CANADA RARE EARTH CORP.

Consolidated Annual Financial Statements

(Stated in Canadian Dollars)

For the Years Ended March 31, 2021 and 2020

CANADA RARE EARTH CORP.

March 31, 2021

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DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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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, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in 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, 2021 and 2020, 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 1 in the consolidated financial statements, which indicates that the Company incurred a loss of $667,998, had a deficit of $25,743,443 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 1, 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 James D. Gray.

CHARTERED PROFESSIONAL ACCOUNTANTS

De Visser Gray LLP

Vancouver, BC, Canada
July 29, 2021

CANADA RARE EARTH CORP.
Consolidated Statements of Financial Position

As at	Note	March 31 2021 $	March 31 2020 $
ASSETS			
Current			
Cash		33,837	204,270
Accounts receivable	6	-	68,183
Other receivables	6	5,365	129,587
Prepaid expenses and deposits	7	323,579	198,450
Total current assets		362,781	600,490
Non-current			
Right-of-use asset – office lease	8	3,089	40,156
Exploration and evaluation assets	9	-	859,166
Intangible assets	10	-	19,896
Property, plant & equipment	11	67,906	-
Other assets	12	2	2
Investment in associate	13	169,330	-
		240,327	919,220
Total assets		603,108	1,519,710
LIABILITIES			
Current			
Deposits – equity interests	13	-	700,714
Accounts and other payables	8, 14, 16	661,646	550,688
Derivative liability – warrants	15	-	135,000
Total current liabilities		661,646	1,386,402
Non-current			
Accounts and other payables	14,16	125,000	179,263
		125,000	179,263
Total liabilities		786,646	1,565,665
SHAREHOLDERS' DEFICIENCY			
Share capital	17	17,032,572	16,775,338
Reserves	17	8,527,333	8,254,152
Deficit		(25,743,443)	(25,075,445)
Total shareholders' deficiency		(183,538)	(45,955)
Total liabilities and shareholders' deficiency		603,108	1,519,710

Note 1 – Nature and Continuance of Operations
Note 20 – Commitments and contingent liabilities
Note 22 - Subsequent events

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.
Statements of Loss and Comprehensive Loss

For the year ended March 31	Note	2021 $	2020 $
Revenue	21	1,275,733	597,189
Expenses			
Cost of sales	10, 21	1,023,139	450,334
Consulting fees	14, 20	586,975	694,766
Depreciation	8, 11	38,703	37,067
Office and administration		191,856	283,216
Share-based payments	14, 17	298,748	52,100
		2,139,421	1,517,483
Loss before other items		(863,688)	(920,294)
Other income (expense)			
Foreign exchange (loss)		(3,309)	(1,673)
Write down of exploration and evaluation assets	9	(9,782)	(9,632)
Change in fair value of derivative liability	15	135,000	189,000
Interest	8, 15, 16	(2,311)	(72,754)
Consulting fees recovered		58,349	106,478
Loss on investment in associate		(2,954)	-
Other income	14	20,697	34,513
Net loss and comprehensive loss for the year		(667,998)	(674,362)
Loss per share – basic and diluted per common share		(0.00)	(0.00)
Weighted average shares outstanding, basic and diluted		200,072,095	187,665,557

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

CANADA RARE EARTH CORP.
Consolidated Statements of Changes in Deficiency

	Share capital				
	Number of shares	Share capital $	Reserves $	Deficit $	Total $
Balance at March 31, 2019	177,404,141	15,235,832	8,283,107	(24,401,083)	(882,144)
Shares issued on note conversion	15,612,093	1,204,816	-	-	1,204,816
Options exercised	5,000,000	334,690	(84,690)	-	250,000
Share-based payments	-	-	52,100	-	52,100
Exploration and evaluation asset acquisition	-	-	3,635	-	3,635
Loss and comprehensive loss for the year	-	-	-	(674,362)	(674,362)
Balance at March 31, 2020	198,016,234	16,775,338	8,254,152	(25,075,445)	(45,955)
Shares issued to settle debt	3,428,298	175,415	-	-	175,415
Option exercises	1,050,000	81,819	(27,819)	-	54,000
Exploration and evaluation assets acquisition	-	-	2,252	-	2,252
Share-based payments	-	-	298,748	-	298,748
Loss and comprehensive loss for the year	-	-	-	(667,998)	(667,998)
Balance at March 31, 2021	202,494,532	17,032,572	8,527,333	(25,743,443)	(183,538)

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	2021 $	2020 $
Cash flows provided by (used in):			
Operating activities			
Net loss and comprehensive loss for the year		(667,998)	(674,362)
Adjustments for:			
Accretion of convertible note	15	-	35,034
Foreign exchange included in exploration and evaluation assets		-	(4,481)
Share-based payments	14, 17	298,748	52,100
Change in fair value of derivative liability	15	(135,000)	(189,000)
Amortization – intangible assets	10	19,896	59,684
Depreciation – right-of-use asset	8	37,067	37,067
Depreciation – property, plant & equipment	11	1,636	-
Write-off of exploration and evaluation assets	9	9,782	9,632
Interest on lease liability		2,312	3,129
Operating costs and property taxes		-	15,059
Sublease income	14	(19,575)	(34,513)
Loss on investment in associate		2,954	-
Changes in non-cash working capital items:			
Foreign exchange loss on cash		10,266	(11,465)
Accounts receivable		68,183	278,188
Interest and other receivables		124,222	(114,917)
Prepaid expenses and deposits		(125,129)	(40,799)
Accounts payable and accrued liabilities		298,631	443,152
Cash flows used in operating activities		(74,005)	(136,492)
Financing activities			
Common shares issued for cash	17	30,000	-
Deposits – equity interests	9	-	617,725
Principal portion of lease liability		(36,838)	(16,325)
Cash flows provided by (used in) financing activities		(6,838)	601,400
Investing activities			
Acquisition of exploration and evaluation assets	9	(9,782)	(786,330)
Purchase of property, plant & equipment	11	(69,542)	-
Cash flows used in investing activities		(79,324)	(786,330)
Effect of exchange rate changes on cash		(10,266)	11,465
Decrease in cash during the year		(170,433)	(309,957)
Cash, beginning of year		204,270	514,227
Cash, end of year		33,837	204,270
Supplementary information:			
Right-of-use asset/lease liability on adoption of IFRS 16		-	72,751
Options exercised to settle accounts payable	14, 17	24,000	250,000
Share of lease liability paid by related party	8, 14	18,419	8,162
Shares issued on conversion of note	15, 17	-	1,151,556
Shares issued on conversion of accrued interest on notes	15, 17	-	53,260
Shared-based payments included in exploration and evaluation assets	9, 17	2,252	3,635

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

1. Nature and Continuance of Operations

Canada Rare Earth Corp. ("Canada Rare Earth" or the "Company") is a Canadian public company incorporated in British Columbia on July 8, 1987. The Company's corporate office is located at Suite 2110 – 650 West Georgia Street, Vancouver, British Columbia, Canada. The Company is a development stage company developing a vertically and horizontally integrated business within the global rare earth industry. 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 expanded to the down-stream processing and sale of mineral products including rare earth products ("Mineral Products").

The address of the Company's corporate office and principal place of business is Suite 2110 – 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N9.

These consolidated financial statements ('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 $667,998 during the year ended March 31, 2021 (March 31, 2020 - $674,362) and, as of that date, the Company's deficit was $25,743,443 (March 31, 2020 - $25,075,445). 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 $33,837 at March 31, 2021 (March 31, 2020 – $204,270) to meet current financial obligations of $661,646 (March 31, 2020 - $685,688 (excluding Deposits – equity interests of $700,714)).

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.

2. Basis of Presentation

a) Statement of compliance

These Financial Statements for the year ended March 31, 2021 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's board of directors approved the release of these consolidated financial statements on July 27, 2021.

b) Basis of presentation

These Financial Statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

Response to COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as ("COVID-19"), has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. The COVID-19 pandemic has impeded traveling to South America and elsewhere, causing delays in the Company setting up its tailings processing and extraction facility and starting operations. The pandemic is also causing delays in conducting due diligence and raising financing for prospective acquisitions.

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these Financial Statements are described below. These policies have been consistently applied for all years presented, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year.

a) Basis of consolidation

These Financial Statements include the accounts of the Company and the subsidiaries that it controls. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Intercompany balances and transactions including any unrealized income and expenses arising from intercompany transactions are eliminated upon consolidation.

At March 31, 2021 and March 31, 2020, the Company held a 100% interest in REM Metals Inc., and a 100% interest in CREC South American Holdings Corp. ("CREC SAH"), a company that holds a 100% interest in CanBras Minerals LTDA ("CanBras").

b) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

c) 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.

3. Significant Accounting Policies (continued)

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.

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.

3. Significant Accounting Policies (continued)

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, 2021 and 2020, the Company did not have any cash equivalents.

j) Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the group of companies. The functional currency for all entities within the group of companies is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the consolidated statement of financial position date.

The accounts of foreign operations are translated into Canadian dollars as follows: monetary assets and liabilities at the rates of exchange prevailing at the statement of financial position date; non-monetary assets and liabilities at applicable historical exchange rates; revenues and expenses at the average rate of exchange for the year, except for non-monetary expenses which are recorded at the rates used for the translation of the related assets.

Exchange gains and losses arising on translation are included in net income (loss).

k) Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management.

3. Significant Accounting Policies (continued)

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment. The following useful lives are applied:

- Property, plant and equipment: 10 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

l) Intangible assets

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

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

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

m) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Group recognizes the lease payments as an expense in loss on a straight-line basis over the term of the lease.

3. Significant Accounting Policies (continued)

The Group recognizes a lease liability and a right-of-use asset ("ROU Asset") at the lease commencement date.

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The incremental borrowing rate is the rate which the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Group expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The ROU Asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The ROU Asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term using either the straight-line or units-of-production method depending on which method more accurately reflects the expected pattern of consumption of the future economic benefits.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3. Significant Accounting Policies (continued)

n) Investment in associate

Investments in associates are accounted for using the equity method.

The initial investment in associate is recognized at cost. This carrying amount of the investment in associates is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Company.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associate. When unrealized losses are eliminated, the underlying asset is also tested for impairment.

o) Financial instruments

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.

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.

3. Significant Accounting Policies (continued)

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.

p) 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 amounts 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, (ii) convertible notes containing full-ratchet and anti-dilution protections and (iii) certain free-standing warrants that contain contingently puttable cash settlement.

q) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs associated with exploration and evaluation activity (e.g. geological, geophysical studies, exploratory drilling and sampling). The Company follows the practice of capitalizing all costs related to the acquisition of mineral claims, expensing all costs related to the exploration and evaluation of mineral claims, and crediting all revenue received against the acquisition cost of the claims, with any excess included in profit or loss. The fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or asset purchase are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of loss and comprehensive loss.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

3. Significant Accounting Policies (continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploration, or alternatively, sale of the respective areas of interest.

4. Adoption of New Accounting Pronouncements and Recent Developments

Adoption of new accounting pronouncements

IFRS 3 Business Combinations

The Group adopted the amendments to IFRS 3 in the current year, although there was no impact on the Group. The amendments relate to the definition of a business and clarify that while a business usually has outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

Recent developments

New accounting standards issued but not yet effective

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) Amendment to IAS 1

Amendment to IAS 1 – Presentation of Financial Statements: Amendments to IAS 1 were issued by the IASB in January 2020 to clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period. In May 2020, in response to the covid-19 pandemic, the board has deferred the effective date by one year to provide companies more time to implement changes. Classification of liabilities as current or non-current is now effective for annual reporting periods beginning on or after 1 January 2023.

b) Amendments to IAS 16

Amendment to IAS 16 – Property, Plant and Equipment: amendments to IAS 16 were issued by IASB to clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment ("PPE") to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

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.

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.

Right-of-use asset / Lease liability

The incremental rate of borrowing of 12% used in the measurement of the lease liability was based on management's best estimate of the Company's cost of debt.

6. Trade and Other Receivables

At March 31, 2021 and 2020, trade and other receivables were as follows:

	March 31, 2021 $	March 31, 2020 $
Trade receivables	-	68,183
Other receivables	5,365	129,587
	5,365	197,770

7. Prepaid Expenses and Deposits

As at March 31, 2021, the Company had advanced $288,281 (March 31, 2020 - $189,072) to a supplier to secure future deliveries of Mineral Products.

	March 31, 2021 $	March 31, 2020 $
Prepaid expenses	35,298	9,378
Deposits	288,281	189,072
	323,579	198,450

8. Right of Use Asset / Lease Liability

Changes in the Company's right-of-use assets during the years ended March 31, 2021 and 2020 were as follows:

	2021 $	2020 $
Balance, beginning of year	40,156	-
IFRS 16 adoption	-	77,223
Depreciation	(37,067)	(37,067)
Balance, end of year	3,089	40,156

Minimum lease payments in respect of lease liabilities and the effect of discounting as at March 31, 2021 and 2020 were as follows:

	March 31, 2021 $	March 31, 2020 $
Undiscounted minimum lease payments:		
Less than one year	3,263	39,149
One to three years	-	3,263
	3,263	42,412
Effect of discounting	-	(2,311)
Present value of minimum lease payments	3,263	40,101

Changes in the Company's lease liabilities during the years ended March 31, 2021 and 2020 were as follows:

	2021 $	2020 $
Balance, beginning of year	40,101	-
IFRS 16 adoption	-	72,751
Cash flows:		
Principal payments	(18,419)	(16,325)
Non-cash changes:		
Principal payments by related party	(18,419)	(16,325)
Balance, end of year	3,263	40,101

9. Exploration and Evaluation Assets

On December 16, 2019, the Company, through its wholly-owned subsidiary CanBras, entered into an agreement to purchase tailings and lease surface rights in Brazil (the "Agreement") valued at US$11 million (the "Purchase Price"). The Agreement is for a term of 26 years and the Purchase Price is payable over a period of ten years, with a payment of US$600,000 ($776,698) made in January 2020 and monthly payments of US$100,000 from September 1, 2020 to April 1, 2029. The parties continue to be in discussion in regards to the commencement of monthly payments. The Agreement includes a *force majeure* clause, which the company believes applies to the ongoing pandemic and is relying upon to defer the monthly payments. However, as further described below, at March 31, 2021, the Agreement has been transferred to another entity in which the Company holds a 20% interest. Accordingly, the Company now records its investment therein on an equity basis.

Pursuant to the Agreement, CanBras:

- purchased the existing mining and processing waste and rejects which include various minerals including rare earths, cassiterite, ilmenite and zircon (the "Tailings") originating from past (over 25 years), current and future mining activities;
- leased the surface rights to the 9,960-hectare property where the mining activities occur in order to process, reprocess or relocate the Tailings and place waste and rejects from its operations;
- is able to use the vendors' licenses and permits required to conduct its operations;
- has the right of first refusal to purchase the mineral rights and licenses held by the vendors; and
- has the option to require the vendors to reacquire the Tailings for US$1 and terminate the lease by providing three months written notice, with no further obligations beyond the notice period.

Upon expiration of the term, the vendors have the option to require CanBras to sell back the Tailings for US$1 and terminate the lease and obligations by providing three months written notice.

In order to close on the acquisition, the Company arranged with two investors (the "Investors") to provide 80% of the Purchase Price. In return, they received an 80% indirect equity interest in this particular property. The Company provided 20% of the Purchase Price to retain a 20% equity interest.

The above-noted Agreement is a result of a facilitation service which was memorialized in a fee agreement (the "FFA") entered into on June 24, 2019 between the Company, and/or CanBras and a company in Brazil. Pursuant to an arrangement between CanBras and the Investors, the Investors will and did reimburse CanBras for 80% (US$40,000; $56,748) of the finder's fee and certain legal fees.

Pursuant to the FFA:

- On January 22, 2020, the Company granted stock options to the principal of the company to purchase 150,000 common shares of the Company at an exercise price of $0.06 per share. These options have been exercised (see Note 17); and
- The Company / CanBras is to have paid a US$50,000 finder's fee in four payments through May 2020.

In December, 2020, all parties came to an agreement for the full settlement of the finder's fee and legal fees and all amounts have been paid or settled.

9. Exploration and Evaluation Assets (continued)

The following acquisition costs were capitalized during the year ended March 31, 2021 and March 31, 2020:

	March 31, 2021 $	March 31, 2020 $
Acquisition costs		
Balance, beginning of year	859,166	-
Purchase Price payment	-	776,698
Finder's fees(1)	2,252	69,215
Legal fees	-	13,253
Application towards cost of investment in associate(2)	(861,418)	-
Balance	-	859,166

(1) Includes 150,000 stock options of the Company granted as part of a finder's fee valued at $8,550 by employing the Black-Scholes option-pricing model, with $2,252 capitalized for options vesting during the year ended March 31, 2021 (year ended March 31, 2020-$3,635). In December 2020 these options have been exercised. See Note 17.

(2) The cost of the Company's investment in associate consists of 20% of exploration and evaluation costs capitalized during the years ended March 31, 2021 and 2020 relating to the Agreement, which was transferred to Canbras Bom Futuro Ltda. See Note 13.

At March 31, 2020, the Agreement was held by CanBras. During the year ended March 31, 2021, CanBras formed a wholly-owned subsidiary named Canbras Bom Futuro Ltda. ("Canbras (BF)"), then transferred the Agreement to Canbras (BF). CanBras then transferred its ownership of Canbras (BF) to CREC South American Holdings (BF) Corp, an entity of which the Company owns 20%. (Note 13).

10. Intangible Assets

	Supply Agreements $	Contracts $	Memorandum Of Understanding $	Customer Relationships $	Total $
Cost					
At March 31, 2019, 2020 and 2021	99,472	29,842	3,979	99,472	232,765
Accumulated amortization and impairment					
At March 31, 2019	59,682	23,210	3,979	66,314	153,185
Amortization expense	19,894	6,632	-	33,158	59,684
At March 31, 2020	79,576	29,842	3,979	99,472	212,869
Amortization expense	19,896	-	-	-	19,896
At March 31, 2021	99,472	29,842	3,979	99,472	232,765
Net book value					
At March 31, 2019	39,790	6,632	-	33,158	79,580
At March 31, 2020	19,896	-	-	-	19,896
At March 31, 2021	-	-	-	-	-

Amortization expense of $19,896 (2020 - $59,684) is included in cost of sales.

Supply Agreements

The Company has supply agreements to sell mineral products to refineries.

10. Intangible Assets (continued)

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.

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:

- 8% 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

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, 2021, the Company accrued or paid $39,996 (2020 - $21,401) of royalties, which are reflected in cost of sales.

11. Property, Plant & Equipment

	$
Cost	
At March 31, 2019 and 2020	-
Additions	69,542
At March 31, 2021	69,542
Accumulated depreciation	
At March 31, 2019 and 2020	-
Depreciation expense	1,636
At March 31, 2021	1,636
Net book value	
At March 31, 2019 and 2020	-
At March 31, 2021	67,906

12. Other Assets

a) Mata Azul Promissory Note

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.

b) Mata Azul Participation Right

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.

13. Investments in Associates

Name	Country of incorporation	Ownership interest at March 31, 2021
CREC South American Holdings (BF) Corp. *(1)*	Brazil	20%

(1) The primary business of CREC South American Holdings (BF) Corp, which owns Canbras Bom Futuro Ltda., is within the global rare earth industry (see Note 9).

Changes in the Company's investment in CREC South American Holdings (BF) Corp. during the years ended March 31, 2021 and 2020 were as follows:

	2021 $	2020 $
Balance, exploration and evaluation assets immediately prior to conversion to equity interest (Note 9)	861,418	-
Conversion to equity interest	(689,134)	
Initial investment at cost (see Note 9)	172,284	-
Company's 20% share of net loss for period from incorporation to March 31, 2021	(2,954)	-
Balance, end of year	169,330	-

In the comparative year, the Company had received all of the Investors' contributions and initially recorded them as liabilities, reported as an aggregate Canadian dollar balance of $700,714 immediately prior to the conversion of the interest to an equity investment. During that conversion, the reduction in the carrying value of the Company's interest to $689,134, representing the notional 80% controlling interest in the Company's investment, created a net recovery of $11,580. This was reflective of the recovery, from a portion of the above-noted liabilities, of certain costs incurred by the Company in the comparative year, plus an element of foreign exchange related to the translation of the liabilities. The amount is reflected within current operations.

13. Investments in Associates (continued)

a) Summarized financial information:

CREC South American Holdings (BF) Corp

Statement of financial position:

Period Ended March 31	2021 $
Current assets	2
Non-current assets	-
Current liabilities	14,771
Non-current liabilities	-
Net liabilities (100%)	14,769
Company share of net liabilities (20%)	2,954

Statement of comprehensive loss:

Period Ended March 31	2021 $
Revenues	-
Loss from continuing operations	14,769
Post-tax profit or loss from discontinued operations	-
Other comprehensive income	-
Total comprehensive income	-
Dividends received from associate	-

14. Related Party Transactions

Key management personnel compensation was:

Year Ended March 31	2021 $	2020 $
Short-term benefits	574,969	658,456
Share-based payments	165,343	45,441
	740,312	703,897

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

During the year ended March 31, 2021, $19,575 (2020 - $34,513) of the office rental and related costs have been paid by a Director of the Company as per an agreement to share such expenses equally between the Company and the Director. The amounts, paid by the Director directly to the landlord, reduced the Company's lease liability accordingly. See Note 20.

The 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.

In March 2020, related parties exercised 5,000,000 options at $0.05 per share, with $250,000 of balances payable to these related parties included in accounts payable and accrued liabilities settled as consideration for these exercises.

In October 2020, the Company settled $5,000 payable to a related party by issuing 83,333 common shares of the Company at a deemed price of $0.06 per share and $15,000 payable to this related party was applied towards the exercise of 300,000 options at $0.05 per share in lieu of cash.

14. Related Party Transactions (continued)

In March 2021, a related party exercised 300,000 options at $0.05 per share for $15,000.

The Company owes related parties $647,917 as at March 31, 2021 (2020 - $393,699). $125,000 (March 31, 2020 - $176,000) 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.

15. 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. During the period from the Advance date to August, 2019 a total of 9 million warrants and 15,612,093 common shares have been issued and $395 has been paid to settle the CLA.

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 was being accreted to its face value over the term of the obligation. The accretion charge for the year ended March 31, 2021 was $nil (March 31, 2020 - $35,034) and is recorded as interest expense.

At March 31, 2021, $nil (March 31, 2020 - $nil) in accrued interest is included in accounts payable and accrued liabilities.

At March 31, 2021 the carrying amount of the convertible note was $nil (March 31, 2020 - $nil)

At March 31, 2021, and March 31, 2020, the carrying amount of the derivative liability was as follows:

	March 31, 2021 $	March 31, 2020 $
Derivative liability – beginning of year	135,000	324,000
Unrealized gain	(135,000)	(189,000)
Realized gain on conversion	-	-
Derivative liability – end of year	-	135,000

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

	March 31, 2021	March 31, 2020
Volatility	-	163.03% - 219.87%
Expected life	-	0.33 – 1.08 years
Risk-free interest rate	-	0.46 - 1.71%
Dividend yield	-	0%

16. Accounts and Other Payables

At March 31, 2021 and March 31, 2020, accounts and other payables were as follows:

	March 31, 2021 $	March 31, 2020 $
Current		
Accounts and accrued liabilities	658,383	513,850
Lease liabilities *(Notes 8 and 20)*	3,263	36,838
	661,646	550,688
Non-current		
Accounts and accrued liabilities	125,000	176,000
Lease liabilities *(Notes 8 and 20)*	-	3,263
	125,000	179,263

17. Share Capital and Reserves

a) Share Capital

Authorized: Unlimited common shares without par value.

Issued: 202,494,532 (March 31, 2020 – 198,016,234) common shares.

Share Issuance

In August 2019, Talaxis converted its remaining convertible note principal balance of $1,200,000 and accrued interest of $53,260 into 15,612,093 common shares of the Company and 6,000,000 warrants and $395 of cash. See Note 15.

In March 2020, related parties exercised 5,000,000 options at $0.05 per share, with $250,000 of balances payable to these related parties included in accounts payable and accrued liabilities settled as consideration for these exercises.

During the year ended March 31, 2021, 3,428,298 shares were issued to settle debt totaling $175,415.

During the year ended March 31, 2021, 1,050,000 options were exercised for a total consideration of $54,000, including $30,000 cash and $24,000 of balances payable settled as consideration. The total $27,819 value of the options exercised was transferred from reserves to share capital upon exercise.

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 which allows up to 20% of the Company's outstanding shares to be granted as options, subject to shareholder approval. The number of options approved by the shareholders reserved for issuance under the plan totals 33,880,028, of which 16,225,000 have been granted.

In January 2020, the Company granted 150,000 options to a consultant in relation to the exploration and evaluation asset acquisition. The options have an exercise price of $0.06 until January 20 2025. The options vest in four equal instalments over eighteen months.

In May 2020, the Company granted options to purchase up to 500,000 shares at an exercise price of $0.055 until May 19, 2025 to consultants. The options vest over 12 months: one-third at the date of grant, one-third six months from the date of grant and one-third 12 months from the date of grant.

In October 2020, the Company granted options to purchase up to 4,400,000 shares at an exercise price of $0.07 until October 14, 2025 to directors, officers and consultants. The options vest in four equal instalments over 18 months, one-quarter at the date of grant and one-quarter every six months thereafter.

17. Share Capital and Reserves (continued)

In March 2021, the Company granted options to purchase up to 250,000 shares at an exercise price of $0.17 until March 1, 2026 to a consultant. The options vest in four equal instalments over 18 months, one-quarter at the date of grant and one-quarter every six months thereafter.

In March 2021, the Company granted options to purchase up to 2,000,000 shares at an exercise price of $0.11 until March 12, 2026 to officers. The options vest in four equal instalments over 18 months, one-quarter at the date of grant and one-quarter every six months thereafter.

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.

The weighted average grant-date fair value of options granted during the year ended March 31, 2021 was $0.08 (2020 - $0.06). The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions:

	2021	2020
Volatility	158.99% - 187.89%	175.10%
Expected life	5 years	5 years
Risk-free interest rate	0.42% and 0.50%	1.58%
Dividend yield	0%	0%

Changes in stock options outstanding to March 31, 2021 were as follows:

	Number	Weighted Average Exercise Price $
Options outstanding at March 31, 2019	21,200,000	0.05
Granted	150,000	0.06
Exercised	(5,000,000)	0.05
Expired	(3,650,000)	0.06
Options outstanding at March 31, 2020	12,700,000	0.05
Granted	7,150,000	0.08
Exercised	(1,050,000)	0.05
Expired	(2,575,000)	0.05
Options outstanding at March 31, 2021	16,225,000	0.06

17. Share Capital and Reserves (continued)

The Company's outstanding and exercisable stock options at March 31, 2021 were:

	Outstanding Options			Exercisable Options	
Expiry Date	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
February 2022	300,000	.89	0.05	300,000	0.05
April 2022	100,000	1.01	0.05	100,000	0.05
December 2022	7,475,000	1.68	0.05	6,125,000	0.05
March 2024	1,200,000	2.98	0.05	1,200,000	0.05
May 2025	500,000	4.17	0.055	333,333	0.055
October 2025	4,400,000	4.54	0.07	1,100,000	0.07
March 2026	250,000	4.92	0.17	62,500	0.17
March 2026	2,000,000	4.95	0.11	500,000	0.11
	16,225,000	3.06	0.06	9,720,833	0.06

c) Warrants

Changes in warrants outstanding to March 31, 2021 were as follows:

	Outstanding Warrants	Weighted Average Exercise Price $
March 31, 2019	3,000,000	0.10
Issued	6,000,000	0.10
March 31, 2020	9,000,000	0.10
Expired	(9,000,000)	-
March 31, 2021	-	-

18. Risk Management

The Company's financial instruments are exposed to certain risks, including credit risk, liquidity risk, interest rate risk, foreign exchange 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, 2021.

18. Risk Management (continued)

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, 2021.

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, 2021, the Company had cash of $33,837 to meet current financial liabilities of $661,646.

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, receivables and accounts payable and accrued liabilities denominated in US dollars and Brazilian Real. There are no exchange rate contracts in place. A 10% change in the US dollar will affect profit/loss by approximately $650, while a 10% change in the Brazilian Real will affect profit/loss by approximately $880.

Financial instruments denominated in foreign currencies are:

At March 31, 2021	US Dollars	Brazilian R$
Assets	5,217	106,874
Liabilities	-	63,272
Exchange rate / $1.00 =	.7952	4.5208

At March 31, 2020	US Dollars	Brazilian R$
Assets	269,492	4,453
Liabilities	148,000	47,130
Exchange rate / $1.00 =	.7049	3.6603

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 15 for the fair value of the derivative liability - warrants.

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

18. Risk Management (continued)

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, 2021 and March 31, 2020:

	As at March 31, 2021		
	Level 1 $	Level 2 $	Level 3 $
Derivative liability - warrants	-	-	-

	As at March 31, 2020		
	Level 1 $	Level 2 $	Level 3 $
Derivative liability - warrants	-	-	135,000

There were no transfers between Level 1, 2 or 3 during the year ended March 31, 2021 and year ended March 31, 2020. In July 2020, the nine million stock purchase warrants expired unexercised.

19. 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, 2021, the Company has unused non-capital loss carry forwards of approximately $11,458,000 (2020 – $10,932,000) expiring from 2026 to 2041 available for deduction against future years' taxable income. In addition, the Company has approximately $12,213,000 (2020 – $12,203,000) 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 27.65% (March 31, 2019 – 28.07%) to the Company's loss before income taxes. A reconciliation of income taxes at statutory rates is as follows:

	2021 $	2020 $
Net loss for the year before tax recovery	(667,998)	(674,362)
Expected income tax recovery	(184,721)	(189,326)
Net adjustment for deductible and non-deductible amounts	45,809	(10,064)
Capital gains reserve	-	46,292
Unrecognized benefit on non-capital losses	138,912	153,098
Total income tax	-	-

20. Commitments and Contingent Liabilities

a) On December 7, 2015, the Company entered into a commercial property lease expiring April 29, 2021. The Company has a written agreement with a related party to sublease to the related party 50% of this office space until April 29, 2021. Each party is responsible for 50% of common costs and are responsible for their own costs. As at March 31, 2021, both parties have agreed to discontinue the sublease arrangement once the agreed expiration date passes. See Notes 8 and 14.

b) 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 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.

c) The Company acquired certain exploration and evaluation assets in December 2019 and as part of the agreement, is obligated to make its pro-rata share of the US$100,000 monthly payments starting in September 2020. The parties continue to be in discussion in regards to the monthly payments. The agreement includes a force majeure clause, which the company believes applies to the ongoing pandemic and is relying upon to defer the monthly payments.

d) In February 2021, the Company has signed a lease for a new corporate office and principal place of business at 650 West Georgia Street, Vancouver, B.C. This lease will commence in July 2021 and run for a period of five years.

21. Segment Reporting

Based on the primary products the Company sell, it has one reportable segment – mineral products:

Year ended March 31, 2021	Mineral Products $	Corporate $	Total $
Segment revenues	1,275,733	-	1,275,733
Cost of sales	(1,023,139)	-	(1,023,139)
Gross profit	252,594	-	252,594
Expenses	-	(1,116,282)	(1,116,282)
Profit (loss) from operations	252,594	(1,116,282)	(863,688)
Other items (net)	-	195,690	195,690
Profit (loss) before taxes	252,594	(920,592)	(667,998)

Year ended March 31, 2020	Mineral Products $	Corporate $	Total $
Segment revenues	597,189	-	597,189
Cost of sales	(450,334)	-	(450,334)
Gross profit	146,855	-	146,855
Expenses	-	(1,067,149)	(1,067,149)
Profit (loss) from operations	146,855	(1,067,149)	(920,294)
Other items (net)	-	245,932	245,932
Profit (loss) before taxes	146,855	(821,217)	(674,362)

22. Subsequent Events

Subsequent to March 31, 2021, the following events occurred:

a) On May 6, 2021, the Company granted options to purchase up to 100,000 shares at an exercise price of $0.095 until May 6, 2026 to a consultant. The options vest in four equal instalments over 18 months, one-quarter at the date of grant and one-quarter every six months thereafter.

b) In April 2021, the Company received $5,000 from the exercise of 100,000 stock options.

c) The Company obtained a court judgment against Mineralloy in relation to an unfulfilled contract agreement. The judgment amounts to R$729,630 (USD$134,725) and the defendant has 15 business days from the judgment to file an appeal.

d) In July 2021, the Company amended its existing stock option plan, as approved at the Company's Annual General Meeting, to increase the number of shares reserved for issuance under the plan to no greater than 20% of the Company's issued and outstanding shares, increasing the number of shares reserved for issuance under the plan from 33,880,028 to 40,158,906. This is subject to TSX approval

e) In July 2021, the Company adopted a Share Unit Plan, as approved at the Company's Annual General Meeting, to assist the Company in the recruitment and retention of employees, directors and services providers. 15,000,000 Share Units will be available for grant under the plan, representing approximately 7.4% of the Company's issued and outstanding shares. This is subject to TSX approval.

f) On July 17, 2021 (the "Effective Date"), the Company entered into an Asset Purchase Agreement ("APA") to acquire a book of contracts, leads, sources and prospective customers in the rare earth sector (the "Book") from TEC Commodities Limited ("TEC") and an Executive Services Agreement ("ESA") with the principal of TEC.

   Pursuant to the APA, as consideration for acquiring the Book, the Company shall issue 1,000,000 common shares to TEC's principal, subject to vesting requirements including:

   - 200,000 shares on signing of the APA;
   - 200,000 shares on the first anniversary of the APA;
   - 200,000 shares on the second anniversary of the APA; and
   - 400,000 shares on the third anniversary of the APA.

   Pursuant to the ESA, the Company engaged TEC's principal as the Company's Head of Global Trading for a four-year term, with the ESA cancellable by the Company or the Company's Head of Global Trading with 90 days' notice. As a portion of this individual's compensation, the Company granted options to purchase up to 1,000,000 shares at an exercise price of $0.08 until July 17, 2026, vesting over 18 months. Up to 2,000,000 additional options would be granted if the ESA remains in effect through its four-year term.