CANADA RARE EARTH CORP.

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended March 31, 2025

(Expressed in Canadian Dollars)

(Unaudited)

CANADA RARE EARTH CORP.

Nine Months Ended March 31, 2025

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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 March 31, 2025 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 condensed interim consolidated 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	March 31, 2025 $	June 30, 2024 $
		(unaudited)	
ASSETS			
Current assets			
Cash		25,066	489,591
Trade and other receivables	4	424,453	408,934
Prepaid expenses and deposits	5	20,902	1,277,313
Total current assets		470,421	2,175,838
Non-current assets			
Right-of-use asset	6	79,638	127,421
Equipment	7	58,251	65,224
Intangible assets	8	–	4,441
Investment in associate	9	906,968	910,068
Total non-current assets		1,044,857	1,107,154
Total assets		1,515,278	3,282,992
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payables and accrued liabilities	11,13	394,814	567,183
Deferred revenue	10	–	1,760,599
Due to related parties	11	1,338,717	452,101
Current portion of lease liabilities	12	77,208	71,386
Loans payable	13	263,693	107,059
Loans payable – related parties	11	442,256	226,000
Total current liabilities		2,516,688	3,184,328
Non-current liabilities			
Due to related parties	11	483,710	879,710
Lease liabilities	12	20,597	79,252
Loans payable	13	588,641	560,430
Total non-current liabilities		1,092,948	1,519,392
Total liabilities		3,609,636	4,703,720
Shareholders' deficiency			
Share capital	14	17,626,957	17,626,957
Reserves	14	9,180,254	9,145,769
Deficit		(28,901,569)	(28,193,454)
Total shareholders' deficiency		(2,094,358)	(1,420,728)
Total liabilities and shareholders' deficiency		1,515,278	3,282,992

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 May 30, 2025:

"Mark Peters"	Director	*"Peter Shearing"*	Director
Mark Peters		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 March 31, 2025	Three Months ended March 31, 2024	Nine Months ended March 31, 2025 $	Nine Months ended March 31, 2024 $
Revenue	18	–	43,666	1,757,819	834,862
Cost of sales	8,18	–	(6,045)	(1,478,891)	(571,614)
Gross profit		–	37,621	278,928	263,248
Expenses					
Consulting fees	11	213,105	219,451	594,015	633,018
Depreciation and amortization	6,7	18,253	18,251	54,756	54,754
Office and administration		66,171	106,927	225,199	261,863
Share-based compensation	11,14	8,381	9,341	34,485	65,176
		305,910	353,970	908,455	1,014,811
Loss before other income (expense)		(305,910)	(316,349)	(629,527)	(751,563)
Other income (expense)					
Foreign exchange gain (loss)		364	(8,714)	(41,388)	4,809
Impairment of equipment		–	(14,229)	–	(14,229)
Interest on lease liability	12	(2,884)	(4,636)	(10,040)	(15,085)
Interest on loans payable	11,13	(21,866)	(7,877)	(68,293)	(23,699)
Loss on investment in associate	9	(933)	(4,412)	(4,012)	(10,891)
Loss on settlement of accounts payable		–	(15,499)	–	(18,952)
Other income	11	12,480	16,221	45,145	41,887
Write-off of inventory		–	–	–	(41,352)
Net loss and comprehensive loss for the period		(318,749)	(355,495)	(708,115)	(829,075)
Loss per share – basic and diluted per common share		(0.00)	(0.00)	(0.00)	(0.00)
Weighted average shares outstanding, basic and diluted		211,587,696	211,587,696	211,587,696	210,817,951

(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 Deficiency
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital				
	Number of shares	Share capital $	Reserves $	Deficit $	Total $
Balance at June 30, 2023	209,907,696	17,576,557	9,082,024	(26,728,137)	(69,556)
Shares issued for services	1,680,000	50,400	–	–	50,400
Share-based compensation	–	–	17,176	–	17,176
Net loss and comprehensive loss for the period	–	–	–	(829,075)	(829,075)
Balance at March 31, 2024	211,587,696	17,626,957	9,099,200	(27,557,212)	(831,055)
Balance at June 30, 2024	211,587,696	17,626,957	9,145,769	(28,193,454)	(1,420,728)
Share-based compensation	–	–	34,485	–	34,485
Net loss and comprehensive loss for the period	–	–	–	(708,115)	(708,115)
Balance at March 31, 2025	211,587,696	17,626,957	9,180,254	(28,901,569)	(2,094,358)

(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 March 31, 2025 $	Nine months ended March 31, 2024 $
Operating activities		
Net loss	(708,115)	(829,075)
Items not involving cash:		
Amortization included in cost of sales	4,441	20,001
Depreciation and amortization	54,756	54,754
Foreign exchange effect on cash	29,868	3,668
Impairment of equipment	–	14,229
Interest on lease liability	10,040	15,085
Interest on loans payable	60,624	23,231
Loss on investment in associate	4,012	10,891
Share-based compensation	34,485	65,176
Write-off of inventory	–	41,352
Changes in non-cash working capital items:		
Trade and other receivables	(15,519)	452,730
Prepaid expenses and deposits	1,256,411	(1,364,600)
Accounts payable and accrued liabilities	(222,288)	(944,590)
Deferred revenue	(1,760,599)	847,197
Due to related parties	490,616	1,222,817
Cash flows used in operating activities	(761,268)	(367,134)
Investing activities		
Advances to associate	(912)	(118,251)
Cash flows used in investing activities	(912)	(118,251)
Financing activities		
Payments of lease liability	(62,873)	(59,878)
Proceeds from loans payable	223,691	312,250
Repayment of loans payable	(68,435)	(219,325)
Proceeds from loans payable from related parties	216,256	7,500
Repayment of loans payable from related parties	–	(7,500)
Interest paid	(10,984)	(10,352)
Cash flows provided by financing activities	297,655	22,695
Change in cash during the period	(464,525)	(462,690)
Cash, beginning of period	489,591	684,251
Cash, end of period	25,066	221,561
Supplemental Disclosures:		
Interest paid	10,984	10,352
Income taxes paid	–	–

(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 global essential minerals business 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" but are subject to a trading halt until the TSX Ventures Exchange ("TSX.V") approves the Company's change in business and two associated transactions (see Note 19(a)). 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 March 31, 2025, the Company incurred a loss of $708,115 (2024 – $829,075), and, as of that date, the Company's deficit was $28,901,569 (June 30, 2024 – $28,193,454). 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 $25,066 at March 31, 2025 (June 30, 2024 – $489,591) to meet current financial obligations of $2,516,688 (June 30, 2024 – $3,184,328). 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. These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Presentation

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 SEDARplus at www.sedarplus.ca. These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements as at and for the year ended June 30, 2024.

Results for the nine-month period ended March 31, 2025, are not necessarily indicative of future results.

The Company's Board of Directors approved the release of these condensed interim consolidated financial statements on May 30, 2025.

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.

2. Basis of Presentation (continued)

b) Basis of presentation and consolidation (continued)

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 March 31, 2025, the Company held a 100% interest in REM Metals Inc., and a 100% interest in CREC South American Holdings Corp. ("CREC SAH").

c) Critical Accounting Judgements, Estimates and Assumptions

The preparation of the Company's condensed interim 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 condensed interim 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:

<u>Critical Judgments</u>

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.

Investment in associate

The accounting for investments in associates can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over these other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting.

2. Basis of Presentation (continued)

c) Critical Accounting Judgements, Estimates and Assumptions (continued)

The shareholders of CREC South American Holdings (BF) Corp. ("CREC SAH(BF)C"), which owns Canbras Bom Futuro Ltda. ("CBFL"), have collectively agreed to appoint the Company as operating manager. The Company owns 20% of CREC SAH(BF)C. However, an unrelated party owns 60% of CREC SAH(BF)C and has voting control to remove the Company from this role or to appoint directors to the boards of either CREC SAH(BF)C or CFBL. As a result, the judgment was made that the Company does not control CREC SAH(BF)C or CBFL, but that it has significant influence over the operations of these entities.

<u>Significant Estimates and Assumptions</u>

Right-of-use asset / Lease liability

The incremental rate of borrowing of 10.50% used in the measurement of the lease liability was based on management's best estimate of the Company's cost of debt at the commencement date of the lease.

Share-based payments and warrants

The estimation of share-based payment costs and warrant values requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the expected volatility of its own shares, the expected life of share options and warrants granted, the estimated number of share options and warrants expected to vest and the expected time of exercise of those stock options and warrants. The model used by the Company is the Black-Scholes option pricing valuation model.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. No deferred tax assets have been deemed probable to date.

d) Restatement of comparative period

During the fifteen month period ended June 30, 2024, the Company reversed revenue of $43,022 originally recognized during the nine months ended March 31, 2024 and recorded the associated cost of sales of $41,352 as a write-off of inventory. Accordingly, the condensed interim consolidated financial statements for the nine months ended March 31, 2024 have been restated to reflect the adjustments made. As a result, net loss for the nine months ended March 31, 2024 increased by $43,022 and accounts payable and accrued liabilities increased by $43,022.

In addition, the Company identified errors on the statement of cash flows with regards to the amounts presented as interest on lease liability, depreciation of right-of-use asset and payment of lease liabilities. The Company identified and reassessed the amounts presented between operating activities and financing activities. Accordingly, the consolidated financial statements for the nine months ended March 31, 2024 have been restated to reflect adjustments made. As a result, the cash flows used in operating activities were reduced by $11,191 and the cash flows used in financing activities were increased by $11,191 for the nine months ended March 31, 2024.

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

3. Recently Adopted Accounting Standards

Amendments to IAS 1

Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued an amendment to IAS 1, *Presentation of Financial Statements*, to clarify the requirements under the standard for classifying a liability as non-current in nature. The amendments include:

- Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
- Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- Specifying that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, disclosure of information about these covenants in the notes to the financial statements is required; and
- Clarifying if the settlement of a liability refers to the transfer of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The adoption of these amendments had no impact on the condensed interim consolidated financial statements.

Amendments to IFRS 16 Leases

Lease Liability in a Sale and Leaseback

In September 2022, the IASB finalized narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right-of-use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The adoption of these amendments had no impact on the condensed interim consolidated financial statements.

Accounting Standards Issued But Not Yet Effective or Adopted

Certain pronouncements have been issued by the IASB that are mandatory for annual accounting periods after June 30, 2024:

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements* ("IFRS 18") to replace IAS 1 and is effective for annual periods beginning on or after January 1, 2027. IFRS 18 introduces two newly required subtotals on the face of the income statement, which includes operating profit and profit or loss before financing and income tax, and three new income statement classifications, which are operating, investing, and financing. In addition, IFRS 18 requires non-IFRS management performance measures that are subtotals of income and expenses to be disclosed on financial statement. IFRS 18 also provides additional guidance on principles of aggregation and disaggregation which apply to the primary financial statements and the notes. IFRS 18 will not affect the recognition and measurement of items in the financial statements, nor will it affect which items are classified in other comprehensive income or loss and how these items are classified. Retrospective application is required and early application is permitted. The Company is currently assessing the effect of this new standard on its condensed interim consolidated financial statements.

(Expressed in Canadian Dollars)

4. Trade and Other Receivables

As at March 31, 2025 and June 30, 2024, trade and other receivables were as follows:

	March 31, 2025 $	June 30, 2024 $
Amounts receivable	396,503	386,450
GST receivable	27,950	22,484
	424,453	408,934

5. Prepaid Expenses and Deposits

As at March 31, 2025, and June 30, 2024, prepaid expenses and deposits were as follows:

	March 31, 2025 $	June 30, 2024 $
Prepaid expenses	20,902	9,652
Deposits for Mineral Products	–	1,267,661
	20,902	1,277,313

As at June 30, 2024, the Company had advanced $1,267,661 to a supplier to secure future deliveries of Mineral Products. During the nine months ended March 31, 2025, the Company advanced $181,431 to the same supplier. As at March 31, 2025, the Mineral Products have been shipped and the deposits were reclassified to cost of sales.

6. Right of Use Asset

Changes in the Company's right-of-use asset during the nine months ended March 31, 2025, was as follows:

	Right-of-use building $
Cost	
Balance, June 30 and March 31, 2025	318,552
Accumulated amortization	
Balance, June 30, 2024	191,131
Amortization	47,783
Balance, March 31, 2025	238,914
Carrying amounts	
Balance, June 30, 2024	127,421
Balance, March 31, 2025	79,638

(Expressed in Canadian Dollars)

7. Equipment

	Magnets, frames and magnetic separation machinery $	Fixtures and fittings $	Total $
Cost			
Balance, June 30, 2024, and March 31, 2025	86,944	2,994	89,938
Accumulated depreciation			
Balance, June 30, 2024	22,962	1,752	24,714
Depreciation	6,521	452	6,973
Balance, March 31, 2025	29,483	2,204	31,687
Carrying amounts			
Balance, June 30, 2024	63,982	1,242	65,224
Balance, March 31, 2025	57,461	790	58,251

8. Intangible Assets

	Contacts, leads and sources $
Cost	
Balance, June 30, 2024, and March 31, 2025	80,000
Accumulated amortization	
Balance, June 30, 2024	75,559
Amortization	4,441
Balance, March 31, 2025	80,000
Carrying amounts	
Balance, June 30, 2024	4,441
Balance, March 31, 2025	–

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 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 March 31, 2025, of $4,441 (2024 – $20,001) is included in cost of sales.

(Expressed in Canadian Dollars)

9. Investments in Associate

Name	Country of incorporation	Ownership March 31, 2025	Ownership June 30, 2024	Carrying Value March 31, 2025	Carrying Value June 30, 2024
CREC South American Holdings (BF) Corp.	Canada	20%	20%	$ 906,968	$ 910,068

At March 31, 2025, the Company held 20 common shares (June 30, 2024 – 20 shares) of CREC South American Holdings (BF) Corp., a private company incorporated in British Columbian. As the Company has significant influence over CREC South American Holdings (BF) Corp., this investment has been classified as an Investment in Associate for the nine months ended March 31, 2025 and fifteen months ended June 30, 2024. For the nine month period ended March 31, 2025, the Company's share of loss in the results of CREC South American Holdings (BF) Corp. was $4,012 (2024 – $10,891).

CREC South American Holdings (BF) Corp.'s wholly owned subsidiary, Canbras Bom Futuro Ltda. ("CBFL"), is a development-stage Brazilian private 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") at a price of 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. Payments were postponed during the COVID-19 pandemic and more recently while the parties are negotiating new terms.

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 months ended March 31, 2025, and fifteen months ended June 30, 2024, were as follows:

	March 31, 2025 $	June 30, 2024 $
Balance, beginning of period	910,068	679,297
Company's 20% share of net loss for the period	(4,012)	(16,649)
Advances to associate	912	247,420
Balance, end of period	906,968	910,068

(Expressed in Canadian Dollars)

9. Investments in Associate (continued)

The following is a summary of financial information of prepared under IFRS for the nine months ended March 31, 2025, and the fifteen months ended June 30, 2024 and reconciliation with the carrying amount of the investment on the condensed interim consolidated statements of financial positions:

Condensed Interim Consolidated Statements of Financial Position	March 31, 2025 $	June 30, 2024 $
Current assets	4,318	4,901
Non-current assets	3,922,696	3,683,204
Current liabilities	(1,406)	(1,351)
Non-current liabilities	(902,218)	(705,462)

Condensed Interim Statements of Loss and Comprehensive Loss	March 31, 2025 $	June 30, 2024 $
Net loss and comprehensive loss	(20,060)	(83,245)
Share of comprehensive loss	20%	20%
Proportionate share of loss and comprehensive loss	(4,012)	(16,649)

10. Deferred Revenue

As at June 30, 2024, the Company held customer deposits of $1,649,557 (US$1,205,200) paid by a customer for prepayment on Mineral Products. During the nine months ended March 31, 2025, the Mineral Products have been shipped and the customer deposits were recognized as revenue. As at June 30, 2024, the Company held a $111,042 (EUR75,750) prepayment of a brokerage fee. During the nine months ended March 31, 2025, the Company recognized the brokerage fee as the shipments have arrived at destination.

11. Related Party Balances and Transactions

Related party transactions

The Company has identified its directors and certain senior officers as its key management. Key management personnel compensation was:

	Nine months ended March 31, 2025 $	Nine months ended March 31, 2024 $
Short-term benefits	460,688	354,484
Share-based payments	30,117	27,556
	490,805	382,040

During the nine months ended March 31, 2025, the Company recognized other income of $36,500 (2024 – $36,500) 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.

(Expressed in Canadian Dollars)

11. Related Party Balances and Transactions (continued)

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 March 31, 2025, the amounts owing under these Payment Plan Agreements was $1,011,710 (June 30, 2024 – $1,011,710) of which $483,710 (June 30, 2024 – $879,710) is due beyond one year and have been presented as a long-term liability. The Payment Plan agreements are unsecured and non-interest bearing.

As at March 31, 2025, in addition to the amounts owed under the Payment Plan Agreements, the Company owes related parties a total of $810,717 (June 30, 2024 – $320,101) which consists of $738,523 (June 30, 2024 – $281,637) of fees, $24,056 of expenses (June 30, 2024 - $nil) and $48,138 (June 30, 2024 – $38,464) of royalties owed. The amounts are unsecured, non-interest bearing and due on demand. Royalty expense payable to related parties for the nine months ending March 31, 2025, of $9,801 (2024 – $10,944) is included in cost of sales.

Loans payable – related parties

	March 31, 2025 $	June 30, 2024 $
Balance, beginning of period	226,000	125,000
Addition	216,256	129,470
Repayment	–	(28,470)
Balance, end of period	442,256	226,000

As at March 31, 2025, the Company owes $125,000 of loan payable (June 30, 2024 – $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 March 31, 2025, the Company owes $101,000 of loans payable (June 30, 2024 – $101,000) to a Director of the Company, which are unsecured, non-interest bearing and were due on July 24, 2023. The parties are negotiating an extension.

As at March 31, 2025, the Company owes $86,256 (US$60,000) of loans payable (June 30, 2024 – $nil) to a Director of the Company, which are unsecured, non-interest bearing and due on demand.

As at March 31, 2025, the Company owes $7,500 of loan payable (June 30, 2024 – $nil) to the Chief Executive Officer of the Company, which is unsecured, non-interest bearing and was due on October 3, 2024. The parties are negotiating an extension.

As at March 31, 2025, the Company owes $108,500 of loans payable (June 30, 2024 - $nil) to the Chief Executive Officer of the Company, which are unsecured, were due on October 31, 2024, and non-interest bearing if repaid on or prior to maturity date. The parties are negotiating an extension.

As at March 31, 2025, the Company owes $14,000 of loan payable (June 30, 2024 - $nil) with a Director of the Company, which is unsecured, bears interest at 4% per annum and due on demand.

As at March 31, 2025, accrued interest of $13,639 (June 30, 2024 – $7,494) due to related parties is included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

12. Lease Liabilities

Lease liabilities consist 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 March 31, 2025, and fifteen months ended June 30, 2024, were as follows:

	March 31, 2025 $	June 30, 2024 $
Balance, beginning of the period	150,638	224,351
Lease payments	(62,873)	(98,802)
Interest expense	10,040	25,089
Balance, end of the period	97,805	150,638
Less: current portion of lease liabilities	(77,208)	(71,386)
Lease liabilities	20,597	79,252

The Company's future minimum lease payments in respect of lease liabilities as at March 31, 2025, were as follows:

	$
Undiscounted minimum lease payments:	
2025	20,958
2026	83,832
	104,790
Amounts representing interest over the term of the lease	(6,985)
Present value of minimum lease payments	97,805

13. Loans Payable

	March 31, 2025 $	June 30, 2024 $
Balance, beginning of period	667,489	866,461
Addition	223,691	1,030,919
Repayment	(68,435)	(1,230,970)
Foreign exchange translation adjustment	29,589	1,079
Balance, end of period	852,334	667,489
Less: current portion of loans payable	(263,693)	(107,059)
Loans payable – long term	588,641	560,430

As at March 31, 2025, the Company owes a loan payable of $28,752 (US$20,000) (June 30, 2024 – $27,374 (US$20,000)) which is unsecured, bears interest at 6% per annum and is due in 30 days upon request for repayment.

As at June 30, 2024, the Company owed a loan payable of $68,435 (US$50,000) which was unsecured, bears interest at 8% per annum and was due on November 23, 2023. During the nine months ended March 31, 2025, the Company repaid the principal amount of US$50,000.

As at March 31, 2025, the Company owes a loan payable of $588,641 (US$409,462) (June 30, 2024 – $560,430 (US$409,462)) which is unsecured, bears interest at 10% per annum and is due on June 10, 2027.

As at March 31, 2025, the Company owes a loan payable of $11,250 (June 30, 2024 – $11,250) which is unsecured, bears interest at 6% per annum and was due on October 4, 2024. The parties are negotiating an extension.

(Expressed in Canadian Dollars)

13. Loans Payable (continued)

As at March 31, 2025, the Company owes a loan payable of $71,880 (US$50,000) (June 30, 2024 - $nil) which is unsecured, bears interest at 1% per annum and due on December 6, 2025.

As at March 31, 2025, the Company owes a loan payable of $151,811 (US$105,600) (June 30, 2024 - $nil) which is unsecured, bears interest at 11% per annum and due on December 20, 2025.

As at March 31, 2025, accrued interest of $58,576 (June 30, 2024 – $14,803) is included in accounts payable and accrued liabilities.

14. Share Capital and Reserves

a) Share Capital

Authorized: Unlimited common shares without par value.

Share transactions during the nine months ended March 31, 2025:

There were no share transactions during the nine months ended March 31, 2025.

Share transactions during the nine months ended March 31, 2024:

During the nine months ended March 31, 2024, the Company issued 1,680,000 common shares with a fair value of $50,400 for consulting services rendered.

b) Stock Options

On January 12, 2024, the Company adopted a new stock option plan that allows up to 10% of the Company's outstanding shares be granted as options to its directors, officers, employees, and service providers. Such stock options are exercisable over periods of up to ten years. The previous stock option plan was terminated as a result of the adoption of the new plan and previously granted options carry forward. The new stock option plan is subject to TSX-V approval.

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

	Number of options	Weighted average exercise price $
Options outstanding at June 30, 2024	16,375,000	0.07
Expired	(250,000)	0.05
Cancelled	(250,000)	0.05
Options outstanding at March 31, 2025	15,875,000	0.07
Options exercisable at March 31, 2025	14,108,329	0.07

(Expressed in Canadian Dollars)

14. Share Capital and Reserves (continued)

b) Stock Options (continued)

The Company's outstanding and exercisable stock options at March 31, 2025 were:

	Outstanding options			Exercisable options	
Expiry date	Number of options	Weighted average remaining life (years)	Weighted average exercise price $	Number of options	Weighted average exercise price $
May 19, 2025*	500,000	0.13	0.055	500,000	0.055
October 26, 2025	4,025,000	0.57	0.07	4,025,000	0.07
March 1, 2026	250,000	0.92	0.17	250,000	0.17
March 12, 2026	2,000,000	0.95	0.11	2,000,000	0.11
May 1, 2026	1,900,000	1.08	0.05	1,266,663	0.05
May 6, 2026	100,000	1.10	0.095	100,000	0.095
July 17, 2026	1,000,000	1.30	0.08	1,000,000	0.08
October 23, 2026	250,000	1.56	0.05	166,666	0.05
April 19, 2027	3,000,000	2.05	0.07	3,000,000	0.07
March 13, 2028	500,000	2.95	0.05	500,000	0.05
April 8, 2029	2,350,000	4.02	0.05	1,300,000	0.05
	15,875,000	1.60	0.07	14,108,329	0.07

* expired subsequent to March 31, 2025.

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 March 31, 2025, the Company recognized share-based compensation of $34,485 (2024 – $17,176) in reserves. The weighted average grant-date fair value of options granted during the nine months ended March 31, 2025, was $0.02 per share (2024 – $0.03). The weighted-average assumptions used in calculating the fair value of share-based compensation expense were as follows:

	March 31, 2025	March 31, 2024
Volatility	216.96%	156.27%-199.66%
Expected life	3.00 years	2.08-4.50 years
Risk-free interest rate	2.67%	3.14-4.43%
Dividend yield	0%	0%

c) Share Unit Plan

On January 12, 2024, the Company established a share unit plan which allows the Company to issue share units of the Company to employees, directors and consultants (the "Participants") as compensation or incentive for future performance. Each share unit entitles the Participants to receive, subject to and in accordance with the share unit plan, one share of the Company when the vesting terms and conditions of the share unit are satisfied. The share units shall have an expiry date no later than the earlier of the date which is (i) ten years from the grant date and (ii) two years after the participant's termination date. The number of shares approved for issuance under the plan is 15,000,000 shares. At March 31, 2025, no share units have been issued.

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 March 31, 2025.

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 March 31, 2025, the Company had cash of $25,066 to meet current financial liabilities of $2,516,688. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements, and loans. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt and equity funding. Liquidity risk is assessed as high.

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.

15. Risk Management (continued)

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, Euro and Brazilian Real. There are no exchange rate contracts in place. A 10% change in the US dollar will affect profit/loss by approximately $97,069 (June 30, 2024 – $78,919). A 10% change in the Euro will affect profit/loss by approximately $nil (June 30, 2024 – $11,104). A 10% change in the Brazilian Real will affect profit/loss by approximately $52 (June 30, 2024 – $51).

Financial instruments denominated in foreign currencies are:

At March 31, 2025	US Dollars	Euro	Brazilian Real
Assets	113,530	–	8,361
Liabilities	788,747	–	10,451
Exchange rate / $1.00 =	0.6956	0.6435	3.9872

At June 30, 2024	US Dollars	Euro	Brazilian Real
Assets	1,369,567	–	8,361
Liabilities	1,946,169	75,750	10,451
Exchange rate / $1.00 =	0.7306	0.6822	4.0650

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' deficiency. 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 did not initiate any changes to its capital management strategy during the nine months ended March 31, 2025. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

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) CBFL 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. Payments were postponed during the COVID-19 pandemic and more recently while the parties are negotiating new terms (Note 9).

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).

18. Segment Reporting

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

Nine months ended March 31, 2025	Mineral Products $	Corporate $	Total $
Segment revenues	1,757,819	–	1,757,819
Cost of sales	(1,478,891)	–	(1,478,891)
Gross profit	278,928	–	278,928
Expenses	–	(908,455)	(908,455)
Loss from operations	–	(908,455)	(629,527)
Other items (net)	–	(78,588)	(78,588)
Profit (loss) before taxes	278,928	(987,043)	(708,115)

Nine months ended March 31, 2024	Mineral Products $	Corporate $	Total $
Segment revenues	834,862	–	834,862
Cost of sales	(571,614)	–	(571,614)
Gross profit	263,248	–	263,248
Expenses	–	(1,014,811)	(1,014,811)
Income (Loss) from operations	263,248	(1,014,811)	(751,563)
Other items (net)	–	(77,512)	(77,512)
Profit (loss) before taxes	263,248	(1,092,323)	(829,075)

19. Subsequent Events

a) On January 7, 2025, the Company entered into a Memorandum of Understanding with a private Laos-based company that give the Company the right to purchase 70% of a fully permitted rare earth refinery (the "Refinery") designed and built to process rare earth concentrates and produce the entire suite of commercially traded rare earth oxides, including both light and heavy rare earth elements (the "Acquisition").

   On January 7, 2025, the Company also entered into a Memorandum of Understanding which gives the Company the right to enter into a 70/30 Joint Venture with a private Laos-based company to co-develop an advanced-exploration stage, ion adsorption clay rare earth (IAC-RE) mining project in Laos (the "Mine JV").

   The TSX Ventures Exchange (the "TSX.V") has reviewed both proposed transactions (the Acquisition and the Mine JV) and has determined that they constitute a Change of Business under TSX.V policy 5.2, "Changes of Business and Reverse Takeovers" (the "Policy"). Until the TSX.V has approved the Change of Business and the associated transactions, the Company's shares are subject to a trading halt.

b) On April 30, 2025, the Company entered into a loan with a company owned by a Director of the Company for $16,000, which is unsecured, bears interest at 4% per annum and due on demand.

c) On May 8, 2025, the Company announced that it has appointed SCP Resource Finance LP ("SCP") to lead an offering of notes (the "Notes") for gross proceeds of up to US$3,000,000. The key terms of the Notes are:

   - Notes will be issued at a discount of 5.0% of the face amount and will mature 24 months after issuance ("Maturity").
   - Notes will pay a coupon of 15.0% per annum, payable semi-annually, beginning 6 months after issue.
   - Notes are unsecured.
   - Notes are not convertible into securities of the Company.
   - Notes are redeemable by the Company at any time after issuance. A minimum of one year of interest payments will be payable to noteholders on any redemption prior to Maturity.
   - Subscribers to the Notes will, subject to TSX Venture Exchange approval, receive a total of up to 25 million bonus warrants, allocated on a pro-rata basis (each, a "Warrant"). Each Warrant will entitle the holder to acquire one common share at a price of C$0.05 and will expire 365 days after issuance if not exercised. The Warrants are non-transferrable.
   - SCP will be paid a commission of 4% of gross proceeds, in cash.
   - All Notes subscribers will be arm's length parties to the Company.

d) On May 19, 2025, 500,000 stock options with an exercise price of $0.055 expired unexercised.