CANADA RARE EARTH CORP.

Consolidated Financial Statements

For the Year Ended June 30, 2025, and the Fifteen Months Ended June 30, 2024

(Expressed in Canadian Dollars)

CANADA RARE EARTH CORP.

June 30, 2025

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Canada Rare Earth Corp.

Opinion

We have audited the accompanying consolidated financial statements of Canada Rare Earth Corp. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2025 and 2024 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $2,329,622 during the year ended June 30, 2025 and, as of that date, the Company's total deficit was $30,523,076. As stated in Note 1, these events and conditions 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

<u>Assessment of impairment indicators of investment in associate</u>

As described in Note 10 to the consolidated financial statements, the carrying amount of the Company's investment in associate was $nil as at June 30, 2025. As more fully described in Notes 3 and 4 to the consolidated financial statements, management assesses the investment in associate for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the investment in associate is a key audit matter are that there was judgment by management when assessing whether there were indicators of impairment for the investment in associate, specifically related to the assets' carrying amount which is impacted by the Company's intent and ability to continue to fund its associate and the associate's ability to progress its project. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the investment in associate.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures include, among others:

- Evaluating the reasonableness of management's assessment of indicators of impairment for the investment in associate, including the assets underlying the investment in associate.
- Assessing the intent for the assets held by the associate, through discussion and communication with management.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Accounting Standards, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Stephen Hawkshaw.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

October 27, 2025

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

	Note	June 30, 2025 $	June 30, 2024 $
ASSETS			
Current assets			
Cash		372,714	489,591
Trade and other receivables	5	33,273	408,934
Prepaid expenses and deposits	6	20,062	1,277,313
Total current assets		426,049	2,175,838
Non-current assets			
Right-of-use asset	7	63,710	127,421
Equipment	8	55,928	65,224
Intangible assets	9	–	4,441
Investment in associate	10	–	910,068
Total non-current assets		119,638	1,107,154
Total assets		545,687	3,282,992
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payables and accrued liabilities		529,227	567,183
Deferred revenue	11	–	1,760,599
Due to related parties	12	1,815,604	452,101
Current portion of lease liabilities	13	79,253	71,386
Loans payable	14	250,821	107,059
Loans payable – related parties	12	453,858	226,000
Total current liabilities		3,128,763	3,184,328
Non-current liabilities			
Due to related parties	12	351,710	879,710
Lease liabilities	13	–	79,252
Loans payable	14	967,918	560,430
Total non-current liabilities		1,319,628	1,519,392
Total liabilities		4,448,391	4,703,720
Shareholders' deficiency			
Share capital	15	17,626,957	17,626,957
Reserves	15	9,183,655	9,145,769
Deficit		(30,713,316)	(28,193,454)
Total shareholders' deficiency		(3,902,704)	(1,420,728)
Total liabilities and shareholders' deficiency		545,687	3,282,992

Nature and continuance of operations (Note 1)
Commitments and contingent liabilities (Note 19)
Subsequent event (Note 22)

Approved and authorized for issuance on behalf of the Board of Directors on October 23, 2025:

"Mark Peters"	Director	*"Peter Shearing"*	Director
Mark Peters		Peter Shearing	

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

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

	Note	Year ended June 30, 2025 $	Fifteen months ended June 30, 2024 $
Revenue	20	1,757,819	1,596,264
Cost of sales	9, 20	(1,478,891)	(1,189,542)
		278,928	406,722
Expenses			
Consulting fees	12	807,167	1,043,488
Depreciation and amortization	7,8	73,007	91,258
Office and administration	12	537,666	613,293
Share-based compensation	12,15	37,886	162,745
		1,455,726	1,910,784
Loss before other income (expenses)		(1,176,798)	(1,504,062)
Other income (expenses)			
Expected credit loss expense	5	(321,927)	–
Foreign exchange gain		8,505	4,222
Impairment of equipment	8	–	(14,229)
Impairment of investment in associate	10	(906,158)	–
Interest on lease liability	13	(12,446)	(25,089)
Interest on loans payable	12,14	(99,355)	(46,213)
Interest expense		(3,574)	–
Share of loss on investment in associate	10	(4,877)	(16,649)
Loss on settlement of contract		–	(18,952)
Other income	12	63,978	70,323
Write-off of inventory		–	(41,354)
Write-off of receivables	5	(67,210)	–
Loss and comprehensive loss for the period		(2,519,862)	(1,592,003)
Loss per share – basic and diluted per common share		(0.01)	(0.01)
Weighted average shares outstanding, basic and diluted		211,587,696	210,789,972

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

CANADA RARE EARTH CORP.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

	Share capital				
	Number of shares	Share capital $	Reserves $	Deficit $	Total $
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	–	–	114,745	–	114,745
Loss and comprehensive loss for the period	–	–	–	(1,592,003)	(1,592,003)
Balance at June 30, 2024	211,587,696	17,626,957	9,145,769	(28,193,454)	(1,420,728)
Share-based compensation	–	–	37,886	–	37,886
Loss and comprehensive loss for the year	–	–	–	(2,519,862)	(2,519,862)
Balance at June 30, 2025	211,587,696	17,626,957	9,183,655	(30,713,316)	(3,902,704)

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

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

	Year ended June 30, 2025 $	Fifteen months ended June 30, 2024 $
Operating activities		
Loss	(2,519,862)	(1,592,003)
Items not involving cash:		
Amortization included in cost of sales	4,441	33,335
Depreciation and amortization	73,007	91,258
Expected credit loss expense	321,927	–
Foreign exchange effect on cash	(9,901)	1,004
Impairment of equipment	–	14,229
Impairment of investment in associate	906,158	–
Interest on lease liability	12,446	25,089
Interest on loans payable	99,355	46,213
Loss on investment in associate	4,877	16,649
Loss on settlement of contract	–	18,952
Share-based compensation	37,886	162,745
Write-off of inventory	–	41,354
Write-off of receivables	67,210	–
Changes in non-cash working capital items:		
Trade and other receivables	(17,649)	167,632
Prepaid expenses and deposits	1,257,251	(812,517)
Inventory	–	(41,354)
Accounts payable and accrued liabilities and due to related parties	719,143	831,068
Deferred revenue	(1,760,599)	1,760,599
Cash flows (used in) provided by operating activities	(804,310)	764,253
Investing activities		
Advances to investment in associate	(4,839)	(247,420)
Cash flows used in investing activities	(4,839)	(247,420)
Financing activities		
Payments of lease liabilities	(83,831)	(98,802)
Proceeds from loans payable	901,291	1,030,919
Repayment of loans payable	(342,175)	(1,230,970)
Proceeds from loans payable - related parties	227,858	129,470
Repayment of loans payable - related parties	–	(28,470)
Interest paid	(10,871)	(50,019)
Cash flows provided by (used in) financing activities	692,272	(247,872)
Change in cash during the period	(116,877)	268,961
Cash, beginning of period	489,591	220,630
Cash, end of period	372,714	489,591
Supplemental Disclosures:		
Interest paid	10,871	50,019
Income taxes paid	–	–
Non-cash Investing Activities:		
Advances to associate included in other receivables	3,872	–

(The accompanying notes form an integral part of these 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". The Company's corporate office is located at Suite 2110 – 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N8.

In May 2024, the Company filed the required notice to change its financial year end from March 31 to June 30 to better facilitate the flow of its business operations as it evolves and expands its essential metals business globally. As a result of this change, the Company had a transitional fifteen-month financial year ending June 30, 2024. Accordingly, these consolidated financial statements are for the year ended June 30, 2025, and for the fifteen months ended June 30, 2024.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended June 30, 2025, the Company incurred a loss of $2,519,862 (fifteen months ended June 30, 2024 – $1,592,003), and, as of that date, the Company's deficit was $30,713,316 (2024 – $28,193,454). The Company is dependent on its ability to raise additional debt, equity or generate 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 $372,714 at June 30, 2025 (2024 – $489,591) to meet current financial obligations of $3,128,763 (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 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 consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The Company's Board of Directors approved the release of these consolidated financial statements on October 23, 2025.

b) Basis of presentation and consolidation

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

These 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 June 30, 2025 and 2024, the Company held a 100% interest in REM Metals Inc., and a 100% interest in CREC South American Holdings Corp. ("CREC SAH"), entities incorporated in British Columbia, Canada.

3. Material Accounting Policy Information

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

a) Financial instruments

The Company recognizes financial assets and liabilities in the consolidated 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 receivable from sales and related shipping costs 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.

Other receivables

Other receivables relate to amounts receivable from the 80% shareholder of the Company's associated company, CREC South American Holdings (BF) Corp., sales tax receivable and interest receivable. These receivables are non-interest bearing, recognized at face amount, except when fair value is materially different, and are subsequently measured at amortized cost. Other receivables recorded are net of lifetime expected credit losses.

Accounts payable and accrued liabilities

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

Due to related parties, loans payable, loans payable-related parties

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

Lease liabilities

Lease liabilities are initially recorded at fair value. Lease liabilities are subsequently measured at amortized cost, calculated using the effective interest rate method.

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 profit or loss.

3. Material Accounting Policy Information (continued)

b) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

Equipment is initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

- Magnets, frames and magnetic sparation machinery: 10 years
- Fixtures and fittings: 5 years

Gains or losses arising on the disposal of 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.

c) 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 profit or 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 profit or loss when the asset is derecognized.

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

	Contacts, leads and sources
Useful lives	Finite
Amortization method used	Amortized on a straight-line basis over three years

3. Material Accounting Policy Information (continued)

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 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 unit 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) Investment in associate

Investment 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.

f) Leases

At inception of a contract, the Company 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 Company 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 Company recognizes the lease payments as an expense on a straight-line basis over the term of the lease.

The Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The incremental borrowing rate is the rate which the Company 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 ROU Asset in a similar economic environment.

3. Material Accounting Policy Information (continued)

f) Leases (continued)

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 Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Company 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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company 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 Company; and
- an estimate of costs to be incurred by the Company 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.

g) 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.

3. Material Accounting Policy Information (continued)

g) Foreign exchange (continued)

The accounts of foreign operations are translated into Canadian dollars as follows: monetary assets and liabilities at the rates of exchange prevailing at the consolidated 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 period, 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 profit or loss.

h) Revenue recognition

The Company's revenue consists of sales of various types of Mineral Products sourced from sellers to match buyers' expectations. The Company's performance obligations relate primarily to the delivery of Mineral Products to buyers, with each individual shipment representing a separate performance obligation.

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

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

Commission revenue

Commission revenue received for brokerage services provided to purchasers and suppliers of Mineral Products are recognized as revenue based on the contractual terms.

i) Share-based payment transactions

The Company operates an equity-settled share-based remuneration plan for its employees, directors and consultants. The Company's plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. The fair value is calculated at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions). Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

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.

3. Material Accounting Policy Information (continued)

i) Share-based payment transactions (continued)

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.

The reserve includes fair value of the stock options granted and fair value of the warrants issued for services or issued as part of private placement units. If the stock options and warrants expire unexercised, forfeited or are cancelled, the amount recorded remains in the reserve.

j) 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 consolidated 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.

k) Income (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.

l) 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.

3. Material Accounting Policy Information (continued)

m) 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 consolidated financial statements.

n) 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, 2025:

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 consolidated financial statements.

4. Critical Accounting Judgments, 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. If there is objective evidence that an investment may be impaired, the investment is tested for impairment in accordance with IAS 36, *Impairment of Assets* ("IAS 36").

Investment in associate

The accounting for investment 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.

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.

Significant Estimates and Assumptions

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.

(Expressed in Canadian Dollars)

4. Critical Accounting Judgments, Estimates and Assumptions (continued)

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.

5. Trade and Other Receivables

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

	June 30, 2025 $	June 30, 2024 $
Amounts receivable	321,927	386,450
GST receivable	33,273	22,484
	355,200	408,934
Allowance for lifetime expected losses	(321,927)	–
	33,273	408,934

Receivables are measured at amortized cost and are presented net of their allowance for expected credit losses within the statements of financial position. The allowance for expected credit losses is determined by estimates and assumptions made by management on credit losses expected to occur in the future. This is based on the probability of default, loss given default, and expected cash shortfall relating to the underlying receivables.

The expected credit loss is determined by evaluating a range of possible outcomes incorporating the time value of money and reasonable and supportable information about past events, current conditions, and future economic forecasts. During the year ended June 30, 2025, the Company recognized an allowance for expected credit loss of $321,927 (2024 - $nil) relating to amounts receivable from the 80% shareholder of the Company’s associated company, CREC South American Holdings (BF) Corp.

During the year ended June 30, 2025, the Company recognized a write-off of receivable totaling $67,210 relating to amounts determined to be uncollectible.

(Expressed in Canadian Dollars)

6. Prepaid Expenses and Deposits

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

	June 30, 2025 $	June 30, 2024 $
Prepaid expenses	20,062	9,652
Deposits for Mineral Products	–	1,267,661
	20,062	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 year ended June 30, 2025, the Company advanced $181,431 to the same supplier. As at June 30, 2025, the Mineral Products have been shipped and the deposits were reclassified to cost of sales.

7. Right of Use Asset

Changes in the Company's right-of-use asset during the periods presented was as follows:

	Right-of-use building $
Cost	
Balance, June 30, 2024, and 2025	318,552
Accumulated amortization	
Balance, March 31, 2023	111,493
Amortization	79,638
Balance, June 30, 2024	191,131
Amortization	63,711
Balance, June 30, 2025	254,842
Carrying amounts	
Balance, June 30, 2024	127,421
Balance, June 30, 2025	63,710

(Expressed in Canadian Dollars)

8. Equipment

	Magnets, frames and magnetic separation machinery $	Fixtures and fittings $	Total $
Cost			
Balance, March 31, 2023	101,173	2,994	104,167
Impairment	(14,229)	–	(14,229)
Balance, June 30, 2024, and 2025	86,944	2,994	89,938
Accumulated depreciation			
Balance, March 31, 2023	12,093	1,001	13,094
Depreciation	10,869	751	11,620
Balance, June 30, 2024	22,962	1,752	24,714
Depreciation	8,696	600	9,296
Balance, June 30, 2025	31,658	2,352	34,010
Carrying amounts			
Balance, June 30, 2024	63,982	1,242	65,224
Balance, June 30, 2025	55,286	642	55,928

During the fifteen months ended June 30, 2024, the Company determined that certain magnets, frames and magnetic separation machinery was obsolete and recognized an impairment of equipment of $14,229.

(Expressed in Canadian Dollars)

9. Intangible Assets

	Contacts, leads and sources $
Cost	
Balance, June 30, 2024, and 2025	80,000
Accumulated amortization	
Balance, March 31, 2023	42,224
Amortization	33,335
Balance, June 30, 2024	75,559
Amortization	4,441
Balance, June 30, 2025	80,000
Carrying amounts	
Balance, June 30, 2024	4,441
Balance, June 30, 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. On July 14, 2025, the agreement was terminated and by mutual agreement the additional 2,000,000 share options will not be granted.

Amortization expense for the year ended June 30, 2025, of $4,441 (fifteen months ended June 30, 2024 – $33,335) is included in cost of sales.

10. Investment in Associate

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

At June 30, 2025, the Company held 20 common shares (2024 – 20 shares) of CREC South American Holdings (BF) Corp., a private company incorporated in British Columbia. 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 year ended June 30, 2025 and fifteen months ended June 30, 2024. For the year ended June 30, 2025, the Company's share of loss in the results of CREC South American Holdings (BF) Corp. was $4,877 (fifteen months ended June 30, 2024 – $16,649).

(Expressed in Canadian Dollars)

10. Investment in Associate (continued)

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

	June 30, 2025 $	June 30, 2024 $
Balance, beginning of period	910,068	679,297
Company's 20% share of net loss for the period	(4,877)	(16,649)
Advances to associate	967	247,420
Impairment of investment in associate	(906,158)	–
Balance, end of period	–	910,068

During the year ended June 30, 2025, the Agreement was terminated by the counterparty. As a result, an impairment assessment was conducted in accordance with IAS 36 to determine the recoverable amount of the investment in associate. As of June 30, 2025, the recoverable amount was estimated to be $nil. Consequently, the Company recognized an impairment loss of $906,158 during the year ended June 30, 2025.

(Expressed in Canadian Dollars)

10. Investment in Associate (continued)

The following is a summary of financial information prepared under IFRS for the year ended June 30, 2025 and the fifteen months ended June 30, 2024 and reconciliation with the carrying amount of the investment on the consolidated statements of financial position:

Statements of financial position	June 30, 2025 $	June 30, 2024 $
Current assets	152	4,901
Non-current assets	3,914,875	3,683,204
Current liabilities	(901,824)	(1,351)
Non-current liabilities	–	(705,462)

Statements of loss and comprehensive loss	June 30, 2025 $	June 30, 2024 $
Net loss and comprehensive loss	(24,386)	(83,245)
Share of comprehensive loss	20%	20%
Proportionate share of loss and comprehensive loss	(4,877)	(16,649)

11. Deferred Revenue

As at June 30, 2024, the Company held customer deposits of $1,649,557 paid by a customer for prepayment on Mineral Products. During the year ended June 30, 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 prepayment of a brokerage fee. During the year ended June 30, 2025, the Company recognized the brokerage fee as the shipments have arrived at destination.

12. 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:

	Year ended June 30, 2025 $	Fifteen months ended June 30, 2024 $
Short-term benefits	622,688	688,984
Share-based payments	33,564	101,303
	656,252	790,287

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

During the year ended June 30, 2025, the Company recognized other income of $48,667 (fifteen months ended June 30, 2024 – $60,833) 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)

12. 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 June 30, 2025, the amounts owing under these Payment Plan Agreements was $1,011,710 (2024 – $1,011,710) of which $351,710 (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 June 30, 2025, in addition to the amounts owed under the Payment Plan Agreements, the Company owes related parties a total of $1,155,604 (2024 – $320,101) which consists of $1,082,396 (2024 – $281,637) of fees, $25,070 of expenses (2024 – $nil), and $48,138 (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 year ending June 30, 2025, of $9,801 (fifteen months ended June 30, 2024 – $22,825) is included in cost of sales.

Loans payable – related parties

	June 30, 2025 $	June 30, 2024 $
Balance, beginning of period	226,000	125,000
Addition	227,858	129,470
Repayment	–	(28,470)
Balance, end of period	453,858	226,000

As at June 30, 2025, the Company owes $125,000 of loan payable (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 June 30, 2025, the Company owes $101,000 of loans payable (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 June 30, 2025, the Company owes $81,858 (US$60,000) of loans payable (2024 – $nil) to a Director of the Company, which are unsecured, non-interest bearing and due on demand.

As at June 30, 2025, the Company owes $7,500 of loan payable (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 June 30, 2025, the Company owes $108,500 of loans payable (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 June 30, 2025, the Company owes $14,000 of loan payable (2024 - $nil) to a Director of the Company, which is unsecured, bears interest at 4% per annum and due on demand.

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.

As at June 30, 2025, accrued interest of $15,839 (2024 – $7,494) due to related parties is included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

13. 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 year ended June 30, 2025, and fifteen months ended June 30, 2024, were as follows:

	June 30, 2025 $	June 30, 2024 $
Balance, beginning of the period	150,638	224,351
Lease payments	(83,831)	(98,802)
Interest expense	12,446	25,089
Balance, end of the period	79,253	150,638
Less: current portion of lease liabilities	(79,253)	(71,386)
Lease liabilities	–	79,252

The Company's future minimum lease payments in respect of lease liabilities as at June 30, 2025, were as follows:

	$
Undiscounted minimum lease payments:	
2026	83,832
	83,832
Amounts representing interest over the term of the lease	(4,580)
Present value of minimum lease payments	79,252

14. Loans Payable

	June 30, 2025 $	June 30, 2024 $
Balance, beginning of period	667,489	866,461
Addition	894,435	1,030,919
Repayment	(342,175)	(1,230,970)
Foreign exchange translation adjustment	(1,010)	1,079
Balance, end of period	1,218,739	667,489
Less: current portion of loans payable	(250,821)	(107,059)
Loans payable – long term	967,918	560,430

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 year ended June 30, 2025, the Company repaid the principal amount of $68,435 (US$50,000).

As at June 30, 2025, the Company owes a loan payable of $27,286 (US$20,000) (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, 2025, the Company owes a loan payable of $285,768 (US$209,462) (2024 – $560,430 (US$409,462)) which is unsecured, bears interest at 10% per annum and is due on June 10, 2027. During the year ended June 30, 2025, the Company repaid the principal amount of $273,740 (US$200,000).

As at June 30, 2025, the Company owes a loan payable of $11,250 (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.

As at June 30, 2025, the Company owes a loan payable of $68,215 (US$50,000) (2024 – $nil) which is unsecured, bears interest at 1% per annum and due on December 6, 2025.

(Expressed in Canadian Dollars)

14. Loans Payable (continued)

As at June 30, 2025, the Company owes a loan payable of $144,070 (US$105,600) (2024 – $nil) which is unsecured, bears interest at 11% per annum and due on December 20, 2025.

As at June 30, 2025, the Company owes two loans payable totaling $682,150 (US$500,000) (2024 – $nil) which are unsecured, bear interest at 21% per annum and due on June 3, 2027.

As at June 30, 2025, accrued interest of $84,862 (2024 – $14,803) is included in accounts payable and accrued liabilities.

15. Share Capital and Reserves

a) Share Capital

Authorized: Unlimited common shares without par value.

Share transactions during the year ended June 30, 2025:

There were no share transactions during the year ended June 30, 2025.

Share transactions during the fifteen months ended June 30, 2024:

During the fifteen months ended June 30, 2024, the Company issued 1,680,000 common shares with a fair value of $50,400, for consulting services rendered, for which $48,000 was recorded in share-based compensation.

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 March 31, 2023	13,300,000	0.08
Granted	5,250,000	0.05
Expired	(2,008,333)	0.06
Cancelled	(166,667)	0.05
Options outstanding at June 30, 2024	16,375,000	0.07
Expired	(750,000)	0.05
Cancelled	(300,000)	0.05
Options outstanding at June 30, 2025	15,325,000	0.07
Options exercisable at June 30, 2025	14,654,166	0.07

(Expressed in Canadian Dollars)

15. Share Capital and Reserves (continued)

b) Stock Options (continued)

The Company's outstanding and exercisable stock options at June 30, 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 $
October 26, 2025	4,025,000	0.32	0.07	4,025,000	0.07
March 1, 2026	250,000	0.67	0.17	250,000	0.17
March 12, 2026	2,000,000	0.70	0.11	2,000,000	0.11
May 1, 2026	1,900,000	0.84	0.05	1,900,000	0.05
May 6, 2026	100,000	0.85	0.095	100,000	0.095
July 17, 2026	1,000,000	1.05	0.08	1,000,000	0.08
October 23, 2026	250,000	1.32	0.05	166,666	0.05
April 19, 2027	2,950,000	1.80	0.07	2,950,000	0.07
March 13, 2028	500,000	2.70	0.05	500,000	0.05
April 8, 2029	2,350,000	3.78	0.05	1,762,500	0.05
	15,325,000	1.60	0.07	14,654,166	0.07

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 year ended June 30, 2025, the Company recognized share-based compensation of $37,886 (fifteen months ended June 30, 2024 – $114,745) in reserves. The weighted average grant-date fair value of options granted during the year ended June 30, 2025, was $Nil per share (fifteen months ended June 30, 2024 – $0.06).

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

	June 30, 2025	June 30, 2024
Stock price on grant date	$0.02	$0.04
Volatility	204.94%	171.14%
Expected life	2.92 years	3.97 years
Risk-free interest rate	2.72%	3.57%
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 that may be reserved for issuance under the plan shall not exceed 21,158,770 shares. At June 30, 2025, no share units have been issued. The share unit plan is subject to TSX-V approval.

16. Risk Management

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management process, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

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.

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 June 30, 2025, the Company had cash of $372,714 to meet current financial liabilities of $3,128,763. 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) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial liabilities with fixed interest rates over a specified period of time expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does not believe it is currently subject to any significant interest rate risk.

d) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company’s ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

16. Risk Management (continued)

e) 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 $121,605 (2024 – $78,919). A 10% change in the Euro will affect profit/loss by approximately $nil (2024 – $11,104). A 10% change in the Brazilian Real will affect profit/loss by approximately $262 (2024 – $51).

Financial instruments denominated in foreign currencies are:

At June 30, 2025	US Dollars	Euro	Brazilian Real
Assets	242,888	–	–
Liabilities	1,134,670	–	10,451
Exchange rate / $1.00 =	0.7330	0.6238	3.9952

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

f) 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.

g) 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.

17. 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 year ended June 30, 2025. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

18. 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 June 30, 2025, the Company has unused non-capital loss carry forwards of approximately $14,343,000 (June 30, 2024 – $13,175,000) expiring from 2026 to 2045 available for deduction against future years' taxable income. In addition, the Company has approximately $10,856,000 (June 30, 2024 – $10,856,000) of resource tax pools available, which may be used to shelter certain resource income. The Company has approximately $259,000 (June 30, 2024 - $253,000) in unused other tax losses. 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% (June 30, 2024 – 27%) to the Company's loss before income taxes. A reconciliation of income taxes at statutory rates is as follows:

	2025 $	2024 $
Net loss for the year before tax recovery	(2,519,862)	(1,592,003)
Expected income tax recovery	(680,000)	(430,000)
Change in statutory, foreign tax, foreign exchange rates	–	–
Permanent differences	359,000	49,000
Adjustment to prior years provision verses statutory tax recovery	3,000	(6,000)
Unrecognized deductible temporary differences	318,000	387,000
Total income tax expense (recovery)	–	–

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position:

	2025 $	2024 $
Deferred tax assets (liabilities)		
Exploration and evaluation assets	2,931,000	2,931,000
Property and equipment	66,000	62,000
Right-of-use assets and lease liabilities	4,000	6,000
Non-capital losses	3,872,000	3,557,000
	6,873,000	6,556,000
Unrecognized deferred tax assets	(6,873,000)	(6,556,000)
Net deferred tax assets	–	–

(Expressed in Canadian Dollars)

18. Income Taxes (continued)

b) Provision for deferred tax (continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2025 $	Expiry date range	2024 $	Expiry date range
Temporary Differences				
Exploration and evaluation assets	10,856,000	No expiry date	10,856,000	No expiry date
Property and equipment and intangible assets	243,000	No expiry date	229,000	No expiry date
Right-of-use assets and lease liabilities	16,000	No expiry date	23,000	No expiry date
Share issue costs	–	–	1,000	2045 to 2048
Non-capital losses	14,343,000	2026 to 2045	13,175,000	2026 to 2044

19. 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 10).

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 13).

(Expressed in Canadian Dollars)

20. Segment Reporting

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

Year ended June 30, 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	–	(1,455,726)	(1,455,726)
Profit (loss) from operations	278,928	(1,455,726)	(1,176,798)
Other items (net)	–	(1,343,064)	(1,343,064)
Profit (loss) before taxes	278,928	(2,798,790)	(2,519,862)

Fifteen months ended June 30, 2024	Mineral Products $	Corporate $	Total $
Segment revenues	1,596,264	–	1,596,264
Cost of sales	(1,189,542)	–	(1,189,542)
Gross profit	406,722	–	406,722
Expenses	–	(1,910,784)	(1,910,784)
Profit (loss) from operations	406,722	(1,910,784)	(1,504,062)
Other items (net)	–	(87,941)	(87,941)
Profit (loss) before taxes	406,722	(1,998,725)	(1,592,003)

The Company’s gross revenue for the year ended June 30, 2025 and for the fifteen months ended June 30, 2024 was $1,757,819 and $1,596,264, respectively. During the year ended June 30, 2025, 94% of revenues were derived from sale of Mineral Products to one customer. During the fifteen months ended June 30, 2024, 97% of revenues were derived primarily from sale of Mineral Products to one customer. At June 30, 2025, there was no account receivable outstanding. At June 30, 2024, 100% of the accounts receivable is due from one customer.

21. Proposed Transactions

On December 5, 2024, the Company entered into a Memorandum of Understanding with a private Laos-based company that gives 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 December 5, 2024, 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.

22. Subsequent Event

On July 14, 2025, the executive service agreement dated July 17, 2021 as disclosed in Note 9 was terminated and by mutual agreement the additional 2,000,000 share options will not be granted.