CANADA RARE EARTH CORP.

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

CANADA RARE EARTH CORP.

December 31, 2023

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Canada Rare Earth Corp. (the "Company") for the nine months ended December 31, 2023 have been prepared by and are the responsibility of the Company's management and have been approved by the Company's audit committee.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CANADA RARE EARTH CORP.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	December 31, 2023 $	March 31, 2023 $
		(unaudited)	
ASSETS			
Current assets			
Cash		492,013	220,630
Trade and other receivables	3	1,210,705	574,164
Prepaid expenses and deposits	4	338,123	464,796
Total current assets		2,040,841	1,259,590
Non-current assets			
Right-of-use asset	5	159,276	207,059
Equipment	6	84,101	91,073
Other assets	7	–	2
Intangible assets	8	17,775	37,776
Investment in associate	9	869,521	679,297
Total non-current assets		1,130,673	1,015,207
Total assets		3,171,514	2,274,797
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY			
Current liabilities			
Accounts payables and accrued liabilities	11	253,824	154,106
Deferred revenue	10	1,593,998	–
Due to related parties	11	312,039	898,749
Current portion of lease liabilities	12	65,814	57,983
Loans payable	13	163,805	866,461
Loans payable – related parties	11	226,000	125,000
Total current liabilities		2,615,480	2,102,299
Non-current liabilities			
Due to related parties	11	881,194	–
Lease liabilities	12	115,878	166,368
Total non-current liabilities		997,072	166,368
Total liabilities		3,612,552	2,268,667
Shareholders' (deficiency) equity			
Share capital	14	17,626,957	17,576,557
Reserves	14	9,089,859	9,031,024
Deficit		(27,157,854)	(26,601,451)
Total shareholders' (deficiency) equity		(441,038)	6,130
Total liabilities and shareholders' (deficiency) equity		3,171,514	2,274,797

Nature and continuance of operations (Note 1)
Commitments and contingent liabilities (Note 17)
Subsequent events (Note 19)

Approved and authorized for issuance on behalf of the Board of Directors on February 29, 2024:

"Tracy A. Moore" Director — *"Peter Shearing"* Director
Tracy A. Moore — Peter Shearing

(The accompanying notes form an integral part of these condensed interim consolidated financial statements)

CANADA RARE EARTH CORP.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Note	Three months ended December 31 2023 $	Three months ended December 31 2022 $	Nine months ended December 31 2023 $	Nine months ended December 31 2022 $
Revenue	17	792,037	2,332,200	1,596,461	4,991,855
Cost of sales	8,17	558,902	1,865,849	1,218,509	4,020,846
Gross profit		233,135	466,351	377,952	971,009
Expenses					
Consulting fees	11	132,749	219,248	594,253	484,187
Depreciation and amortization	5,8	14,220	17,433	54,755	52,298
Office and administration		124,851	52,256	181,351	139,819
Share-based compensation	11,14	22,235	68,000	106,835	169,000
		294,055	356,937	937,194	845,304
(Loss) income before other income (expense)		(60,920)	109,414	(559,242)	125,705
Other income (expense)					
Foreign exchange gain		23,778	55,332	18,706	6,245
Interest on lease liability	12	(5,032)	(6,446)	(16,223)	(20,299)
Interest on loan payable	13	(7,173)	(30,592)	(24,187)	(51,585)
Loss on investment in associate	9	(3,754)	(24,808)	(9,837)	(24,808)
Loss on settlement of account payable		(3,453)	–	(3,453)	–
Other income		13,702	12,168	37,833	80,971
Net (loss) income and comprehensive (loss) income for the period		(42,852)	115,068	(556,403)	116,229
(Loss) earnings per share – basic and diluted per common share		(0.00)	0.00	(0.00)	0.00
Weighted average shares outstanding, basic and diluted		210,966,826	216,270,768	210,262,023	216,376,532

(The accompanying notes form an integral part of these condensed interim consolidated financial statements)

CANADA RARE EARTH CORP.
Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital				
	Number of shares	Share capital $	Reserves $	Deficit $	Total $
Balance at March 31, 2022	208,126,530	17,470,020	8,770,524	(26,772,718)	(532,174)
Units issued for cash	1,731,166	103,870	–	–	103,870
Shares issued upon exercise of stock options	50,000	2,500	–	–	2,500
Share-based compensation	–	–	169,000	–	169,000
Net income and comprehensive income for the period	–	–	–	116,230	116,230
Balance at December 31, 2022	209,907,696	17,576,390	8,939,524	(26,656,488)	(140,574)
Balance at March 31, 2023	209,907,696	17,576,557	9,031,024	(26,601,451)	6,130
Shares issued for services	1,680,000	50,400	–	–	50,400
Share-based compensation	–	–	58,835	–	58,835
Net loss and comprehensive loss for the period	–	–	–	(556,403)	(556,403)
Balance at December 31, 2023	211,587,696	17,626,957	9,089,589	(27,157,854)	(441,038)

(The accompanying notes form an integral part of these condensed interim consolidated financial statements)

CANADA RARE EARTH CORP.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Nine months ended December 31, 2023 $	Nine months ended December 31, 2022 $
Operating activities		
Net (loss) income	(556,403)	116,229
Items not involving cash:		
Amortization included in cost of sales	20,001	20,000
Depreciation and amortization	54,755	52,298
Foreign exchange effect on cash	(2,201)	15,518
Interest on lease liability	16,223	20,299
Interest on loans payable	23,335	48,968
Loss on investment in associate	9,837	24,808
Loss on settlement of accounts payable	3,453	–
Share-based compensation	106,835	169,000
Changes in non-cash working capital items:		
Trade and other receivables	(634,139)	485,157
Prepaid expenses and deposits	126,673	(441,300)
Accounts payable and accrued liabilities	106,511	(53,484)
Deferred revenue	1,593,998	–
Due to related parties	294,484	123,887
Cash flows provided by operating activities	1,163,362	581,380
Investing activities		
Advances to associate	(200,061)	(307,114)
Cash flow used in investing activities	(200,061)	(307,114)
Financing activities		
Proceeds from issuance of units	–	103,870
Proceeds from exercise of options	–	2,500
Payments of lease liability	(58,882)	(56,886)
Proceeds from loans payable	192,353	1,580,991
Repayment of loans payable	(892,860)	(238,496)
Proceeds from loans payable from related parties	129,016	–
Repayment of loans from related parties	(28,016)	(80,000)
Interest paid	(33,529)	(15,419)
Cash flows (used in) provided by financing activities	(691,918)	1,296,560
Change in cash during the period	271,383	1,570,826
Cash, beginning of period	220,630	76,982
Cash, end of period	492,013	1,647,808

(The accompanying notes form an integral part of these condensed interim consolidated financial statements)

1. Nature and Continuance of Operations

Canada Rare Earth Corp. (the "Company") was incorporated in British Columbia on July 8, 1987. The Company operates a rapidly growing global essential minerals business built from over a decade of success in rare earth minerals and products. The Company sources essential minerals ("Mineral Products") from both third party and proprietary sources for sale to refining customers. The Company is focused on near-term positive cash flow opportunities to support its business growth, including acquiring and developing proprietary projects, resources and processing capabilities and facilities.

The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "LL". The Company's corporate office is located at Suite 2110 – 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N8.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the nine months ended December 31, 2023, the Company incurred a loss of $556,403 (2022 – income of $116,229), and, as of that date, the Company's deficit was $27,157,854 (March 31, 2023 - $26,601,451). 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 there is no assurance it will be able to do so in the future. The Company had cash of $492,013 at December 31, 2023 (March 31, 2023 - $220,630) to meet current financial obligations of $2,615,480 (March 31, 2023 - $2,102,299)

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. Significant Accounting Policies

The principal accounting policies applied in the preparation of these condensed interim financial statements are described below. These policies have been consistently applied for all periods presented, unless otherwise stated.

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and its interpretations. Accordingly, they do not include all of the information and note disclosures as required by International Financial Reporting Standards ("IFRS") for annual financial statements.

The accounting policies and methods of computation applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company in its most recent annual consolidated financial statements filed on the Company's profile on SEDAR at www.sedar.com. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements as at and for the year ended March 31, 2023. Results for the nine-month period ended December 31, 2023, are not necessarily indicative of future results.

The Company's Board of Directors approved the release of these condensed consolidated financial statements on February 29, 2024.

2. Significant Accounting Policies (continued)

b) Basis of presentation and consolidation

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

These condensed interim consolidated 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 December 31, 2023, the Company held a 100% interest in REM Metals Inc., and CREC South American Holdings Corp. ("CREC SAH").

c) Significant accounting estimates and judgments

The preparation of these condensed interim consolidated financial statements in conformity with IAS 34 involved the use of judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from such estimates.

The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the Company's audited consolidated financial statements for the year ended March 31, 2023.

d) Changes in accounting policies and new accounting treatment

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. The Amended IAS1 is now effective for annual reporting periods beginning on or after 1 January 2023. Adoption of IAS1 does not have a material effect on the Company's financial position.

e) Reclassification

Certain balances on the previously issued balance sheet and cash flow statement have been reclassified to be consistent with the current period presentation. The reclassification had no impact on total financial position, net income, or stockholders' equity.

(Expressed in Canadian Dollars)

3. Trade and Other Receivables

As at December 31, 2023 and March 31, 2023, trade and other receivables were as follows:

	December 31, 2023 $	March 31, 2023 $
Accounts receivable	516	–
Amounts receivable	1,203,428	565,159
GST receivable	6,761	9,005
	1,210,705	574,164

4. Prepaid Expenses and Deposits

As at December 31, 2023, and March 31, 2023, prepaid expenses and deposits were as follows:

	December 31, 2023 $	March 31, 2023 $
Prepaid expenses	860	11,680
Deposits for Mineral Products	337,263	453,116
	338,123	464,796

As at December 31, 2023, the Company had advanced $337,263 (March 31, 2023 - $453,116) to a supplier to secure future deliveries of Mineral Products

5. Right of Use Asset

Changes in the Company's right-of-use asset during the period ended December 31, 2023, was as follows:

	Right-of-use building $
Cost	
Balance, March 31, 2023 and December 31, 2023	318,552
Accumulated amortization	
Balance, March 31, 2023	111,493
Amortization	47,783
Balance, December 31, 2023	159,276
Carrying amounts	
Balance, March 31, 2023	207,059
Balance, December 31, 2023	159,276

(Expressed in Canadian Dollars)

6. Equipment

	Magnets, frames and magnetic separation machinery $	Fixtures and fittings $	Total $
Cost			
Balance, March 31, 2023 and December 31, 2023	101,173	2,994	104,167
Accumulated depreciation			
Balance, March 31, 2023	12,093	1,001	13,094
Depreciation	6,522	450	6,972
Balance, December 31, 2023	18,615	1,451	20,066
Carrying amounts			
Balance, March 31, 2023	89,080	1,993	91,073
Balance, December 31, 2023	82,558	1,543	84,101

7. 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. During the nine months ended December 31, 2023, the Company wrote off the remaining $1.

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. During the nine months ended December 31, 2023, the Company wrote off the remaining $1.

(Expressed in Canadian Dollars)

8. Intangible Assets

	Contacts, leads and sources $
Cost	
Balance, March 31, 2023 and December 31, 2023	80,000
Accumulated amortization	
Balance, March 31, 2023	42,224
Amortization	20,001
Balance, December 31, 2023	62,225
Carrying amounts	
Balance, March 31, 2023	37,776
Balance, December 31, 2023	17,775

On July 17, 2021, the Company acquired a book of contacts, leads, sources and prospective customers for $80,000 settled through the issuance of 1,000,000 shares, subject to certain vesting requirements. As of March 31, 2023, vesting requirements for 600,000 shares have been fulfilled. The balance of the 400,000 shares would be vested on July 17, 2024.

Pursuant to the agreement, the Company engaged the vendor as the Company's Head of Global Trading for a 4-year term, subject to a 90-day termination notice from either party. As a portion of this individual's compensation, the Company granted options to the vendor to purchase up to 1,000,000 shares at an exercise price of $0.08 per share until July 17, 2026, to be vested over 18 months. These options were fully vested as of March 31, 2023. Up to an additional 2,000,000 share options may be granted to the vendor if the agreement remains in effect through its 4-year term expiring on July 17, 2025.

Amortization expense for the nine months ending December 31, 2023, of $20,001 (2022 - $20,002) is included in cost of sales.

(Expressed in Canadian Dollars)

9. Investments in Associate

Name	Country of incorporation	Ownership interest at December 31, 2023
CREC South American Holdings (BF) Corp.	Canada	20%

CREC South American Holdings (BF) Corp, a British Columbian-incorporated private company, owns 100% of Canbras Bom Futuro Ltda. ("CBFL"), a Brazilian private company. CBFL is a development-stage company that holds the exclusive rights to develop and process tailings pursuant to an agreement to purchase tailings and lease surface rights in Brazil (the "Agreement") valued at US$11 million (the "Purchase Price"). The Purchase Price is payable by CBFL over ten years, with a US$600,000 ($776,698) payment made in January 2020 and monthly US$100,000 payments originally required from September 1, 2020 to April 1, 2029 (due to the COVID-19 pandemic, the Company and its two arm's length partners postponed making monthly payments, with payments resuming during the year ended March 31, 2022).

Pursuant to the Agreement, CBFL:

- owns 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;
- has leased the surface rights to the 9,960-hectare property where the mining activities occur in order to process 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 CBFL to sell back the Tailings for US$1 and terminate the lease and obligations by providing three months' written notice.

Changes in the Company's investment in CREC South American Holdings (BF) Corp. during the nine month period ended December 31, 2023, and year ended March 31, 2023, were as follows:

	December 31, 2023 $	March 31, 2023 $
Balance, beginning of period	679,297	331,701
Company's 20% share of net loss for the period	(9,837)	(21,904)
Amount due from associate	200,061	369,500
Balance, end of period	869,521	679,297

10. Deferred Revenue

As at December 31, 2023, the Company held customer deposits of $1,593,998 (March 31, 2023 – $nil) for prepayment on mineral products sales.

(Expressed in Canadian Dollars)

11. Related Party Balances and Transactions

Related party transactions

Key management personnel compensation was:

	Nine months ended December 31, 2023 $	Nine months ended December 31, 2022 $
Short-term benefits	334,984	332,500
Share-based payments	55,370	81,151
	390,354	413,651

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 nine months ended December 31, 2023, the Company recognized other income of $36,500 (2022 - $36,501) from a Director of the Company for the recovery of office rental costs. The Company has a verbal agreement with the Director to share a percentage of the lease repayments based upon space utilized.

Due to related parties

On December 21, 2023, the Company entered into Payment Plan Agreements with two companies controlled by Directors of the Company pursuant to which the Company agreed to repay amounts owing the related parties in eight instalments commencing April 10, 2025. At December 31, 2023, the Company presented the amounts owing under these Payment Plan Agreements of $881,194 (March 31, 2023 – $nil) as long-term liabilities. The Payment Plan agreements are unsecured.

As at December 31, 2023, the Company owes related parties a total of $1,193,233 (March 31, 2023 - $898,749), of which $881,194 (March 31, 2023 – $nil) is due beyond 1 year and have been presented as a long-term liability.

Other than the amounts due under the Payment Plan Agreements, all amounts owing to related parties are unsecured, non-interest bearing and due on demand.

Loans payable – related parties

	December 31, 2023 $	March 31, 2023 $
Balance, beginning of period	125,000	205,000
Addition	129,016	–
Repayment	(28,016)	(80,000)
Balance: end of period	226,000	125,000

As at December 31, 2023, the Company owes $125,000 of loan payable (March 31, 2023 - $125,000) to a Director of the Company, which is unsecured, bears interest at 4% per annum and is due in 30 days upon request for repayment.

As at December 31, 2023, the Company owes $101,000 of loans payable (March 31, 2023 - $nil) to a Director of the Company, which are unsecured, non-interest bearing and were due on July 24, 2023.

As at December 31, 2023, accrued interest of $5,000 (March 31, 2023 – $1,233) due to related parties is included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

12. Lease Liabilities

Lease liabilities consists of a lease for office space. The lease has been discounted using an interest rate of 10.50% as the estimated incremental borrowing rate of the Company. Changes in the Company's lease liabilities during the nine months ended December 31, 2023, and year ended March 31, 2023, were as follows:

	December 31, 2023 $	March 31, 2023 $
Balance, beginning of the period	224,351	273,786
Lease payments	(58,882)	(75,848)
Interest expense	16,223	26,413
Balance, end of the period	181,692	224,351
Less: current portion of lease liabilities	(65,814)	(57,983)
Lease liabilities	115,878	166,368

The Company's future minimum lease payments in respect of lease liabilities as at December 31, 2023, were as follows:

	$
Undiscounted minimum lease payments:	
2024	19,960
2025	82,834
2026	83,832
2027	20,958
	207,584
Amounts representing interest over the term of the lease	(25,892)
Present value of minimum lease payments	181,692

13. Loans Payable

	December 31, 2023 $	March 31, 2023 $
Balance, beginning of period	866,461	330,684
Addition	192,353	1,646,884
Repayment	(892,860)	(1,132,272)
Foreign exchange translation adjustment	(2,149)	21,165
Balance: end of period	163,805	866,461

As at December 31, 2023, the Company owes a loan payable of $26,452 (US$20,000) (March 31, 2023 – $27,066 (US$20,000)) which is unsecured, bears interest at 6% per annum and is due in 30 days upon request for repayment.

As at December 31, 2023, the Company owes a loan payable of $66,130 (US$50,000) (March 31, 2023 – $67,665 (US$50,000)) which is unsecured, bears interest at 8% per annum and was due on November 23, 2023. A verbal commitment to extend has been received.

As at December 31, 2023, the Company owes a loan payable of $59,973 (US$45,345) (March 31, 2023 – $nil) which is unsecured, bears interest at 11% per annum and is due on July 29, 2024.

As at December 31, 2023, the Company owes a loan payable of $11,250 (March 31, 2023 – $nil) which is unsecured, bears interest at 6% per annum and is due on October 4, 2024.

As at December 31, 2023, accrued interest of $10,931 (March 31, 2023 – $24,945) is included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

14. Share Capital and Reserves

a) Share Capital

Authorized: Unlimited common shares without par value.

Share transactions during the nine months ended December 31, 2023:

During the nine months ended December 31, 2023, the Company issued 1,680,000 common shares with a fair value of $50,400 for consulting services rendered.

Share transactions during the nine months ended December 31, 2022:

During the nine months ended December 31, 2022, the Company issued 50,000 common shares upon the exercise of stock options with an exercise price of $0.05 per share for proceeds of $2,500.

During the nine months ended December 31, 2022, the Company completed a private placement offering of 1,731,166 units at $0.06 per unit for total proceeds of $103,870. Each unit entitled the holder to one common share and a share purchase warrant to purchase one common share at $0.08 per share for 24 months from May 4, 2022, the date of issuance. The Company incurred $1,333 in share issue costs pursuant to the private placement.

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 numbers of options approved by the shareholders that are reserved for issuance under the plan were 33,880,028.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price $
Options outstanding at March 31, 2023	13,300,000	0.08
Granted	2,150,000	0.05
Expired	(275,000)	0.07
Cancelled	(166,667)	0.05
Options outstanding at December 31, 2023	15,008,333	0.07
Options exercisable at December 31, 2023	13,491,663	0.08

(Expressed in Canadian Dollars)

14. Share Capital and Reserves (continued)

b) Stock Options (continued)

The Company's outstanding and exercisable stock options at December 31, 2023 were:

	Outstanding options			Exercisable options	
Expiry date	Number of option	Weighted average remaining life (years)	Weighted average exercise price $	Number of options	Weighted average exercise price $
February 5, 2024*	83,333	0.10	0.06	83,333	0.06
February 5, 2024*	500,000	0.10	0.085	500,000	0.085
February 14, 2024*	150,000	0.12	0.06	150,000	0.06
March 22, 2024	1,000,000	0.22	0.05	1,000,000	0.05
May 19, 2025	500,000	1.38	0.055	500,000	0.055
October 26, 2025	4,025,000	1.82	0.07	4,025,000	0.07
March 1, 2026	250,000	2.17	0.17	250,000	0.17
March 12, 2026	2,000,000	2.20	0.11	2,000,000	0.11
May 1, 2026	1,900,000	2.33	0.05	633,330	0.05
May 6, 2026	100,000	2.35	0.095	100,000	0.095
July 17, 2026	1,000,000	2.55	0.08	1,000,000	0.08
April 19, 2027	3,000,000	3.30	0.07	3,000,000	0.07
March 13, 2028	500,000	4.20	0.05	250,000	0.05
	15,008,333	2.16	0.07	13,491,663	0.08

* Expired subsequently

Share-based compensation expense is determined using the Black-Scholes option pricing model. 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.

During the nine months ended December 31, 2023, the Company recognized share-based compensation of $58,835 (2022 – $169,000) in reserves. The weighted average grant-date fair value of options granted during the nine months ended December 31, 2023, was $0.04 per share (2022 – $0.07).

The weighted average assumptions used in calculating the fair value of share-based compensation expense were as follows:

	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Volatility	157.95%	131.40%
Expected life	3.27 years	5 years
Risk-free interest rate	3.50%	0.50%
Dividend yield	0%	0%

(Expressed in Canadian Dollars)

14. Share Capital and Reserves (continued)

c) Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weighted average exercise price $
Options outstanding at March 31, 2023 and December 31, 2023	1,731,166	0.08

The Company's outstanding and exercisable share purchase warrants at December 31, 2023 were:

Expiry date	Number of warrants	Weighted average remaining life (years)	Weighted average exercise price $
May 4, 2024	1,731,166	0.34	0.08

15. 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 December 31, 2023.

15. Risk Management (continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its 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 December 31, 2023, the Company had cash of $492,013 to meet current financial liabilities of $2,615,480.

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

c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk. The Company currently does not have any financial instruments that would be impacted by changes in market prices.

d) Foreign currency exchange rate risk

The Company is exposed to foreign currency fluctuations as it has cash, receivables, deposits, accounts payable and accrued liabilities, loans payable, and deferred revenue denominated in US dollars. There are no exchange rate contracts in place. A 10% change in the US dollar will affect profit/loss by approximately $28,000 (March 31, 2023 – $70,000).

Financial instruments denominated in foreign currencies are:

At December 31, 2023	US Dollars
Assets	1,114,769
Liabilities	1,328,687
Exchange rate / $1.00 =	0.7561

At March 31, 2023	US Dollars
Assets	137,824
Liabilities	658,691
Exchange rate / $1.00 =	0.7389

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 approximates the carrying amount due to their short-term nature and capacity for prompt liquidation.

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

- 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.

16. Capital Management

The Company's objectives when managing capital are to raise the necessary equity financing to fund its projects and to manage the equity funds raised which best optimizes its programs and the interests of its equity shareholders at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may raise additional equity funds. The Company is not subject to externally imposed capital requirements.

17. Commitments and Contingent Liabilities

a) 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.

b) The Company's associate acquired certain exploration and evaluation assets in South America 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. These payments commenced in September 2021 pursuant to a force majeure clause applying due to the pandemic.

c) In February 2021, the Company entered into a commercial property lease at 650 West Georgia Street, Vancouver, B.C. This lease commenced in July 2021 for a term of five years (Note 12).

(Expressed in Canadian Dollars)

18. Segment Reporting

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

Three months ended December 31, 2023	Mineral Products $	Corporate $	Total $
Segment revenues	792,037	–	792,037
Cost of sales	(558,902)	–	(558,902)
Gross profit	233,135	–	233,135
Expenses	–	(294,055)	(294,055)
Profit (loss) from operations	233,135	(294,055)	(60,920)
Other items (net)	–	18,068	18,068
Profit (loss) before taxes	233,135	(275,987)	(42,852)

Three months ended December 31, 2022	Mineral Products $	Corporate $	Total $
Segment revenues	2,332,200	–	2,332,200
Cost of sales	(1,865,859)	–	(1,865,859)
Gross profit	466,351	–	466,351
Expenses	–	(356,937)	(356,937)
Profit (loss) from operations	466,351	(356,937)	109,414
Other items (net)	–	5,654	5,654
Profit (loss) before taxes	466,351	(351,283)	115,068

Nine months ended December 31, 2023	Mineral Products $	Corporate $	Total $
Segment revenues	1,596,461	–	1,596,461
Cost of sales	(1,218,509)	–	1,218,509
Gross profit	377,952	–	377,952
Expenses	–	(937,194)	(937,194)
Profit (loss) from operations	377,952	(937,194)	(559,242)
Other items (net)	–	2,839	2,839
Profit (loss) before taxes	377,952	(934,355)	(556,403)

Nine months ended December 31, 2022	Mineral Products $	Corporate $	Total $
Segment revenues	4,991,855	–	4,991,855
Cost of sales	(4,020,846)	–	(4,020,846)
Gross profit	971,009	–	971,009
Expenses	–	(845,304)	(845,304)
Profit (loss) from operations	971,009	(845,304)	125,705
Other items (net)	–	(9,476)	(9,476)
Profit (loss) before taxes	971,009	(854,780)	116,229

19. Subsequent Events

a) On January 15, 2024, the Company secured the right to acquire a majority interest in a private company ("Privco") which owns and operates a mining quarry with accessible material containing attractive grades of rare earth and essential minerals for an initial cost of US$400,000. The total acquisition cost is expected to amount to no more than US $1,300,000 over 18 months. The closing is targeted for March 2024.

b) Subsequent to December 31, 2023, a total of 733,333 stock options with exercise prices ranging from $0.10 per share to $0.12 per share expired unexercised.