CANADA RARE EARTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three months ended June 30, 2019

GENERAL

The following is management's discussion and analysis ("MD&A") of Canada Rare Earth Corp. prepared as of August 23, 2019. This MD&A should be read together with the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2019 and the audited consolidated financial statements for the year ended March 31, 2019 and related notes.

Certain information included in the following MD&A may constitute forward-looking statements within the meaning of applicable laws and regulations. These forward-looking statements are not guarantees of future performance and involve risks and uncertainties, which could cause actual results to differ materially from those anticipated. We expressly disclaim any obligation to update forward-looking statements, unless so required by applicable law, and readers should read this MD&A with the understanding that actual future results may be materially different from those expected.

The Company's unaudited condensed consolidated interim financial statements for the three months ended June 30, 2019 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

This MD&A contains "forward looking statements" that are subject to risk factors set out in this MD&A.

Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars, which is our functional and reporting currency. Additional information relating to us is available on SEDAR at www.sedar.com.

OVERVIEW

Canada Rare Earth Corp. (the "Company", "we" or "CREC") is a development stage company developing an integrated business within the global rare earth industry from the initial mandate of acquiring and exploring mineral property interests.

Historically, we were engaged solely in the exploration and development of precious metal and base metal mineral properties. More recently, our focus has been directed to properties with the potential to host rare earth elements. As we have become more involved in the rare earth sector and have gained greater knowledge of the global rare earth supply chain, our attention, starting in about September 2012, has expanded to the down-stream processing and sale of mineral products including rare earth products.

INCORPORATION AND ORGANIZATION OF THE COMPANY

We were incorporated under the laws of British Columbia on July 8, 1987. Our common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "LL".

Our head office and its registered office are located at 15th Floor - 1040 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4H1.

As of the date of this MD&A, we have three subsidiaries: REM Metals Inc., a wholly owned Ontario corporation; CREC South American Holdings Corp., a wholly owned British Columbia corporation; and CanBras Minerals LTDA, a Brazilian corporation, wholly owned by CREC South American Holdings Corp.

OUTLOOK

We are encouraged by a recent return of interest to the rare earth sector and the market's recognition of the need for an independent source of rare earth oxides and metals to augment or replace Chinese dominated supply. This global interest is resulting in higher product prices than experienced over the past five years and in a significant increase in our sector's corporate finance activities.

Our corporate development focus has remained steadfast over the past years. We are developing an international integrated business within the global rare earth industry. Our immediate key focus is to generate revenues and positive cash flow from a variety of profit centers in the rare earth production and sales chain by sourcing, adding value and selling rare earths in all stages and forms. We are in the process of establishing our own mining, concentrating and refinery capabilities in addition to working with affiliated and third-party organizations.

We are generating revenues and gross profits as we develop our integrated supply chain business with increasing attention directed to complementary, valuable complementary and by-products.

We are fortunate in that we have secured a key customer whose demands are currently greater than what we can supply hence we are devoting significant resources to maintain and increase our sources of supply for this customer and others.

We continue to see strong global demand particularly for products produced outside China as alternate supply sources are viewed favorably by the global manufacturing supply chain.

We believe that our integration strategy will position us to take advantage of the anticipated strong demand for rare earths, particularly those sourced and processed outside of China. Rare earth raw materials and value-added products are essential to a wide variety of products including many "green" technologies such as electric and hybrid vehicles and wind power. We believe that the global efforts to reduce reliance on fossil fuels in favor of alternative energy sources present an extremely attractive opportunity for producers of rare earth elements. Additionally, there continues to be an increased demand for rare earths in the traditional markets including applications in the military and electronics sectors.

One of the primary uses of rare earths is in permanent magnets, particularly as these magnets optimize the energy efficiency of electric vehicles, and facilitate reductions in battery size, vehicle cost and environmental impact. Demand for a sustainable permanent magnet supply chain alternative to Chinese supply is growing quickly as a result of the current trading uncertainties between certain countries such as between the USA and China.

We believe that by virtue of our commercial activities and direct access to extensive refining capabilities, we are uniquely positioned to become a leading business within the global rare earth industry.

CORPORATE DEVELOPMENTS AND HIGHLIGHTS

Key activities, initiatives and accomplishments over the past year include:

Rare Earth Production – Enhancement and Separation

We have three key initiatives underway for establishing proprietary enhancement and separation facilities:

- Laos – our team continues to work with the Laotian government to accelerate the final approvals necessary to operate the Laos refinery. For example, during the past year, we co-facilitated several tours by government officials and bureaucrats to a similar existing refinery and continued to exert pressure on the approval process for the Laos refinery. If and when the permits are issued, we would have the right to purchase a majority interest in the refinery;

- A new refinery opportunity – continues to gain momentum and there have been several discussions in this regard; and

- We are placing increasing emphasis on establishing proprietary facilities in South America.

The Company is pleased to announce that it is in the formative stage of planning the development of both a concentrate processing plant and a rare earth separation plant to be situated in South America. The objective is to leverage the sources of minerals into a secure stream of high quality rare earth products outside of Asia. At this time the Company is evaluating three potential locations and local partners for the contemplated project.

Supply

We are working to increase supply to meet customer demand through developing arrangements with a number of businesses in each of the following categories:

- Tailings from various mining operations;
- Heavy mineral sands operations;
- Green field opportunities with a particular focus on licensed, near-term production;
- Existing stock-piles; and
- Rare earth mining opportunities.

Our supply chain continues to develop, and we are in the process of adding other sources. We are working with suppliers to assist in the optimization of their processing to allow the Company to source higher quality material and larger volumes.

Amongst other activities two projects continue to progress:

The rare earth mine and processing opportunity discussed in the February 2019 and April 2019 news releases is progressing with 50 metric tons of bulk material set for shipment for testing. The property has been extensively studied for rare earths and the major issue is determining the optimal processing methodology.

The property purchase opportunity discussed in the April 2019 news release continues to progress with due diligence procedures completed and, as a result, negotiations are in progress to address a few matters uncovered during the studies.

Strategic and Financing Relationship

Talaxis Limited ("Talaxis"), a wholly owned subsidiary of the large Asian-based commodity trading company, Noble Group Limited, continues to be supportive of us and our collaboration as evidenced on a number of fronts including:

- Solidifying new and existing sources of supply chains in Asia, Southeast Asia, North and South America, and Africa;

- Recently presented opportunity to participate in an additional rare earth refinery currently in construction – Canada Rare Earth is taking the lead on this initiative while allowing Talaxis the opportunity to take a position in the opportunity; and

- Talaxis recently converting the balance of the convertible loan provided to the Company into shares and warrants.

  Highlights from the most recent three months and prior years include the following:

- In August 2019, we added Christopher Goodman to our team to head up South American business initiatives and operations. Chris' bio is found on the Company's website at www.canadarareearth.com

  Chris joined Canada Rare Earth as an independent director in March 2016 and with his prior experience of establishing and managing international, complex commodity sourcing and trading projects with Noble Group, Trafigura Group Pte. Ltd. and Mercuria Energy Group Ltd. Chris is perfectly suited to bringing together our multiple sourcing and value-add processing initiatives in Brazil.

- During the most recent three months ended June 30, 2019 we generated $370,094 of mineral product sales.

- During the two years ended March 31, 2019 we generated $2,839,000 of mineral product sales.

- In March 2018, we received a non-refundable fee of US$500,000 for allowing a third party to have the right to acquire a 50% equity interest in a completed rare earth refinery. In order to participate in the refinery the third party must provide sufficient funds for the Company to exercise its right to acquire 60% of the refinery and must provide a specified amount of working capital. Ability of the third party to participate in the refinery is subject to certain terms and conditions.

- In January 2018, we entered into a strategic and financing relationship, evidenced by a Memorandum of Understanding ("MOU"), with Talaxis, a company wholly owned by Noble Group, a large international commodity trading company. The MOU sets out the proposed principles of a working relationship leading to cooperation in the development of supply chains in the rare earth industry. Specific terms and conditions are to be negotiated and included in subsequent agreements which will pertain to sourcing, processing and delivering rare earths; mid-stream processing facilities and technical and operational services; financing capital expenditures; and trade finance support. The MOU also included provisions for the parties to negotiate terms upon which Talaxis may participate in the capital structure of CREC using hybrid capital solutions that include debt, shares and warrants.

  As a component of this relationship Talaxis provided a $1,500,000 convertible loan facility with terms including: $800,000 repayable in January 2019 and $700,000 repayable in January 2020; the entire loan convertible, in whole or in part, into 18 million units and 1,666,670 shares, at prices averaging 7.6 cents per share, over the terms of the loan; each unit comprised of one common share and ½ warrant; a full warrant exercisable until July 30, 2020 at the greater of (i)n$0.10 per share and (ii) volume weighted adjusted price less 15% determined over the preceding 10 days.

In June 2018, Talaxis converted $300,000 of the convertible note into 6,000,000 common shares and 3,000,000 warrants of the Company. In February 2019, Talaxis extended the repayment date for $500,000 principal due in January 2019 to April 30, 2019. In April 2019, Talaxis further extended the repayment date for this portion of the loan to July 31, 2019.

In August 2019, Talaxis converted its entire loan principal balance of $1,200,000 and accrued interest of $53,260 into 15,612,093 common shares of the Company and 6,000,000 warrants.

- In December 2016, we entered into a significant agreement with a refinery in Asia whereby we are to provide, on a best efforts basis, concentrates. The client is capable of purchasing much more product than we are currently capable of providing. Hence our increasing efforts to develop the supply chain through our internal resources and through external parties such as Talaxis, which is looking to expand into the rare earth sector.

- In October 2016, we initiated and accelerated our commercial activities by entering into four transactions for the purchase and sale of concentrate and oxide products. The transactions involved three suppliers and four customers situated in five countries on four continents: Europe, North America, South America and Southeast Asia.

- In September 2016, we entered into agreements for the purchase and corresponding sale of 16,500 metric tons of concentrate over a three-year period. Shipment volumes are to increase steadily to 500 metric tons per month and remain at this monthly amount for the balance of the agreement. Over the ensuing years volumes have not met the original targets and we continued to encourage the supplier to increase volumes. Currently we are discussing how best to resolve past differences and whether we should continue transacting under modified terms and conditions.

- In May 2016, the Company entered into an agreement to purchase 60% of the issued and outstanding shares of a company based in Laos ("LaosCo"). LaosCo owns a full capability refinery that is designed to process concentrate and separate the concentrate into the entire spectrum of commercially traded rare earths including light and heavy elements. LaosCo's future development plans include extending operating capabilities and metal making.

  Over the past years we have maintained our efforts to facilitate the permitting of LaosCo and particularly recently we are increasingly optimistic, however, there can be no certainty that such permits will be forthcoming or that we will be able to raise funds on acceptable terms or at all in order to exercise our option to acquire a majority interest in LaosCo. Notwithstanding, we did enter into an agreement with a third party which paid us a US$500,000 non-refundable fee to participate in the financing and ownership opportunity.

In September 2017, CREC and LaosCo modified terms of the agreement such that: CREC will continue to take the lead for facilitating the application for permits, and if and when the permits are issued:

i) we will have earned the right of first refusal to sell concentrate to the refinery to the full extent of the refinery's requirements;

ii) we will have earned the right of first refusal to sell products produced by the refinery to the full extent of production;

iii) we will have earned the right to purchase a minimum of 60% of the issued and outstanding shares of LaosCo (the "Purchase Shares") for a price to be negotiated between the owner, the Company and the financiers. This purchase right shall continue for six months from the receipt of final operating permits.

Once the purchase of the LaosCo shares closes, shareholders of LaosCo will be responsible for contributing their respective pro-rata shares of (i) working capital requirements and (ii) agreed upon capital expenditures for expanding and extending processing capabilities.

Exploration and Evaluation Assets

Our mineral projects include the Red Wine project and the Hinton Coal property. At present, we are looking for business opportunities for our existing exploration and evaluation assets.

FINANCIAL

SELECTED QUARTERLY INFORMATION

During our most recent eight quarters, other than certain corporate finance fees, we have not generated any revenues or incurred any loss from discontinued operations or extraordinary items.

	Revenue	Operating expenses	Income (loss) and comprehensive income (loss) for the period	Income (loss) per share
Quarter ended:	$	$	$	$
September 30, 2017	614,182	649,385	(106,961)	(0.00)
December 31, 2017	429,481	569,767	(133,909)	(0.00)
March 31, 2018	187,328	1,008,149	(2,513,139)	(0.02)
June 30, 2018	127,453	329,996	(262,081)	(0.00)
September 30, 2018	309,531	637,134	232,110	0.00
December 31, 2018	172,350	419,502	(86,107)	(0.00)
March 31, 2019	473,428	671,137	(675,153)	(0.00)
June 30, 2019	370,094	392,424	(151,831)	(0.00)

Factors affecting quarterly income/losses include:

- March 31, 2018 – the Company wrote down the promissory note and related interest accrued and Mata Azul participation right and related accrued interest as the collectability of these amounts were uncertain.
- March 31, 2019 – the Company wrote down deposits paid related to the purchase of mineral concentrates, as the future application of these deposits is uncertain.

Results of Operations

Overview of three months ended June 30, 2019

We earned revenue from sale of mineral products of $370,094 during the three months ended June 30, 2019 compared to $127,453 during the three months ended June 30, 2018.

During the three months ended June 30, 2019, we incurred $16,687 of royalty payments. This represents 13% of the gross profit for the period, excluding the sale of oxides, amortization of intangible assets and finder's fees. These royalty payments and amortization of $14,921 related to the expensing of the intangible assets are included in cost of sales.

Total operating expenses for the three months ended June 30, 2019 were $392,424 compared to $329,996 for the three months ended June 30, 2018.

The operating expenses were higher in the current period primarily due to higher cost of sales associated with the sale of oxides and mineral concentrate products and due to higher depreciation and professional fees. Share-based payments decreased to $20,700 compared to $48,487 in the three months ended June 30, 2018, due to lower number of options vesting in the current year.

We incurred an unrealized foreign exchange loss during the current period due to the US dollar weakening against the Canadian dollar over the comparative period.

Net loss and comprehensive loss for the three months ended June 30, 2019 were $151,831 or $0.00 loss per share compared to a loss and comprehensive loss of $262,081 or $0.00 loss per share for the comparative three month period ended June 30, 2018.

Cash Flows

We provided cash of $114,404 in operating activities during the three months ended June 30, 2019 compared to cash used of $187,642 during the three months ended June 30, 2018. The change in cash provided by operating activities was primarily due to higher inflow of cash from accounts receivable collected.

Cash flows used in financing activities were $12,366 for the three months ended June 30, 2019 compared to $nil for the three months ended June 30, 2018. The change in financing activities was exclusively due to change in accounting treatment of leases in the current period.

Changes in Financial Position Since March 31, 2019

Changes in our financial position since March 31, 2019 relate to operations in the ordinary course.

Liquidity and Capital Resources

As of June 30, 2019, we had $602,806 in cash (March 31, 2019 - $514,227) and had net working capital deficit of $874,484 (March 31, 2019 - $711,726).

During the three months ended June 30, 2019, we placed deposits for, and purchased and sold mineral concentrate products. We do not operate any revenue producing mineral properties and we only started our trading activities in the fourth quarter of calendar year 2016. As a result, we do not have established cash flow from operations.

We raise funds for business and property development, general overheads and other expenses through the issuance of shares from treasury and/or debt facilities. These methods have been the principal source of funding for us since inception although we have generated cash for a short term through trading activities by providing consulting services.

We will also seek funding through earn-in or option agreements with other mineral exploration and mining companies, sale of assets, raising funds at project levels, generating transaction fees and to the extent necessary and available through the continuation of issuance of shares from treasury.

Our success in funding our requirements is dependent upon our ability to raise adequate debt and equity financing, primarily at the project level. If in the event that future financings cannot be closed, we would have to review our budgeted project expenditures and revise where necessary. Management continues to seek out capital required to undertake its mineral processing projects and for working capital to meet project work commitments.

Related Party Transactions

Payee	Relationship	Nature of Transaction	June 30, 2019 $	June 30, 2018 $
Tracy A. Moore	President & CEO	Share-based payments	1,297	11,672
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Compensation	51,000	51,000
Peter Shearing	Chief Operating Officer	Share-based payments	1,297	24,243
EchoTrack Inc./Carberry Consulting Inc.	Companies controlled by Peter Shearing	Compensation	51,000	51,000
Bill Purcell	Director	Share-based payments	2,204	869
Mark Peters	Director	Share-based payments	2,290	2,147
Christopher Goodman	Director	Share-based payments	4,668	17,964
Gordon J. Fretwell	Director	Share-based payments	6,223	6,955
Salil Dhaumya	CFO	Share-based payments	1,685	869
Koios Corporate Financial Services Ltd.	Company controlled by Salil Dhaumya	Compensation	7,500	7,500

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

The Board of Directors approved executive compensation plans ("ECPs") for the Chief Executive Officer ("CEO") and Chief Operating Officer ("COO") of the Company for the years ended March 31, 2017 and 2018 in December 2017 and March 2018 respectively.

Each ECP has a one-year term, with the follow on ECP usually being negotiated and finalized prior to the expiry of, and being no less favorable than, the current one.

The fees charged by the related parties are in the normal course of operations and are measured at the exchange amount which is amount of consideration established and agreed to by the related parties.

The Company owes related parties $397,328 as at June 30, 2019 (March 31, 2019 - $369,987). $250,000 of this amount has been presented as long term liability and the balance as current accounts payable and accrued liabilities. The payment terms are similar to the payment terms of non-related party trade payables.

Contractual Obligations

The Company has a written agreement with a related party to sublease to the related party 50% of the Company's office space. The related party will split premises costs on a 50/50 basis with the Company for the duration of the lease. Each party pays its 50% share.

The Company enters into finders' agreements from time to time pursuant to which fees are subject to completion at the discretion of the Company. For example, amongst other finders' agreements, the Company has a commitment to pay US$20/ton to a maximum of 30,000 tons for mineral concentrate sourced from a certain entity.

Pursuant to the Company's contracts for the sale of concentrate to a 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.

Financial Instruments and Other Instruments

Our financial instruments are exposed to certain risks, including credit risk, liquidity risk, interest rate risk and market risk.

Credit risk

Credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. Credit risk arises from cash, trade receivables and deposits. While the Company is exposed to credit losses due to the non-performance of its counterparties and there is a significant concentration of credit risk because the trade receivables and deposits are receivable from/held by a single counterparty, management does not consider this to be a material risk.

The Company mitigates the risk of default of accounts receivable by assessing the credit worthiness of customers prior to sale and shipment of product.

For trade receivables, the simplified approach is applied for determining expected credit losses. This requires the lifetime expected losses to be determined for all trade receivables. The expected lifetime credit loss provision for trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, as required. Since the Company's buyer is considered to have low default risk and the Company's historical default rate and frequency of loss are low, the lifetime expected credit loss allowance for trade receivables is nominal as at June 30, 2019.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of our capital structure. We monitor and review current and future cash requirements and match the maturity profile of financial assets and liabilities.

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

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. We currently do not have any financial instruments that would be impacted by changes in market prices.

Foreign Currency Exchange Rate Risk

The Company is exposed to foreign currency fluctuations as it has cash, accounts receivables, interest and other receivables, prepaid expenses and deposits, denominated in US dollars. There are no exchange rate contracts in place. A 10% change in the US dollar will affect profit/loss by approximately $85,000.

Financial instruments denominated in foreign currencies are:

At June 30, 2019	US Dollars
Assets	733,037
Liabilities	82,000
Exchange rate / $1.00 =	.7641

At March 31, 2019	US Dollars
Assets	634,236
Liabilities	84,906
Exchange rate / $1.00 =	.7483

Risk of economic dependency

We are reliant on one customer for majority of our sales of mineral concentrate. If our relationship is impaired with this customer, it would have an adverse impact on the Company's business.

Fair value of financial instruments

The fair value of the Company's financial assets and liabilities, excluding the promissory note and related interest receivable, approximates the carrying amount due to their short term nature and capacity for prompt liquidation. See note 9 for the fair value of the promissory note and note 12 for the fair value of the derivative liabilities - warrants.

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets and liabilities, which are measured at fair value as at June 30, 2019 and March 31, 2019:

	As at June 30, 2019		
	Level 1	Level 2	Level 3
	$	$	$
Derivative liability - warrants	-	-	387,000

	As at March 31, 2019		
	Level 1	Level 2	Level 3
	$	$	$
Derivative liability - warrants	-	-	324,000

There were no transfers between Level 1, 2 or 3 during the three months ended June 30, 2019 and year ended March 31, 2019.

OUTSTANDING SHARE DATA

At the date of this MD&A, there are 193,016,234 common shares outstanding, 21,200,000 stock options granted and 9,000,000 share purchase warrants issued to purchase an aggregate of 30,200,000 common shares expiring at various dates between December 31, 2019 and December 2022, exercisable at various prices between $0.05 and $0.10 per share.

If all of the options and warrants were exercised there would be 223,216,234 shares issued and the Company would raise a further $1,960,000 of cash.

STOCK OPTIONS

We are authorized by our shareholders to grant options to our directors, officers, employees and service providers under our stock option plan for up to 33,880,028 common shares of which 21,200,000 have been granted.

In April 2017, we granted stock options to a consultant to purchase up to 100,000 common shares at an exercise price of $0.05 until April 3, 2022. The options vest in four equal instalments over eighteen months.

In December 2017, the Company granted stock options to officers, directors and consultants to purchase up to 7,925,000 common shares at an exercise price of $0.05 until December 4, 2022. The options vest in four equal instalments over eighteen months. Of these options, 2,800,000 options have additional 'earn out' vesting conditions.

In August 2018, we granted stock options to a consultant to purchase up to 3,400,000 common shares at an exercise price of $0.065 until December 31, 2019.

In March 2019, the Company granted stock options to officers, directors and consultants to purchase up to 1,350,000 common shares at an exercise price of $0.05 until March 22, 2024. The options vest in four equal instalments over eighteen months.

WARRANTS

In August 2019, we issued 6,000,000 warrants tin conjunction with the conversion of the remainder of Talaxis' convertible note of $1,200,000 into shares and warrants.

In June 2018, we issued 3,000,000 warrants to Talaxis on conversion of $300,000 of the convertible note.

Conflicts of Interest

There are potential conflicts of interest to which our directors and officers will be subject to, 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 situations may arise where the directors and officers will be in direct competition with us. Conflicts, if any, will be subject to the procedures and remedies under the British Columbia *Business Corporations Act*.

RISK FACTORS

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

The global rare earth industry is facing a number of complex issues including a disjointed supply chain connecting supply of mineral concentrates to the critical separation/refining capability which is found primarily in China, to over 200 international manufacturing companies and their supply networks. We are aware of the following factors associated with developing a vertical and horizontal integration strategy: the successful and timely completion of an integration strategy including identifying and arranging viable, long term sources of rare earths, transitioning rare earth exploration properties into mines, assisting with fund raising to support mining operations, arranging processing of rare earths with rare earth refineries whether inside China or otherwise, arranging for the commissioning of the design, build and operation of one or more rare earth separation refineries, raising sufficient funds to support the construction and operation of each refinery, reliance on other parties to meet projected timelines, entering into long term sales contracts with customers including international manufacturers on terms acceptable to us, risks related to the receipt of all required approvals including those relating to the commencement of production at selected mines and one or more refineries whether identified or not, 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 mining, development, production, processing till separation, 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 our financial resources and the availability of additional cash from operations or from financing on reasonable terms or at all, political risks wherever we may conduct business, risks associated with the relationship between us and/or our business partners and local governments wherever we conduct 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.

Environmental Risks

Environmental legislation is continuing to evolve and 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 will not adversely affect our operations.

Political Risks

We are subject to political, economic, and other uncertainties, including, but not limited to, the uncertainty of negotiating with foreign governments, expropriation of property without fair compensation, adverse determination or rulings by governmental authorities, changes in mining policies or in the personnel administering them, currency fluctuations, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, royalty and government take increases and other risks arising out of foreign governmental sovereignty over the areas in which our operations are conducted. Our operations may be adversely affected by changes in government policies and legislation and other factors which are not within our control.

Mineral Market

The market for minerals, in general, and for rare earth elements in particular is subject to factors beyond our 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 proceed with our activities, we will 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

We anticipate that we 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 our affairs could materially adversely affect the Company.

Risk of economic dependency

The Company is reliant on one customer for majority of its sales of mineral concentrate. Impairment in the Company's relationship with this customer would have an adverse impact on the Company's business.