,776
Profit (loss) before taxes	727	(272,618)	(519,340)	(791,231)

Year ended March 31, 2018	Oxides $	Concentrates $	Corporate $	Total $
Segment revenues	-	1,756,486	-	1,756,486
Cost of sales	-	(1,649,358)	-	(1,649,358)
Gross profit	-	107,128	-	107,128
Other operating expenses	-	-	(1,125,612)	(1,125,612)
Profit (loss) from operations	-	107,128	(1,125,612)	(1,018,484)
Other items (net)	-	-	(1,789,140)	(1,789,140)
Profit (loss) before taxes	-	107,128	(2,914,752)	(2,807,624)