CANADA RARE EARTH CORP.

(Formerly Rare Earth Metals Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three months ended June 30, 2013

August 27, 2013

General

This Management Discussion and Analysis ("MD&A") is dated August 27, 2013 and is in respect of the three months ended June 30, 2013. The following discussion of the financial condition and results of operations of Rare Earth Metals Inc. (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the period ended June 30, 2013.

The discussion should be read in conjunction with the condensed consolidated interim financial statements for the period ended June 30, 2013 and the consolidated annual financial statements and corresponding notes to the consolidated annual financial statements for the year ended March 31, 2013. Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars.

Additional information relating to the Company is available on the SEDAR website at www.sedar.com.

Going Concern

The condensed consolidated interim financial statements of the Company for the three months ended June 30, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS") on the basis applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company's investment in mineral properties and exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop its properties and establish future profitable production from the properties, or from the proceeds of their disposition.

The Company is a development stage Company and has not earned any significant revenue to date. The Company is in the process of transitioning to develop a vertical integration strategy within the rare earth industry. The Company has not yet determined whether its resource properties contain ore reserves that are economically recoverable.

Overview of the Company

Canada Rare Earth Corp. (the "Company" or "Canada Rare Earth", formerly "Rare Earth Metals Inc.") is a Canadian development stage public company in transition to developing a vertically integrated business within the global rare earth industry from the initial mandate of acquiring and exploring mineral property interests. The Company's common shares are listed on TSX Venture Exchange under the trading symbol "LL".

Prior to transitioning its business to that of a vertically integrated company, the historical focus of the Company has been to seek out and explore mineral properties of potential economic significance and advance these projects through prospecting, sampling, geological mapping and geophysical surveying, trenching, and diamond drilling in order for management to determine if further work is justified. The Company's property portfolio consists primarily of projects focusing on rare earth metals and strategic metals.

Highlights

The three months ended June 30, 2013 was highlighted by the following activities:

CORPORATE DEVELOPMENT

- On April 12, 2013, the Company entered into a consulting agreement with an independent consultant to find and secure a site in the United States for the permitting, construction and operation of a full spectrum rare earth refinery.
- On May 2, 2013, the Company signed a letter of intent for the potential purchase 140 acres of land in Washington State for the purpose of considering the custom design and construction of a rare earth refinery. The asking price for this land is $50,000/acre, and the final purchase price is subject to negotiation with the vendor. The transaction is subject to due diligence and raising necessary financing.

FINANCE

- The balance of cash and short-term investments was $3,161,913 as at June 30, 2013 and the balance of working capital as at June 30, 2013 was $3,168,168.

EXPLORATION

- $19,212 was incurred on exploration activities in 2013 (2012: $175,618) of which $18,747 was incurred in respect of the Springer project (2012: $65,757), $325 was incurred in respect of Red Wine Property (2012: $36,175). During 2013, mineralogy studies continued on the Springer project.
- $53,581 of acquisition costs were capitalized during the period in relation to the Springer project compared to $88,000 for the same period in 2012. In 2012, there were cash property option payments for $40,000 and the value of shares issued in connection with the Springer project was $48,000.

Mineral Properties

The Company's advanced projects are the Lavergne –Springer project, the Red Wine project and the Clay-Howells property. Other projects include a property in the Coldwell Complex, the Manitouwadge Graphite property and the Hinton Coal property. In addition, the Company has a portfolio of early stage exploration properties.

Lavergne-Springer

i) The Lavergne-Springer project consists of the mineral rights to one patented claim which covers an area of approximately 130 hectares and fourteen contiguous mining claims which cover an area of approximately 644 hectares in northeast Ontario. The project is located in Springer Township in northeastern Ontario, immediately north of the Town of Sturgeon Falls and 80 km east of Sudbury, Ontario, has good road access and is approximately 6.5 km west of the Crystal Falls hydroelectric dam, on the Sturgeon River. The Company has purchased the surface rights to the eastern half of the patented claim, an area of approximately 65 hectares that covers the known Lavergne Springer showing.

Partial drill results from a 1969 four-hole program included 0.98% Rare Earth Oxide (REO) over 112.7 meters which included a higher grade section of 1.22% REO over 63.3 meters (DDH-L-69-1). Since acquiring the Lavergne –Springer project in 2011, the Company has conducted sampling of old pits and trenches from historic work completed in the 1960's by Geophysical Engineering and Surveys Ltd., and has completed mineralogical and mineral processing studies, drilling, mapping, and airborne magnetic and radiometric geophysical surveys. Twenty of 22 drill holes totalling 6080 meters intersected rare earth mineralization along an 800 m strike length. Mineral characterization studies have confirmed the nature of the REE mineralogy to be synchysite, a calcium rare earth element ("REE") fluorocarbonate mineral.

In May 2012, the Company announced its initial National Instrument 43-101 compliant resource estimate in respect of the Lavergne- Springer project. The resource estimate was completed by Tetra Tech Wardrop (Tetra Tech) of Toronto, Ontario and a summary of the results is as follows:

- 4.2 million tonnes grading at 1.14 % total rare earth oxide (TREO), with approximately 6% of the TREO being made up of heavy rare earth metals and oxides (HREOs), at a 0.9% TREO cut-off grade in the indicated category.
- 12.7 million tonnes grading at 1.17 % TREO, with approximately 4% of the TREO being made up of HREOs, at a 0.9% TREO cut-off grade in the inferred category.
- Neodymium content is 17% of the TREO in the indicated category and 15.6% in the inferred category.
- The resource calculation is based on 5,619 m of drilling in 20 holes, and 3,087 assay samples covering approximately 800 metres of strike length to an average depth 250 metres.
- Resource areas remain open along multiple directions and to depth.
- Additional drilling is recommended for the next phase of exploration to add to the confidence level of the inferred and indicated reserves and to build on the reserve base.

Historical exploration

During 2011 and 2012 the Company conducted various programs on the Lavergne-Springer project as follows:

- A semi-detailed mapping program.
- A petrographic study and identification of the major REE bearing minerals,
- A mineralogical and preliminary bench scale mineral processing stufy on selected samples.
- A 960 kilometre line airborne radiometric and magnetic survey.
- Two phases of diamond drilling consisting of 22 holes over 6,080 metres.

2013 - 2014 outlook

Future work that is recommended includes metallurgical test work to determine concentrate and metal recoveries with possible additional drilling if warranted.

The Company is currently seeking business opportunities for the Lavergne – Springer project.

Red Wine

The Red Wine project consists of a group of properties situated in a geological complex referred to as the Red Wine Complex located in west central Labrador. The Company's Red Wine project is located approximately 160 km northwest of Happy Valley-Goose Bay and 120 km northeast of Churchill Falls, and between 15 km and 60 km from the Orma Lake Road, a hydro dam access road leading from Churchill Falls to a number of dykes and dams on the east side of the Smallwood Reservoir. The properties are near a road with access to electricity, a deep water port and railhead.

The material properties of the Company's Red Wine project consist of the Mann #1 property (comprised of 37 claim units) and Two Tom property (comprised of 34 claim units) which were acquired by option from third parties and the Dory Pond property which was acquired by staking by the Company.

Historical exploration

Work carried out at the Red Wine project during 2011 included prospecting, soil sampling and diamond drilling. In-fill drilling was completed at the Two Tom property and a 43-101 compliant resource was calculated. On the Dory Pond property, prospecting, soil sampling and drilling was completed in order to advance and identify a number of heavy rare earth targets. A description of the results is outlined below.

Two Tom - During 2010/2011 a total of 23 holes were drilled on the Two Tom property and an independent resource report was completed on December 10, 2011, containing the following highlights:

- Inferred mineral resource of 40.635 million tonnes grading at 1.18% total rare earth oxide (TREO), 0.26% Niobium Oxide (Nb205) and 0.18% Beryllium oxide (BeO) at a 0.60% TREO cut-off grade in the inferred category
- Neodymium content is 15.9% of the TREO
- Calculation is based on over 5,140 m of drilling in 22 holes, and 4 trenches (44.2m), and 2,647 assay samples covering approximately 1,200 metres of strike length to an average depth 200 meters
- Resource areas open along multiple directions and to depth
- Additional drilling recommended for next phase of drilling.

Dory Pond - Numerous new rare earth element mineralized occurrences were located on the Dory Pond property in 2011 through prospecting and follow-up of airborne anomalies. These occurrences are notable because of the percentages of heavy rare earth elements that were obtained from the sampling. Of particular note is a cluster of REE rich boulders that have been traced over a distance of 4 km that had prospect sample values up to 8.48% total rare earth oxides (TREO) and 4.63% zirconium oxide (ZrO2). Values from the prospect samples also contained very significant Heavy Rare Earth content that varied from 4% to 54% TREO. Soil geochemistry results outline three separate high REE zones from 250 meters to 1600 meters wide. The largest of these soil anomalies is the Dory "Mega" Soil Target ---- This target consists of a 3 km by 2 km REE –in-soil anomaly located in the southern half of the Dory Pond property. The source rocks for this anomaly are not known and have yet to be drill tested.

A six hole drill program included an intersection of 1.55% TREO (HREO/TREO of 42.1%) over 21.0 meters within a wider intersection of 1.11% TREO (HREO/TREO of 41%) over 42.9 meters from hole B3N-03. The HREO composition within the 21.0 meter interval includes: Y2O3 (0.43%), Dy2O3 (0.061%), Gd2O3 (0.050%), and Er2O3 (0.040%). Mineralogical analysis carried out on one sample of the split core has confirmed that greater than 95% of the REE are contained in an as yet unnamed mineral (Y-REE Silicate) with a grain size of >100um. A relatively pure REE concentrate was successfully separated from a small sample that was subjected to magnetic and heavy liquid separation.

2013 - 2014 outlook

In 2012, the Company decided to select the Two Tom property, the Mann #1 property and the Dory Pond property as the properties to concentrate on in the Red Wine Complex and allowed other properties with less potential to be dropped. Future work at the Red Wine project will be focused on the Dory Pond Heavy REE mineralization. Exploration at Dory Pond over the past two seasons has defined an east-northeast trending zone of Heavy REE mineralization (the HREO Corridor). The corridor is defined by a series of highly radioactive outcrops and high grade HREO grab samples. The trend is centered on the ore grade drill intersection referred to as the B3N-03 Zone. A number of new targets for additional drill testing has been outlined which includes diamond drilling step out holes on the B3N-03 Zone and target testing of certain soil anomalies.

The Company is currently seeking business opportunities for the Red Wine project.

Clay-Howells

The Clay-Howells property consists of 45 patented claims (mining and surface) of approximately 720 hectares and 49 unpatented claims (mining) of approximately 7171 hectares located 45 kilometers north-northeast of Kapuskasing, Ontario. The Clay-Howells property is accessible by existing forest roads leading north from the mill town of Kapuskasing, where infrastructure including highway, railroad, pipelines and airports are readily available. Because of its REE potential and its similarity to the Bayan Obo Iron-REE Mine in China, the Company purchased a 100% interest in the patented claims subject to a 2-per-cent net smelter return royalty ("NSR"). The Company has the right and option to purchase, at any time, one-half of the NSR in consideration of the payment of $1-million to the optionor.

In the past two years, the Company has completed airborne geophysics, ground geophysics, prospecting, mineralogy studies and a diamond drilling program designed to test the rare earth element ("REE") potential of the historical iron ore resource drilled by Mattagami Mining in the late 1950's and to explore for additional REE showings within the Clay-Howells Carbonatite Unit. Drilling in 2010 (5,432 meters in 18 holes) on the Clay-Howells property delineated near surface REE - Niobium ("Nb") mineralization over a strike length of 700 meters and to a vertical depth of up to 250 meters from the surface. All holes were successful in intersecting the magnetite/REE zones over substantial width, and geochemical analysis of the drill core show that the Clay-Howell Fe - REE deposit is light rare element (LREE) enriched.

Historical exploration

Work carried out at the Clay Howells property during 2011 included prospecting, mineralogy studies and diamond drilling. In September 2011, the Company announced its initial National Instrument 43-101 compliant resource estimate in respect of the Clay-Howells property. The resource estimate was completed by Tetra Tech Wardrop (Tetra Tech) of Toronto, Ontario And a summary of the results is as follows:

- 8.5 million tonnes grading at 0.73% total rare earth oxide (TREO), 0.13% Niobium Oxide (Nb205) and 44.17% iron oxide (Fe_2O_3) at a 0.6% TREO cut-off grade in the inferred category
- 40.4 million tonnes grading at 0.48% TREO and 34.62% Fe_2O_3 within a larger 0.2% TREO gradeshell
- HREO/TREO ratio is 10%
- Calculation is based on over 5436 m of drilling in 18 holes and 1825 assay samples covering 700 meters of strike length to an average depth 280 meters
- Resource areas open along multiple directions and to depth

2013 - 2014 outlook

Future work that is recommended would include concentrating on the resource at the main Clay-Howells property and regional till sampling on the 110 square kilometer carbonatite.

The Company is currently seeking business opportunities for the Clay-Howells property.

Coldwell Complex

The Coldwell property was staked by the Company in 2010-2011 and is 100% owned by the Company. The Company staked 740 claim units encompassing 128 square kilometers (49 square miles) or 12,800 ha over the Coldwell Alkaline Complex in Northern Ontario. The Coldwell Property is between Pic River and Dead Horse Creek, on the north shore of Lake Superior, 275 km east of Thunder Bay.
The Coldwell property mainly covers the central and western sections of the Coldwell Complex. There are 12 historic occurrences of niobium, zirconium, yttrium, and REE's documented on the property to date. Values up to 1.2% Ce205, 1.35% Nb2O5 and 2.44% ZrO2 were reported from grab samples.

Historical exploration

Field work including airborne surveying and prospecting was initiated on this project in May, 2011. New prospect sample results include values ranging from 0.03% up to 3.97% TREO with HREO/TREO ratios ranging from 9% to 54%. Niobium values were also highly prospective with values ranging from 0.02% Nb2O5 to 1.29% Nb2O5. The sampling program was focused on airborne radiometric anomalies outlined from the recently completed 1522 line kilometer airborne magnetic and radiometric survey. These new discoveries confirm that the Coldwell Property hosts REE mineralization with a significant Heavy REE component and the zones tend to be associated with radiometric anomalies which in some cases are several kilometers in size.

2013 - 2014 outlook

Future work that is recommended should include follow up prospecting, trenching and sampling to further evaluate these occurrences.

The Company is seeking business opportunities for this property.

Hinton Coal Property

The Hinton Coal Property is located approximately 306 kilometres west of Edmonton, Alberta. It covers an area measuring approximately 2,752 hectares. The closest major centre is Hinton, Alberta, located approximately 19 kilometres to the southeast. There are several operating coal mines in the area. The property is readily accessible via Alberta's Highway 40 and from a network of secondary roads. In addition it benefits from proximity to western Alberta's rail network with links to Vancouver's Westshore Terminals and to the Port of Prince Rupert, all of which facilitates the shipping of coal to international destinations.

On June 25, 2008, the Company acquired 100% ownership in the Hinton Coal Property in the Foothills Region of central Alberta. On July 30, 2008, the Company filed a NI 43-101 Technical Report for the Hinton Coal Property. This report can be viewed on the Company's website or on SEDAR. The in-place resource estimates are as follows:

In-Place Coal Resources Suitable for Surface Mining to 12:1 Strip Ratio
(tonnes)

	Measured	Indicated	Inferred
HV C Bituminous (thermal)	47,032,000	2,557,000	161,000

In-Place Coal Resources Suitable for Surface Mining from 12:1 to 20:1 Strip Ratio
(tonnes)

	Measured	Indicated	Inferred
HV C Bituminous (thermal)	33,339,000	23,838,000	8,559,000

	Measured and Indicated	**Inferred**
Total Resources	106,766,000	8,720,000

The coal resources on the Hinton Coal Property were estimated based on previous exploration drilling. A total of 87 coal exploration drill holes covering 7,067 metres were drilled in and around the area. The high volatile, bituminous, low sulphur coal of the Hinton Coal Property is part of the Coalspur Formation. The quality of the coal indicates that it is suitable for the international export thermal coal market after beneficiation. The Company has completed a preliminary engineering study on the development of this project.

Historical exploration

No exploration was completed on this project after the Company completed the reverse takeover transaction with REM Metals Corp. in fiscal 2010. The Company continues to seek opportunities to divest its interest in this property.

2013 - 2014 outlook

The Company continues to own a 100% interest in the Hinton Coal Property and is working towards divesting its interest in this non-core asset.

<u>Manitouwadge Graphite Property</u>

The Manitouwadge Graphite Property consists of a total of 223 unpatented claim units encompassing 35.7 square kilometers (13.8 square miles) or 3568 ha. The property was staked by the Company in 2011 and is 100% owned by the Company. The property is located approximately 30 to 40 kilometers northeast of the town of Manitouwadge, Ontario and most of the property is accessible by road. Parts of the property which are inaccessible from roads are best reached by helicopter from the Marathon Airfield.

A due diligence prospecting program was undertaken by the Company in April, 2012 and values ranging up to 6.17% C-graphite were obtained from samples of three new graphite occurrences along a minimum 900 meter trend coincident with three parallel conductive zones located within an intense magnetic low. The (AEM) anomalies associated with the graphite horizons have a strike length exceeding 4 km. The Company has also recently completed a trenching/chip sampling program and a preliminary mineralogy/particle size analysis. Results from the trenching/chip sampling include 3.92% C-Graphite over 8.0 meters (m) from the North Zone, 2.96% C-Graphite over 12 m from the Central Zone, and 4.18% C-Graphite over 6.5 m from the South Zone (Thomas Lake Road Occurrence). The particle size analysis completed on a crushed portion of a sample from the North Zone which analyzed 9.27% C-Graphite confirmed the presence of flake graphite, recognized in both the plus 65 mesh (0.212 mm) and plus 35 mesh (0.425 mm) fractions with 42.9% of the total Graphite reporting to the plus 35 mesh and 69.4% of total Graphite in the plus 65 mesh fraction. The sample was also sent for a mineralogical analysis to determine the grain size of graphite and a semi-quantitative mineralogical analysis. Significant graphite liberation is achieved when stage-ground to passing 20 mesh. Flake size determinations show a size of 310 microns which is considered coarse flake graphite.

In June, 2012 the Company completed a 22 kilometer cut grid as well as completed 18.5 kilometers of ground horizontal loop electromagnetic (HLEM) survey on the property. The HLEM survey delineated 6 conductors that range in strike length from 150 meters to greater than 1.6 kilometers. Three of the conductors are coincident with the three graphitic horizons where results from trench chip samples range from 4 to 12 meters thick with grades ranging from 2.04% to 4.18% carbon.

2013 - 2014 outlook

Future work that is recommended includes metallurgical test work involving gravity separation and froth flotation tests to get an early understanding of how well the flake graphite can be concentrated is ongoing. A number of other similar AEM “conductors” in the area have also been staked and will be evaluated for their graphite potential.

The Company is currently seeking business opportunities for the Manitouwadge Graphite Property.

Exploration and Evaluation Expenditures

The Company’s Exploration and evaluation assets represent costs incurred to acquire these assets. These costs are capitalized pursuant to the Company’s accounting policy for recording such costs. During the three month period ended June 30, 2013 and year ended March 31, 2013, the changes in the Company’s exploration and evaluation assets balance are as follows:

Mineral Interests	Hinton Coal $	Clay-Howells $	Lavergne Springer $	Coldwell Complex $	Red Wine $	Manitouwadge Graphite $	Other $	Total $
Balance, March 31, 2012	1,020,000	426,749	444,990	122,002	882,667	12,800	71,448	2,980,656
Acquisition costs for the year	-	2,706	88,533	-	193,800	20,714	-	305,753
Write-downs	-	-	-	-	-	-	-	-
Balance, March 31, 2013	1,020,000	429,455	533,523	122,002	1,076,467	33,514	71,448	3,286,409
Acquisition costs for the year	-	-	53,581	-	-	-	-	53,581
Write-downs	-	-	-	-	-	-	-	-
Balance, June 30, 2013	1,020,000	429,455	587,104	122,002	1,076,467	33,514	71,448	3,339,990

The Company’s exploration costs represent expenditures to undertake and support exploration activities on the Company’s properties.

During the three month period ended June 30, 2013, the Company recorded the following exploration expenditures:

Exploration Expenditures	Clay-Howells $	Lavergne Springer $	Coldwell Complex $	Red Wine $	Manitouwadge Graphite $	Other $	Total $
Prospecting	-	-	-	-	-	-	-
Geology	-	2,970	-	325	100	-	3,395
Geophysical	-	-	-	-	-	-	-
Line cutting	-	-	-	-	-	-	-
Trenching	-	-	-	-	-	-	-
Diamond drilling	-	15,777	-	-	-	-	15,777
Other	40	-	-	-	-	-	40
Exploration Expenditures for the period	40	18,747	-	325	100	-	19,212

During the three month period ended June 30, 2012, the Company recorded the following exploration expenditures:

Exploration Expenditures	Clay-Howells $	Lavergne Springer $	Coldwell Complex $	Red Wine $	Manitouwadge Graphite $	Other $	Total $
Prospecting	-	-	1,625	-	5,249	10,544	17,418
Geology	1,585	56,235	-	11,288	5,741	1,526	76,375
Geophysical	-	-	1,463	-	10,737	-	12,200
Line cutting	-	-	-	-	18,900	-	18,900
Trenching	-	-	-	-	9,992	-	9,992
Diamond drilling	24	9,522	-	24,887	-	-	34,433
Other	-	-	-	-	1,500	4,800	6,300
Exploration Expenditures for the period	1,609	65,757	3,088	36,175	52,119	16,870	175,618

Selected Annual Financial Information

Year Ended March 31,		**2013**		**2012**		**2011**
Revenue (Interest income)	$	25,037	$	107,277	$	59,812
Loss and comprehensive loss	$	(1,898,402)	$	(5,572,355)	$	(5,399,737)
Loss per share – basic and diluted	$	(0.02)	$	(0.07)	$	(0.07)
Total assets	$	6,863,340	$	5,647,815	$	10,498,223
Income tax expense (recovery)	$	NIL	$	(418,955)	$	(233,813)
Dividends	$	NIL	$	NIL	$	NIL

Summary of Quarterly Results

The following table sets out selected quarterly information for the eight most recently completed quarters:

	First Quarter Ended June 30, 2013 ($)	Fourth Quarter Ended March 31, 2013 ($)	Third Quarter Ended December 31, 2012 ($)	Second Quarter Ended September 30, 2012 ($)	First Quarter Ended June 30, 2012 ($)	Fourth Quarter Ended March 31, 2012 ($)	Third Quarter Ended December 31, 2011 ($)	Second Quarter Ended September 30, 2011 ($)
Revenue – Interest income	10,681	11,727	13,024	8,869	(8,583)	3,677	14,532	58,905
Exploration costs	19,212	2,399	3,488	112,938	175,618	579,923	472,946	2,296,991
Expenses	362,344	434,228	509,784	431,621	269,963	384,926	374,177	513,783
Loss and comprehensive loss for the Period	(370,875)	(424,900)	(500,248)	(535,690)	(437,564)	(902,408)	(836,991)	(2,737,298)
Loss Per Share	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.04)

Financial and Operational Performance

Financial Condition

The Company's cash balance as at June 30, 2013 was $61,913 (March 31, 2013: $117,793) as well as short-term investments totaling $3,100,000 (March 31, 2013: $3,400,000). All investments are held in fully liquid instruments with Canadian Financial Institutions.

Current assets of the Company as at June 30, 2013 were $3,263,285 compared to $3,576,931 as at March 31, 2013. The decrease was attributable to the redemption of short-term investments for the purpose of exploration and general expenditures.

Total assets as at June 30, 2013 were $6,603,275 compared to $6,866,340 as at March 31, 2013, a decrease resulting from the redemption of short-term investments for the purpose of exploration and general expenditures.

Current liabilities as at June 30, 2013 were $95,117 compared to $116,720 at March 31, 2013. This decrease is attributable to a decrease in accounts payable and accrued liabilities at the period end.

Shareholders' equity decreased to $6,508,158 at June 30, 2013 from $6,746,620 at March 31, 2013 due to exploration and general expenditures that increased the deficit to $15,422,381 at June 30, 2013 from $15,051,506 at March 31, 2013.

Results of Operations

The Company earned interest and investment income of $10,681 during the three month period ended June 30, 2013 (June 30, 2012: $(8,583) as a result of interest earned on short term investments during the period. The increase was attributable to interest earned on short-term investments.

Total expenses for the period ended June 30, 2013 were $362,344 compared to $269,963 for comparative period in the previous year. The increase is attributable to an increase in share-based payments as more stock options vested during the period compared to the prior period. There was a significant increase in Consulting fees to $109,500 at June 30, 2013 from $9,475 at June 30, 2012 due to consulting agreements to identify rare earth refinery locations. Loss and comprehensive loss for the period ended June 30, 2013 was $370,875 or $0.00 loss per share compared to $437,564 or $0.01 loss per share at June 30, 2012.

Expenses incurred during the three month period ended June 30, 2013 consist of:

- Consulting fees $109,500
- Advertising and promotion $11,137
- Listing, filing and transfer agent $10,617
- Office and miscellaneous $7,673
- Professional fees $10,077
- Rent $5,400
- Share-based payments $132,413
- Travel and accommodation $28,639
- Wages & benefits $46,888

The cumulative deficit from inception of the Company is $15,422,381.

Cash Flows

The Company used cash of $302,299 in operating activities during the period ended June 30, 2013 versus cash used in operating activities of $149,590 in the comparative period in the prior year. Main components of the increase in cash used in operating activities include a refundable security deposit on a potential refinery property and the payment of accounts payable.

There were no cash flows from financing activities during the three month periods June 30, 2013 and 2012.

Cash flows from investing activities were $246,419 for the period ended June 30, 2013 versus cash flows from investing activities of $115,376 for the period ended June 30, 2012. The increase was the result of an increase in the redemption of short-term investments for exploration and evaluation assets, exploration and general expenditures.

Liquidity and Capital Resources

As of June 30, 2013, the Company had $61,913 in cash (March 31, 2013: $117,793) and held short-term investments of $3,100,000 (March 31, 2013: $3,400,000). Interest and other receivables were $41,288 (March 31, 2013: $47,882) and prepaid expenses and deposits were $8,025 (March 31, 2013: $11,256).

Accounts payable and accrued liabilities of $95,117 at June 30, 2013 (March 31, 2013: $116,720) includes period end accrual for expenditures on mineral properties, legal fees, consultants and other amounts. These were incurred in the normal course of business and settled subsequently.

Working capital at June 30, 2013 was $3,168,168 (March 31, 2013: $3,460,211).

At this time the Company does not own or operate any revenue producing mineral properties, and accordingly, does not have cash flow from operations. The Company raises funds for exploration, development and general overhead and other expenses through the issuance of shares from treasury. This method has been the principal source of funding for the Company since inception.

In addition to the funds in the Company's treasury, the Company intends to continue raising funds for future exploration and general overhead and other working capital through the continuation of issuances of shares from treasury and through earn-in or option agreements with other mineral exploration and mining companies.

During the three month period ended June 30, 2013, the Company did not issue any shares in connection with exploration and evaluation assets compared to 800,000 shares issued with a value of $48,000 during the period ended June 30, 2012.

The Company applies the fair value method of accounting for share-based payments to directors, officers, employees and consultants and accordingly $132,413 (June 30, 2012: $95,449) is recorded as stock-based compensation expense and under capital stock as share-based payments for the 2,898,758 options vesting to directors, officers, employees and consultants during the period ended June 30, 2013.

The Company's success in funding its project expenditures is dependent upon its ability to raise adequate equity financing. If in the event that future private placement financings cannot be closed, the Company would have to review its budgeted project expenditures and revise where necessary including reviewing property option agreements to determine if continuance in such agreements on their anniversary dates is feasible. Management continues to seek out capital required to undertake its exploration work commitments and for working capital to meet project work commitments.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Contractual Obligations

The Company has commitments as described in note 4 with respect to certain agreements on its mineral property interests.

During Fiscal 2010, the Company entered into a lease agreement for office equipment requiring aggregate monthly payments of $134.

Related Party Transactions

Refer to Note 7 of June 30, 2013 condensed consolidated interim financial statements.

Current and Future Changes in Accounting Policy Including Initial Adoption of International Financial Reporting Standards ("IFRS")

Statement of Compliance

The condensed consolidated interim financial statements, including comparatives for the three month period ended June 30, 2012, have been prepared using accounting policies in compliance with IFRS as issued by the International Accounting Standards Board ("IASB"). The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS are included in Note 12 of the annual audited financial statements for the year ended March 31, 2012.

Impact of Adopting IFRS on the Company's Business

The adoption of IFRS has resulted in some changes to the Company's accounting systems but largely the impact has been minimal from the perspective of the day to day operations. The greatest changes occurred in the manner and extent of disclosures contained in the Audited Annual Financial

Statements. The transition adjustments and related GAAP to IFRS reconciliations are detailed in Note 12 of the Audited Annual Financial Statements for the year ended March 31, 2012 and for a complete set of IFRS reconciliations, refer to the Audited Financial Statements for the March 31, 2012 year.

Ongoing IFRS Conversion Monitoring

On an ongoing basis, the Company will continue to monitor the preparation of financial information in accordance with IFRS, as well as continue to monitor ongoing changes in the IFRS standards which may impact the Company's reporting in future periods. The International Accounting Standards Board is currently working on several projects which could result in new or revised IFRS standards or IFRIC interpretations that could have an impact on the Company's financial reporting in future periods.

Future Accounting Changes

IFRS 9, *Financial Instruments: Classification and Measurement,* issued in December 2009, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. The Company has not early adopted IFRS 9 and has not yet considered the impact on its financial statements.

In May 2011, the IASB issued the following standards, effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, which have not yet been adopted by the Company. IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, IFRS 13 Fair Value Measurement, IAS 19 Employee Benefits, IAS 27 Separate Financial Statements, and IAS 28 Investments in Associates and Joint Ventures. The Company is assessing the impact of these new standards, but does not expect them to have a significant impact on the financial statements.

Risk Management

The Company's financial instruments are comprised of cash and cash equivalents, receivables, investments and accounts payable and accrued liabilities.

The Company's financial instruments are exposed to certain risks, including credit risk, liquidity risk, interest rate risk and market risk.

Credit risk

Counterparty 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. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of offset exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i. *Trade credit risk*

   The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior period.

ii. *Cash and cash equivalents*

   In order to manage credit and liquidity risk the Company's cash and short term investments are held through large Canadian Financial Institutions. Staking security deposits are held by the Government of Newfoundland.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities.

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

Interest Rate Risk

The Company's interest revenue earned on cash and or short-term investments is exposed to interest rate risk. The Company does not enter into derivative contracts to manage this risk. The Company's exposure to interest rate risk is very low as the Company's short term investments are either fully liquid or bear short staggered maturity dates to mitigate the risk of fluctuating interest rates.

The Company limits its exposure to interest rate risk as it invests only in short-term investments at major Canadian Financial Institutions.

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.

Other MD&A Requirements

Additional Disclosure for Venture Issuers without Significant Revenues:

As of June 30, 2013, the Company has incurred and capitalized $3,339,990 (March 31, 2013: $3,289,409) as exploration and evaluation assets since inception of the Company net of write-downs and recoveries.

Outstanding Share Data

At the date of this management's discussion and analysis, there are 142,762,141 common shares outstanding as well as: (a) stock options to purchase an aggregate of 23,740,000 common shares expiring at various dates between January 15, 2015 and April 12, 2018 and exercisable at various prices between $0.10 and $0.60 per share; and (b) share purchase warrants to purchase an aggregate of 28,000,000 common shares expiring on September 11, 2014, exercisable at $0.10. For additional details of share data, please refer to Note 6 of the June 30, 2013 condensed consolidated interim financial statements.

The Company is authorized to issue an unlimited number of voting shares and an unlimited number of preferred shares issuable in series.

Dividend Policy

No dividends have been paid on any shares of the Company since the date of incorporation, and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

Legal Proceedings

To the knowledge of the Company, there are no actual or pending legal proceedings to which the Company is or is likely to be a party or of which any of its assets are likely to be subject.

Indebtedness of Directors, Officers, Promoters and Others

No director, officer, or promoter or other member of management of the Company, or any Associate or Affiliate of any such person, is or has been indebted to the Company.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Company will be subject in connection with the operations of the Company. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation, with a view to potential acquisition of interests in businesses and corporations on their own behalf and on behalf of other corporations, and situation may arise where the directors and officers will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies under the Business Corporations Act (Ontario).

Risk Factors

Risks associated with developing vertically integrated business within the rare earth industry

The global rare earth industry is facing a number of complex issues including a dis-jointed supply chain connecting supply of rare earth concentrates to the critical separation/refining capability which is found primarily in China, to over 200 international manufacturing companies and their supply networks. The Company is aware of the following factors associated with developing its vertical integration strategy: the successful and timely completion of its vertical integration strategy including identifying and negotiating with viable, long term sources of rare earths, transitioning rare earth exploration properties into mines, assisting with fund raising to support mining operations, identifying and negotiating with rare earth refineries situated outside of China either to acquire partly or entirely, or commissioning the design, build and operation of a rare earth separation refinery to be situated outside of China, raising sufficient funds to support the construction and operation of the refinery, reliance on third parties to meet projected timelines, entering into long term contracts with international manufacturers on terms acceptable to the Company, risks related to the receipt of all required approvals including those relating to the commencement of production at selected mines and a refinery yet to be identified, delays in obtaining permits, licenses and operating authorities, environmental matters, water and land use risks, risks associated with the industry in general, commodity prices and exchange rate changes, operational risks associated with exploration, development and production operations, delays or changes in plans, risks associated with the uncertainty of reserve or resource estimates, health and safety risks, uncertainty of estimates and projections of production, costs and expenses, the adequacy of the Company's financial resources and the availability of additional cash from operations or from financing on reasonable terms or at all, political risks wherever REM may conduct business, risks associated with the relationship between REM and/or its business partners and local governments wherever REM conducts business, radioactivity and related issues, dependence on one or a few mineral projects, loss of key personnel, and other factors that could cause actions, events or results not to be as anticipated.

Risks associated with exploration and mining operations

The exploration and development of mineral properties involves a high degree of risk which cannot be avoided despite the experience, knowledge and careful evaluation of prospective properties by management. There can be no assurance commercial quantities of ore will be discovered on the Company's mineral properties. Even if such commercial quantities are subsequently discovered by the Company's exploration efforts, there can be no assurance such properties can be brought in to commercial production.

Operations may be subject to disruption due to weather conditions, labour unrest or other causes beyond the control of the Company. Hazards such as unexpected formations, pressures, flooding, or other conditions over which the Company does not have control may be encountered and may adversely affect the Company's operations and financial results.

Environmental Risks

Environmental legislation is continuing to evolve such as will require strict standards and enforcement, increased fines and penalties for non-compliance, more stringent assessment of proposed projects and a greater degree of corporate responsibility. There can be no assurance that future changes to environmental legislation may not adversely affect the Company's operations.

Mineral Market

The market for minerals is subject to factors beyond the Company's control, such as market price fluctuation, currency fluctuation and government regulation. The effect of such factors cannot be accurately calculated. The existence of any or all such factors may restrict the access to a market, if same exists, for the sale of commercial ore which may be discovered.

Funding Requirements

In order to move forward with its exploration and development activities, the Company will likely require additional funding. There can be no guarantee that such funds will be available as and when required or, if available, be accessible on reasonable commercial terms.

Reliance on Management

The Company anticipates that it will be heavily reliant upon the experience and expertise of management with respect to the further development of the mineral properties. The loss of any one of their services or their inability to devote the time required to effectively manage the affairs of the Company could materially adversely affect the Company.

Auditors, Transfer Agents and Investor Relations

The auditors of the Company are DeVisser Gray LLP, Chartered Accountants of Vancouver, British Columbia.

The Transfer Agent and Registrar for the Common Shares of the Company is Computershare of Vancouver, British Columbia.

Commitments and Contingencies

Except as otherwise discussed, the Company is in compliance with commitments required by contractual obligations in the normal course of business.

Subsequent Events (Events after the Reporting Period)

On July 10, 2013, the Company announced that, pursuant to the letter of intent announced on May 6, 2013 (the “LOI”), it has confirmed its intention to purchase the property in the Pacific Northwest of the United States and has accordingly provided a second refundable security in the amount of US$50,000.

Forward Looking Statements

This management discussion and analysis contains certain forward-looking statements relating but not limited to the Company’s expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as “anticipate”, ”believe”, “expect”, “goal”, ”plan”, “intend”, “estimate”, “may”, and “will” or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific that contributes to the possibility that the predictions, forecasts, projections, and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.