**RARE EARTH METALS INC.**
(A Development Stage Enterprise)

Consolidated Financial Statements

**March 31, 2011 and 2010**

# RARE EARTH METALS INC.
(A Development Stage Enterprise)

**March 31, 2011**

| **Index** | **Page** |
|---|---|
|  |

**DeVISSER GRAY** LLP
CHARTERED ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
t 604 687 5447
f 604 687 6737

## INDEPENDENT AUDITORS' REPORT

**To the Shareholders of Rare Earth Metals Inc.**

We have audited the accompanying consolidated financial statements of Rare Earth Metals Inc. and its subsidiary, which comprise the consolidated balance sheets as at March 31, 2011 and 2010, and the consolidated statements of operations, comprehensive loss and deficit, cash flows and shareholders' equity for the years then ended, 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 Canadian generally accepted accounting principles, 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. These 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control an audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rare Earth Metals Inc. and its subsidiary as at March 31, 2011 and 2010 and their financial performance and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

De Visser Gray LLP

**CHARTERED ACCOUNTANTS**
Vancouver, British Columbia
July 27, 2011

**RARE EARTH METALS INC.**
**(A Development Stage Enterprise)**
**Consolidated Balance Sheets**
**(See Note 1 – Basis of presentation)**

| As at | March 31, 2011 $ | March 31, 2010 $ |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | 167,467 | 496,496 |
| Short-term investments (Note 6) | 7,470,664 | 9,836,024 |
| Interest and other receivables | 289,366 | 102,206 |
| Prepaid expenses | 26,557 | 14,098 |
| Refundable security deposits (Note 12) | 56,966 | 9,800 |
| **Total current assets** | 8,011,020 | 10,458,624 |
| Mineral interests (Note 7) | 2,335,583 | 1,573,758 |
| Property and equipment (Note 8) | 151,620 | 97,467 |
| **Total assets** | 10,498,223 | 12,129,849 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (Note 10) | 509,344 | 672,443 |
| **Total liabilities** | 509,344 | 672,443 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 9(a)) | 12,551,564 | 8,831,039 |
| Warrants (Note 9(b)) | 3,624,743 | 4,423,960 |
| Contributed surplus (Note 9(c)) | 1,627,134 | 383,419 |
| Deficit | (7,814,562) | (2,181,012) |
| **Total shareholders’ equity** | 9,988,879 | 11,457,406 |
| **Total liabilities and shareholders’ equity** | 10,498,223 | 12,129,849 |

Commitments – Notes 7 and 14

Approved on behalf of the Board of Directors:

*“Michael Stares”*
Director

*“Stephen Stares”*
Director

*See Accompanying Notes to Consolidated Financial Statements*

**RARE EARTH METALS INC.**
**(A Development Stage Enterprise)**
**Consolidated Statements of Operations, Comprehensive Loss and Deficit**

| | March 31, 2011 $ | June 16, 2009 to March 31, 2010 $ |
|---|---|---|
| **Exploration costs** (Note 7) | 3,346,086 | 1,283,749 |
| **Expenses** | | |
| Amortization of equipment | 42,282 | 4,028 |
| Consulting fees (Note 10) | 77,627 | 28,214 |
| Advertising and promotion | 228,518 | 83,562 |
| Listing, filing and transfer agent | 62,438 | 34,069 |
| Office and miscellaneous | 109,995 | 56,719 |
| Professional fees | 61,518 | 182,315 |
| Rent | 45,645 | 13,479 |
| Stock-based compensation | 1,243,715 | 383,419 |
| Travel and accommodation | 169,128 | 39,227 |
| Wages & benefits | 283,087 | 57,770 |
| | 2,323,953 | 882,802 |
| **Operating loss** | (5,670,039) | (2,166,551) |
| **Other income (loss)** | | |
| Interest and sundry income | 59,812 | 16,771 |
| Fees earned on mineral properties | 2,258 | - |
| Change in fair market value of investments | 33,405 | (18,293) |
| Write-down of mineral interests (note 7) | (58,986) | - |
| Write-off of property and equipment | - | (12,939) |
| **Loss and comprehensive loss for the period** | (5,633,550) | (2,181,012) |
| **Deficit**, beginning of period | (2,181,012) | - |
| **Deficit, end of period** | (7,814,562) | (2,181,012) |
| **Loss per share –** basic and diluted | (0.07) | ( 0.04) |
| **Weighted average number of common shares outstanding** - basic and diluted | 76,782,561 | 49,354,225 |

*See Accompanying Notes to Consolidated Financial Statements*

**RARE EARTH METALS INC.**
**(A Development Stage Enterprise)**
**Consolidated Statements of Cash Flows**

| | March 31, 2011 $ | June 16, 2009 to March 31, 2010 $ |
|---|---|---|
| **Cash flows from (used in) operating activities** | | |
| Loss for the period | (5,633,550) | (2,181,012) |
| Adjustments for items not involving cash: | | |
| - amortization | 42,282 | 4,028 |
| - stock-based compensation | 1,243,715 | 383,419 |
| - change in fair market value of investments | (33,405) | 18,293 |
| - write-down of mineral interests | 58,986 | - |
| - write-off of property and equipment | - | 12,939 |
| Change in non-cash working capital items: | | |
| - Interest and other receivables | (187,160) | (102,206) |
| - prepaid expenses | (12,459) | (14,098) |
| - refundable security deposits | (47,166) | (9,800) |
| - accounts payable and accrued liabilities | (163,099) | 672,443 |
| | (4,731,856) | (1,215,994) |
| **Cash flows used in financing activities** | | |
| Shares issued for cash, net of costs | 1,695,690 | 5,303,502 |
| Proceeds from exercise of stock options | 30,000 | - |
| Proceeds from exercise of warrants | 643,500 | - |
| | 2,369,190 | 5,303,502 |
| **Cash flows from (used in) investing activities** | | |
| Mineral property acquisition costs | (268,693) | (526,158) |
| Acquisition of property and equipment | (96,435) | (101,495) |
| Purchase of short-term investments | (1,850,000) | (3,793,888) |
| Net redemption of short-term investments | 4,248,765 | 654,129 |
| | 2,033,637 | (3,767,412) |
| Cash received in reverse takeover | - | 176,400 |
| **Increase (decrease) in cash and cash equivalents** | (329,029) | 496,496 |
| **Cash and cash equivalents, beginning of period** | 496,496 | - |
| **Cash and cash equivalents, end of period** | 167,467 | 496,496 |
| Interest received in cash | 44,112 | 9,989 |

**Supplemental cash flow information (Note 13)**

*See Accompanying Notes to Consolidated Financial Statements*

**RARE EARTH METALS INC.**
**(A Development Stage Enterprise)**
**Consolidated Statements Of Shareholders' Equity**

| | Common Shares Number | Common Shares Amount | Warrants | Contributed surplus | Retained earnings (deficit) | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at March 31, 2009** | **33,792,134** | **13,559,328** | **-** | **-** | **-** | **13,559,328** |
| Loss and comprehensive loss for the year | - | | - | - | (2,181,012) | (2,181,012) |
| Less: share issue costs | - | (59,516) | - | - | - | (59,516) |
| Elimination of the Company's share capital net of the net asset value of the Company pursuant to the purchase of the Company by REM Metals Corp. | - | (13,499,812) | - | - | - | (13,499,812) |
| Adjustment to increase in book value of the Company's share capital to that of REM Metals Corp., the continuing entity for accounting purposes, immediately prior to the reverse takeover transaction | - | 5,805,100 | - | - | - | 5,805,100 |
| Issuance of common shares of the Company to acquire the outstanding share capital of REM Metals Corp. | 39,630,000 | 7,864,381 | - | - | - | 7,864,381 |
| Less: share issue costs | - | (458,882) | - | - | - | (458,882) |
| Less: value of warrants issued with common shares | - | (3,665,761) | 3,665,761 | - | - | - |
| Less: value of warrants issued to agents | - | (775,795) | 775,795 | - | - | - |
| Warrants exercised | | 16,800 | - | - | - | 16,800 |
| Reclassified from exercise of warrants | - | 17,596 | (17,596) | - | - | - |
| Common shares in connection with property agreements | 60,000 | 27,600 | - | - | - | 27,600 |
| Stock-based compensation | - | - | - | 383,419 | - | 383,419 |
| **Balance at March 31, 2010** | **73,530,134** | **8,831,039** | **4,423,960** | **383,419** | **(2,181,012)** | **11,457,406** |
| Loss and comprehensive loss for the year | - | - | - | - | (5,633,550) | (5,633,550) |
| Issued pursuant to private placement for cash | 4,015,448 | 1,847,106 | - | - | - | 1,847,106 |
| Less: value of warrants issued to investors | - | (126,881) | 126,881 | - | - | - |
| Less: share issue costs | - | (151,416) | - | - | - | (151,416) |
| Common shares in connection with property agreements | 1,317,500 | 552,118 | - | - | - | 552,118 |
| Common shares issued upon exercise of warrants | 2,410,000 | 643,500 | - | - | - | 643,500 |
| Reclassified from exercise of warrants | - | 926,098 | (926,098) | - | - | - |
| Common shares issued upon exercise of stock options | 100,000 | 30,000 | - | - | - | 30,000 |
| Stock-based compensation | - | - | - | 1,243,715 | - | 1,243,715 |
| **Balance at March 31, 2011** | **81,373,082** | **12,551,564** | **3,624,743** | **1,627,134** | **(7,814,562)** | **9,988,879** |

*See Accompanying Notes to Consolidated Financial Statements*

## 1. Basis of presentation

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

These financial statements have been prepared assuming the Company will continue on a going-concern basis, or that it will continue to realize its assets and meet its obligations in the normal course of business. The Company has incurred losses since inception and has an accumulated operating deficit of $7,814,562 at March 31, 2011 ($2,181,012 at March 31, 2010). The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate equity financing to fund its exploration and administrative expenses. These financial statements do not contain any adjustments to the amounts and classification of assets and liabilities which might be necessary should the Company become unable to continue as a going concern.

## 2. Reverse Takeover and Comparative Figures

On December 16, 2009, the Company completed the acquisition of a private company known as REM Metals Inc. ("REM", formerly Rare Earth Metals Inc.) by acquiring all of the issued and outstanding shares of REM by issuing one common share of the Company for each common share of REM. As a result, the Company issued 39,630,000 common shares (approximately 54% of the issued shares of the Company) to the shareholders of REM. This transaction is considered to be a reverse takeover transaction and under the provisions of the Canadian Institute of Chartered Accountant handbook EIC 10, the Company is considered to be a continuation of REM and as such, the comparative figures would normally be those of REM. REM is now a wholly owned subsidiary of the Company. Refer also to Note 5.

## 3. Significant Accounting Policies

a) Basis of Accounting

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Summarized below are those policies considered particularly significant to the Company.

b) Use of Estimates

The presentation of financial statements in conformity with Canadian GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and related notes. Management regularly reviews the estimates and assumptions that affect the consolidated financial statements, although actual results may be materially different from these estimates and assumptions. Areas where significant estimates and assumptions are required by

**3. Significant Accounting Policies** (continued)

management include the determination of impairment for capitalized mineral property expenditures, future income taxes and the variables for use in calculating stock-based compensation.

c) Short-term Investments

Short-term investments consist of guaranteed investment certificates with remaining terms to maturity of greater than 90 days when acquired. Marketable securities are valued at market, based on the published price at the balance sheet date. Short-term investments are classified as held-for-trading financial instruments. These investments are recorded at fair value, with unrealized gains and losses being recorded in income in the current period.

d) Property and Equipment

Purchased property and equipment are recorded at cost. Amortization is provided using the declining-balance method using annual rates as follows:

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

Amortization is provided at half the annual rate in the year of acquisition and the year of disposal.

e) Mineral Interests

Mineral property and mineral rights acquisition costs are capitalized until the viability of the mineral interest is determined. If a mineral ore body is discovered, capitalized costs will be amortized over their estimated useful lives following the commencement of production. Otherwise, capitalized acquisition costs are expensed when it is determined that the mineral property has no future economic value. Capitalized amounts (including capitalized development costs) are written down if future cash flows, including potential sales proceeds, related to the mineral property are estimated to be less than the property's total carrying value. Management of the Company reviews the carrying value of each mineral property periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Reductions in the carrying value of a property would be recorded to the extent that the total carrying value of the mineral property exceeds its estimated fair value.

Exploration costs are expensed as incurred. When it is determined that a mining deposit can be economically and legally extracted or produced based on established proven and probable reserves, further exploration costs and development costs incurred after such determination will be capitalized. The establishment of proven and probable reserves is

## 3. Significant Accounting Policies (continued)

based on results of final feasibility studies which indicate whether a property is economically feasible. Upon commencement of commercial production, capitalized costs will be transferred to the appropriate asset categories and amortized over their estimated useful lives. Capitalized costs, net of salvage values, relating to a mining deposit which is abandoned or considered uneconomic for the foreseeable future will be written off.

f) Impairment

The carrying values of mineral interests and property and equipment are reviewed on an annual basis and when changes in circumstances suggest their carrying value may become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value with a charge to operations.

g) Asset Retirement Obligations

The Company records the fair value of liabilities for asset retirement obligations in the period in which they are incurred and in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability, with a corresponding increase to the carrying amount of the related asset and depreciated over the life of the asset. Over time, the liability is increased to reflect an interest element (accretion expenses) considered in its initial measurement at fair value. The amount of liability is subject to re-measurement at each reporting period. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the date the estimate is revised.

As at March 31, 2011, the Company did not have any asset retirement obligations.

h) Revenue/Income Recognition

The Company recognizes interest income on cash and cash equivalents and short-term investments as it is earned.

i) Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the closing trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares. Shares issued as property option payments are valued at their fair market value on the date of issuance.

**3. Significant Accounting Policies** (continued)

j) Stock-based Compensation

The Company records compensation associated with stock options granted using a fair value measurement basis and records the expense when the options vest with the recipients.

The proceeds received by the Company on the exercise of options are credited to share capital and the related contributed surplus, originally recognized when the options were granted, is transferred to share capital.

k) Financial Instruments and Financial Risk

The Company's financial instruments, at March 31, 2011, consist of cash and short-term deposits, accounts payable and accrued liabilities. Cash and short-term deposits have been classified as held-for-trading, the carrying values of which approximate their fair values due to their short term nature. Accounts payable and accrued liabilities are classified as other financial liabilities, measured at amortized cost using the effective interest rate method, however due to their short term nature, their carrying amounts approximate fair value.

l) Future Income Taxes

The Company follows the liability method of accounting for income taxes. Future income taxes are recorded for the future tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases on the balance sheet date. Future income tax assets and liabilities are measured using substantially enacted income tax rates expected to apply in the year in which temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in substantially enacted rates is included in operations. A future income tax asset is recorded when the probability of the realization is more likely than not.

m) Loss Per Share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period.

n) Environmental Expenditures

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable.

## 3. Significant Accounting Policies (continued)

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs are recognized when the ultimate liability is reasonably determinable, and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

## 4. Changes in Accounting Policies

### Future Accounting Changes

### CICA Sections 1582, 1601, 1602 Business Combinations, Consolidations, and Non-Controlling Interests

In January 2009, the AcSB issued the following Handbook Sections: 1582 - Business Combinations, 1601 - Consolidations, and 1602 - Non-Controlling Interests. These new Sections will be applicable to financial statements relating to the Company's interim and fiscal year end beginning on or after January 1, 2011. Early adoption is permitted. The Company does not expect that there will be any material impact upon its adoption of these new sections on its consolidated financial statements.

### New Canadian Accounting Pronouncements

### International Financial Reporting Standards ("IFRS")

In February 2008 the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the period ended March 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## 5. Business Combination

As described in Note 2, these consolidated financial statements are inclusive of the completion of a reverse takeover transaction, recorded in Fiscal 2010, whereby REM Metals Corp., the continuing entity for accounting purposes is considered to have acquired the assets and liabilities of East Energy in a business combination.

## 5. Business Combination (continued)

The cost of the acquisition was allocated to the net identifiable assets of Rare Earth at December 16, 2009 as follows:

| | | |
|---|---|---|
| Cash | $ | 176,400 |
| Short-term investments | | 6,650,000 |
| Other working capital | | 4,129 |
| Mineral interests | | 1,020,000 |
| Property and equipment | | 13,852 |
| Net assets acquired | $ | 7,864,3811 |

## 6. Short-term Investments

As at March 31, 2011 the Company had $7,470,664 (March 31, 2010: $9,836,024) in short-term investments consisting of cashable guaranteed investment certificates in major Canadian Banks, money market funds and bonds maturing from April 15, 2011 to September 10, 2012. The yields on these investments are 1.50% to 5.00% per year. These investments are fully liquid and available at the request of the Company, and accordingly they have been classified as a current asset in these consolidated financial statements.

## 7. Mineral Interests

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

| **Mineral Interests** | Hinton Coal $ | Clay-Howells $ | Lackner $ | Coldwell Complex $ | Red Wine Complex $ | Genex $ | Total $ |
|---|---|---|---|---|---|---|---|
| Balance, March 31, 2010 | 1,020,000 | 414,926 | 58,986 | - | 79,846 | - | 1,573,758 |
| Acquisition costs for the period | - | 9,117 | - | 122,002 | 678,648 | 11,044 | 820,811 |
| Write-downs | - | - | (58,986) | - | - | - | (58,986) |
| Balance, March 31, 2011 | 1,020,000 | 424,043 | - | 122,002 | 758,494 | 11,044 | 2,335,583 |

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

| **Exploration Expenditures** | Clay-Howells $ | Lackner $ | Coldwell Complex $ | Red Wine Complex $ | Genex $ | Total $ |
|---|---|---|---|---|---|---|
| Prospecting | 246,628 | 24,197 | 16 | 728,821 | 4,936 | 1,004,598 |
| Geology | 96,926 | 4,787 | 325 | 217,067 | 15,805 | 334,910 |
| Geophysical | 26,960 | 400 | 1,625 | 97,969 | - | 126,954 |
| Trenching | - | - | - | 239,308 | 238 | 239,546 |
| Diamond drilling | 826,480 | - | - | 784,763 | - | 1,611,243 |
| Other | 4,170 | - | 500 | 803 | 23,362 | 28,835 |
| Exploration Expenditures for the period | 1,201,164 | 29,384 | 2,466 | 2,068,731 | 44,341 | 3,346,086 |

## 7. Mineral Interests (continued)

During the year ended March 31, 2010, the Company incurred the following exploration expenditures that were expensed as incurred:

| Exploration Expenditures | Clay-Howells $ | Lackner $ | Red Wine Complex $ | Genex $ | Total $ |
|---|---|---|---|---|---|
| Prospecting | 39,286 | 4,915 | 14,167 | 533 | 58,901 |
| Geology | 61,558 | 11,160 | 20,349 | 722 | 93,789 |
| Geophysical | 107,637 | 28,335 | - | - | 135,972 |
| Diamond drilling | 975,988 | - | 296 | - | 976,284 |
| Other | 17,410 | - | 1,393 | - | 18,803 |
| Exploration Expenditures for the period | 1,201,879 | 44,410 | 36,205 | 1,255 | 1,283,749 |

### Hinton Coal Property

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

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

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

### Clay-Howells Property

The Clay-Howells property consists of 45 patented claims (mining and surface) and is located 30 kilometres north-northeast of Kapuskasing, Ontario. During Fiscal 2010, the Company entered into an agreement to acquire a 100% interest in the Clay-Howells property. Pursuant to the agreement, in order to exercise the option, the Company must pay to the optionor a non-refundable deposit of $20,000 (paid) and a further $330,000 on or before October 21, 2009 (paid). Upon exercise of the option by the Company, the optionor will retain a 2-per-cent net smelter revenue royalty (“NSR”). The Company shall have the right and option to purchase, at any time, one-half of the NSR in consideration of the payment of $1-million to the optionor.

### Lackner Property

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

**7. Mineral Interests** (continued)

Coldwell Complex

During the current year, the Company completed the staking of 706 claim units over the Coldwell Alkaline Complex in Northern Ontario.

Red Wine Complex

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

*Mann #1, Two Tom Lake*

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

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

*Letitia Lake Property - Cornerstone Capital*

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

## 7. Mineral Interests (continued)

*Red Wine Property – Playfair Mining Ltd.*

Pursuant to an option agreement dated February 8, 2010, between the Company and Playfair Mining Ltd., the Company may earn a 51% interest in 6 claim licences forming Playfair's Red Wine Property in Labrador. The Company must make the following payments and incur expenditures sufficient to maintain the property in good standing: (a) initial payment of $15,000 (paid) and 20,000 shares (issued), (b) first year expenditures of $100,000 (expended), (c) $15,000 on or before 12 months following the approval date (paid), and issue an additional 30,000 shares on or before 12 months following the approval date (issued), (d) $20,000 on or before 24 months following the approval date, issue 50,000 shares on or before 24 months following the approval date, and incur an additional $200,000 of exploration expenditures on or before 24 months following the approval date, and (d) $20,000 on or before 36 months following the approval date, issue 50,000 shares on or before 36 months following the approval date and incur an additional $200,000 of exploration expenditures on or before 36 months following the approval date.

*Ten Mile Lake/Letitia Lake – Hicks agreement*

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

*Ten Mile Lake/Letitia Lake – Quinlan agreement*

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

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

**7. Mineral Interests** (continued)

*Partridge River - Belmont Resources and International Montoro Resources*

Pursuant to an option agreement dated August 30, 2010, between the Company and Belmont Resources Inc. and International Montoro Resources Inc., the Company may acquire a 75% interest in one claim licence comprising 23 claim units located in the Red Wine area of west central Labrador, Canada known as the Partridge River Property. The Company must make the following payments and share issuances to Belmont Resources Inc. and International Montoro Resources Inc.: (a) on signing, pay $5,000 (paid); (b) on exchange approval, pay $5,000 (paid) and issue 50,000 shares (issued); (c) pay $10,000, issue 50,000 shares and incur $50,000 of exploration expenditures on August 30, 2011; (d) pay $10,000, issue 50,000 shares and incur $100,000 of exploration expenditures on August 30, 2012; and (e) pay $20,000, issue 100,000 shares and incur $100,000 of exploration expenditures on August 30, 2013. In addition, there is a 2% net smelter return relating to the acquisition. The Company may, at any time, purchase 1% of the net smelter return for $1,000,000.

*Hick's Partridge River*

Pursuant to an option agreement dated September 1, 2010, between the Company and Darrin Hicks, the Company may acquire a 100% interest in 2 claim licences comprising of 12 claim units in the Letitia Lake area of west central Labrador, Canada known at the Hick's Partridge River Property. The Company must make the following payments and share issuances to Darrin Hicks: (a) on signing, pay $2,000 (paid) and issue 7,500 shares (issued); (b) pay $6,000 and issue 11,500 shares on September 1, 2011; (c) pay $12,500 and issue 16,500 shares on September 1, 2012; and (d) pay $17,500 and issue 20,000 shares on September 1, 2013. In addition, there is a 2% net smelter return relating to the acquisition. The Company may, at any time, purchase 1% of the net smelter return for $750,000.

*Red Wine Property - Zimtu*

Pursuant to an option agreement dated August 31, 2010, between the Company and Zimtu Capital Corp., Gary Lewis, Aubrey Budgell and Neh Pinsent, the Company may acquire a 100% interest in 508 claim units located in the Red Wine/Letitia Lake area of west central Labrador, Canada, known as the Zimtu Property. The Company must make the following payments and share issuances to the Optionors: (a) $50,000 on signing (paid) and issue 1,000,000 shares (issued) on TSX-V approval of the formal agreement; (b) pay $50,000 and issue 500,000 shares on August 31, 2011; (c) pay $50,000 and issue 500,000 shares on August 31, 2012. The Optionors will maintain a 2% Net Smelter Returns Royalty ("NSR") on the Property; 1% of which can be purchased from the Optionors for $1,000,000.

*Northcott/Hare Hill*

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

**7. Mineral Interests** (continued)

The Company has entered a joint venture with Ucore Rare Metals Inc. ("Ucore") dated December 3, 2010, to jointly fund exploration and development of the Northcott option, located in western Newfoundland. Terms of the joint venture with Ucore allows for both companies to maintain a 50% interest in the Northcott Property by funding 50% of the acquisition, exploration and development costs. The Company will be the operator and funding the initial $50,000 trenching and sampling program has been guaranteed by both companies. Once either party has expended in excess of $200,000 on the Property, and decides not to fund future programs it will be diluted pro rata to a 1% NSR.

**8. Property and Equipment**

| | March 31, 2011 | | | March 31, 2010 | | |
|---|---|---|---|---|---|---|
| | Cost $ | Accumulated Amortization $ | Net $ | Cost $ | Accumulated Amortization $ | Net $ |
| Computer equipment | 9,851 | 2,317 | 7,534 | 4,668 | 199 | 4,469 |
| Computer software | 9,182 | 6,624 | 2,558 | 4,066 | 1,030 | 3,036 |
| Office equipment & furniture | 11,221 | 2,376 | 8,845 | 10,447 | 261 | 10,186 |
| General equipment | 40,000 | 8,800 | 31,200 | 40,000 | 1,000 | 39,000 |
| Field equipment | 115,736 | 24,128 | 91,608 | 38,399 | 1,440 | 36,959 |
| Signs | 3,915 | 861 | 3,054 | 3,915 | 98 | 3,817 |
| Vehicles | 8,025 | 1,204 | 6,821 | - | - | - |
| Total | 197,930 | 46,310 | 151,620 | 101,495 | 4,028 | 97,467 |

**9. Share Capital**

(a) Common Stock

Authorized: Unlimited common shares without par value.

Issued: 81,373,082

Common shares issued to acquire the outstanding share capital of REM Metals Inc. consist of the following:

(i) 3.6 million seed shares were issued to the founders of REM at a price of $0.001 per common share for gross proceeds of $3,600.

(ii) 50,000 common shares valued at $2,500 were issued to an arm's length party in connection with a finders' fee on a property agreement.

(iii) REM completed a private placement by issuing 15,980,000 common shares of REM at an issue price of $0.05 per common share for gross proceeds of $799,000.

**9. Share Capital** (continued)

(iv) In conjunction with the reverse takeover transaction, REM completed a private placement offering with PowerOne Capital Markets Limited (“PowerOne”) for aggregate gross proceeds of $5 million consisting of 20 million units at a price of $0.25 per unit, each unit consisting of one common share and one half of one common share purchase warrant, each whole warrant entitling the holder to purchase an additional common share of the Company at a price of $0.35 per share for a period of 24 months following the closing of the private placement.

Pursuant to the offering, PowerOne was paid a cash commission equal to $400,000 and issued 2 million broker warrants with each broker warrant entitling PowerOne to purchase a common share of the Company for $0.25 for a period of 24 months following the closing of the private placement.

All shares issued in REM prior to the reverse takeover transaction were exchanged for shares of the Company on a one-for-one basis with certain of the shares subject to trading restrictions.

During the year ended March 31, 2011, the Company completed a non-brokered private placement for gross proceeds of $1.85 million by issuing 4,015,448 million flow-through units at a price of $0.46 per unit. Each unit consists of one flow-through common share and one half of one share purchase warrant with each whole warrant entitling the holder to acquire one additional common share at a price of $0.60 per share for a period of one year from closing. Pursuant to the private placement, cash commissions totaling $134,176 were paid to the finders. As at March 31, 2011, the amount of flow-through proceeds remaining to be expended is $950,824 (2010: nil).

(b) Share Purchase Warrants

A summary of the outstanding share purchase warrants issued by the Company for the years ended March 31, 2011 and March 31, 2010 is as follows:

| | Number of Warrants | Weighted Average Exercise Price $ |
|---|---|---|
| Outstanding at March 31, 2009 | 1,250,000 | 1.20 |
| Issued during the period to investors | 10,000,000 | 0.35 |
| Issued during the period to agents | 2,000,000 | 0.25 |
| Expired during the period | (1,250,000) | 1.20 |
| Exercised during the period | (48,000) | 0.35 |
| Outstanding at March 31, 2010 | 11,952,000 | 0.33 |
| Exercised during the period | (2,410,000) | 0.27 |
| Issued during the period to investors | 2,007,724 | 0.60 |
| Outstanding at March 31, 2011 | 11,549,724 | 0.39 |

For all warrants issued prior to the period ended March 31, 2010, the fair values have been estimated using the Black-Scholes Option Pricing Model and the following assumptions: dividend yield of 0%, expected volatility of 146.3%, a risk-free interest rate of 0.25% and an expected life of 2 years. The value of the warrants reduced the proceeds attributed to share capital and are recognized under capital stock as share purchase warrants.

**9. Share Capital** (continued)

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

As at March 31, 2011, the following share purchase warrants were outstanding:

| Number of common shares issuable | Exercise price $ | Date of expiry |
|---|---|---|
| 9,542,000 | 0.35 | December 16, 2011 |
| 1,932,724 | 0.60 | November 15, 2011 |
| 75,000 | 0.60 | November 23, 2011 |
| 11,549,724 | | |

(c) Stock Options and Contributed Surplus

The Company may grant options to the Company's directors, officers, employees and service providers under the Company's stock option plan. The maximum number of common shares reserved for issuance under the plan is 14,717,026. The Company recognizes stock-based compensation in connection with stock options granted over their respective vesting periods, with stock options typically vesting in various increments and having a maximum term of five years.

Stock option transactions for the years ended March 31, 2011 and March 31, 2010 are as follows:

| | Number | Weighted Average Exercise Price $ |
|---|---|---|
| Options outstanding at March 31, 2009 | 2,665,000 | 0.60 |
| Expired / cancelled / forfeited | (2,250,000) | 0.59 |
| Granted | 3,015,000 | 0.55 |
| Options outstanding at March 31, 2010 | 3,430,000 | 0.56 |
| Expired / cancelled / forfeited | (1,015,000) | 0.58 |
| Granted | 3,525,000 | 0.37 |
| Exercised | (100,000) | 0.30 |
| Options outstanding at March 31, 2011 | 5,840,000 | 0.44 |

## 9. Share Capital (continued)

The weighted-average fair value of options granted during the year ended March 31, 2011 was $0.37. Each option entitles the holder to purchase one common share.

| Options Outstanding | | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number Outstanding | Weighted Average Remaining Contractual Life (yr) | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
| $ 0.35 - $0.60 | 5,840,000 | 4.00 | $ 0.44 | 3,979,970 | $0.47 |

The Company used the Black-Scholes option pricing model to determine the fair value of the options with the following assumptions:

| | **2011** | **2010** |
|---|---|---|
| Risk-free interest rate | **1.37% - 2.96%** | **1.36% - 2.91%** |
| Dividend yield | **0%** | **0%** |
| Volatility | **92% - 137%** | **98% - 137%** |
| Approximate expected lives | **2 – 5 years** | **2 - 5 years** |

(d) Shares subject to escrow or hold periods

As of March 31, 2011, 3,420,000 of the Company's issued and outstanding common shares are subject to an escrow agreement under which the shares will be released in stages every six months. Each future release will consist of 855,000 shares, with the next release date being June 14, 2011.

As of March 31, 2011, 5,572,000 of the Company's issued and outstanding common shares are subject to certain hold periods that expire in stages every six months. On each future expiry date the hold period will expire for 2,786,000 of the shares, with the next such date being June 14, 2011.

## 10. Related Party Transactions

The Company paid or accrued the following amounts to related parties during the years ended March 31, 2011 and March 31, 2010:

| Payee | Description of Relationship | Nature of Transaction | March 31, 2011 Amount $ | March 31, 2010 Amount $ |
|---|---|---|---|---|
| Stares Contracting Corp. | Company controlled by Michael Stares, Director and Officer and Stephen Stares, Director | Payments for equipment rentals, supply of labour and reimbursement of exploration expenditures, and premises rental | 156,158 | 68,957 |
| Gordon J. Fretwell Law Corporation | Company controlled by Gordon Fretwell, Secretary | Legal fees charged/accrued during the period | 56,506 | 84,476 |
| Eastrock Exploration Inc. | Company controlled by Wayne Reid, Director | Payments for geological consulting services and reimbursement of exploration expenditures | 120,695 | 110,811 |
| Felix Geo-Consultants | Company controlled by Reg Felix, VP Exploration | Payments for geological consulting services and reimbursement of exploration expenditures | 166,023 | - |

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

Included in accounts payable and accrued liabilities is $10,845 (2010: $15,667) to Gordon J. Fretwell Law Corporation, $5,820 (2010:$12,745) to Eastrock Exploration Inc., $8,947 (2010: $7,853) to Stares Contracting Corp., and $nil (2010: nil) to Felix Geo-Consultants. The repayment terms are similar to the repayment terms of non-related party trade payables.

## 11. Financial Instrument Risks

The Company's financial instruments are exposed to the following risks:

*Credit Risk*

The Company's primary exposure to credit risk is the risk of illiquidity of cash and short-term deposits, amounting to $7,638,131 at March 31, 2011 (March 31, 2010: $10,332,520). As the Company's policy is to limit cash holdings and short-term deposits to instruments issued by major Canadian banks, or investments of equivalent or better quality, the credit risk is considered by management to be minimal.

**11. Financial Instrument Risks** (continued)

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's only liquidity risk from financial instruments is its need to meet operating accounts payable requirements. The Company has maintained sufficient cash and short-term deposit balances to meet these needs at March 31, 2011.

*Interest Rate Risk*

The Company has been exposed to interest rate risk on its cash and short-term deposits. The majority of these deposits have been in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases. Unrealized gains and losses are reported in other comprehensive income. A 1% increase or decrease in interest rate yields on the Company's short-term investments would result in a $74,707 fluctuation in interest income based on the year end value of the investments.

At March 31, 2011, the Company maintained all of its cash balance on deposit in a chequing account with a major Canadian bank.

*Fair Value of Financial Instruments*

During 2009, CICA handbook section 3862 "Financial Instruments - Disclosures" was amended to require enhanced disclosure of financial instrument fair value measurements and liquidity risks. Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or 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.

## 11. Financial Instrument Risks (continued)

The Company's financial instruments carrying amounts and fair values by categories and levels per the fair value hierarchy are as follows:

| | Fair Value Level | 2011 | | 2010 | |
|---|---|---|---|---|---|
| | | Hold for trading at fair value $ | Loans and receivables/ other financial liabilities at amortized cost $ | Hold for trading at fair value $ | Loans and receivables/ other financial liabilities at amortized cost $ |
| Financial assets: | | | | | |
| Cash | 1 | 167,467 | - | 496,496 | - |
| Short-term investments | 1 | 7,470,664 | - | 9,836,024 | - |
| Other receivables | | - | 289,366 | - | 66,041 |
| Refundable security deposits | | - | 56,966 | - | 9,800 |
| | | 7,638,131 | 346,332 | 10,332,520 | 75,841 |
| Financial liabilities: | | | | | |
| Accounts payable and accrued liabilities | | - | 509,344 | - | 672,443 |
| | | - | 509,344 | - | 672,443 |

## 12. Refundable Security Deposits

Refundable security deposits of $56,966 (2010: $9,800) represent security amounts paid to the Government of Newfoundland and Labrador in connection with mineral property claims located in the Province of Newfoundland. These deposits are refundable to the Company upon submission by the Company of a report covering the first year work requirements which meets the requirements of the Government of Newfoundland and Labrador.

## 13. Supplemental Cash Flow Information

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

| | March 31, 2011 $ | March 31, 2010 $ |
|---|---|---|
| **Operating activity** | | |
| Other working capital from RTO | - | (4,129) |
| **Non-cash financing activities** | | |
| Common shares issued for property and finders agreements | 552,118 | 30,100 |
| Common shares issued from RTO | - | 7,687,981 |
| **Non-cash investing activities** | | |
| Common shares issued for property and finders agreements | (552,118) | (30,100) |
| Acquisition of mineral property from RTO | - | (1,020,000) |
| Purchase of property and equipment from RTO | - | (13,852) |
| Acquisition of short-term investments from RTO | - | (6,650,000) |

## 14. Commitments

The Company has commitments as described in Note 7 with respect to certain agreements on its mineral property interests.

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

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

| | $ |
|---|---|
| 2011 | 19,077 |
| 2012 | 19,077 |
| 2013 | 14,664 |
| 2014 | 1,190 |
| | 54,008 |

## 15. Income Taxes

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

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| Net loss for the year before tax recovery | (5,633,550) | (2,181,012) |
| Expected income tax recovery | (1,711,191) | (708,829) |
| Net adjustment for deductible and non-deductible amounts | 1,111,203 | 525,143 |
| Valuation allowance | 599,988 | 183,686 |
| Total income tax | - | - |

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

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| Future income tax assets: | | |
| Mineral property and equipment amounts in excess of tax pools | 779,163 | 614,546 |
| Non-capital loss carryforwards | 1,291,500 | 734,500 |
| Net future tax assets | 2,070,663 | 1,349,046 |
| Valuation allowance | (2,070,663) | (1,349,046) |
| | - | - |

Subject to certain restrictions, the Company has mineral property expenditures at March 31, 2011 of approximately $4,614,292 available to reduce taxable income in future years. The Company also has non-capital losses available for deduction against future years' taxable income amounting to $5,166,000. The Company has not recognized any future benefit for these tax losses and resource deductions, as it is not considered likely that they will be utilized. If unused, these tax losses will expire as follows:

| Year | Amount |
|---|---|
| 2014 | $ 25,000 |
| 2015 | 34,000 |
| 2026 | 262,000 |
| 2027 | 506,000 |
| 2028 | 721,000 |
| 2029 | 1,072,000 |
| 2030 | 571,000 |
| 2031 | 1,975,000 |
| | $ 5,166,000 |

## 16. Comparative Figures

Certain of the 2010 numbers presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

## 17. Subsequent Events

Subsequent to March 31, 2011, the following transactions occurred:

a) On April 8, 2011, the Company issued 20,000 common shares to Eddie Quinlan and 10,000 common shares to Darrin Hicks pursuant to property option agreements for the Company's Red Wine Complex (see Note 7).

b) On May 13, 2011, the Company announced that its shares commenced trading on the OTC market's prestigious tier, OTCQX International. The Company's U.S. trading symbol is "RAREF".

c) In June 2011, the Company announced that it had finalized negotiations to acquire the Lavergne rare earth prospect in Springer Township, Ontario.

   Terms of the initial agreement to option Mineral Rights to the 128 hectare patent, include staged payments of $217,000 over three years, including $36,000 on signing. The owners will retain a 1% NSR and the Company will have the right to purchase half of this for $1,000,000.

   A second agreement was also completed to purchase the Surface Rights to the eastern half of the patent (64 hectares) for a total of $150,000 in two payments.

   A separate third agreement was also negotiated with Zimtu Capital Corp. and two private prospectors to option a total of 40 unpatented claim units totalling 647 hectares adjacent to the above described Patent. Terms of the third option agreement include total payments of $200,000 and 2,000,000 shares over four years, including initial payments of $50,000 and 500,000 shares. The Optionors will retain a 2% NSR on the 40 unpatented claim units property with the Company having the right to purchase half of this for $1,000,000.