

**CANADA RARE EARTH CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Three Months Ended June 30, 2017**

## Table of Contents

General.....	1
Overview.....	1
Incorporation and Organization of the Company.....	1
Outlook.....	2
Corporate Developments and Highlights.....	2
Financial.....	4
Selected Quarterly Information.....	4
Results of Operations.....	5
Cash Flows.....	5
Changes in Financial Position Since March 31, 2017.....	5
Liquidity and Capital Resources.....	6
Financial Instruments and Other Instruments.....	8
Outstanding Share Data.....	11
Stock Options.....	11
Risk Factors.....	11

## **CANADA RARE EARTH CORP.**

Management's Discussion and Analysis  
Three Months Ended June 30, 2017

---

### **GENERAL**

*The following is management's discussion and analysis ("MD&A") of Canada Rare Earth Corp. prepared as of August 25, 2017. This MD&A should be read together with the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2017 and the audited consolidated financial statements for the year ended March 31, 2017 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, 2017 have been prepared in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as issued by the 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](http://www.sedar.com).*

### **OVERVIEW**

Canada Rare Earth Corp. (the "Company", "we" or "CREC") is a development stage company developing an integrated business network within the global rare earth industry.

Historically, we were engaged 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 September 2012, has extended to the down-stream processing of rare earth products and the sale of 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 registered office are located at 15<sup>th</sup> 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.

## **CANADA RARE EARTH CORP.**

Management's Discussion and Analysis  
Three Months Ended June 30, 2017

---

### **OUTLOOK**

Our goal over the past four years has evolved from exploring for rare earth elements to developing an integrated supply chain network by focusing on the three key connected areas of the supply chain: securing multiple long term supplies of rare earth concentrates; enhancing and separating the concentrates into individual rare earth oxides; and selling the oxides to the 200+ major international manufacturing companies and their supply networks.

We are sourcing concentrates and selling to existing refineries; we are in varying stages of acquiring and developing enhancement and separation facilities; and we have sold and continue to market oxides.

Our commercial sales activities are generating gross profit and positive cash flow. 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 rare earth concentrate. Readily available sources tend to be found in waste piles of mining operations focused on other minerals, such as heavy mineral sand operations. With the general downturn in the natural resource sectors and mining and mineral processing in particular, these operations are looking to augment their revenues and are more open to discussing the sale of rare earths so long as ultimate buyers may legally import and handle the materials. We are also in discussions with owners of prospective rare earth mines.

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. Certain analysts forecast the global rare earth metals market to grow at a compounded annual growth rate of 13.67% during the period 2017-2021.<sup>1</sup> There is renewed interest in the rare earth industry in the first half of 2017 where certain product prices increased between 20% and 24%.<sup>2</sup> Rare earth raw materials and value-added products are essential to many "green" technologies such as hybrid vehicles and wind power, and we believe that the global efforts to reduce reliance on fossil fuels in favour of alternative energy sources presents an extremely attractive opportunity for producers of rare earth elements. In addition to the emerging "green" technology sector there continues to be an increased demand for rare earths in the traditional markets including applications in the military and electronics sectors.

In September 2015, we acquired the assets including business relationships and dealings of an affiliated company. This transaction brought us directly to a business relationship with an experienced designer, builder, operator and owner of rare earth enhancement and separation refineries.

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

### **CORPORATE DEVELOPMENTS AND HIGHLIGHTS**

Our objective is the development of an integrated rare earth business with refining capabilities in various jurisdictions including Asia, the Caribbean and South America. Recent developments and initiatives include:

---

<sup>1</sup> <https://www.researchandmarkets.com/publication/mp5vql8/4199024>

<sup>2</sup> <https://roskill.com/news/rare-earths/>

## **CANADA RARE EARTH CORP.**

Management's Discussion and Analysis

Three Months Ended June 30, 2017

---

- In December 2016, we entered into a significant agreement with a company (the "Refinery") to purchase rare earth concentrate from us and to process the concentrate. The agreement provides the Refinery with international sourcing of concentrate through a close ally and provides us with direct access to the largest market involving rare earth products via a strategic partner. As per the terms of the agreement, we will represent the Refinery for purchases of rare earth concentrate from sources we develop for an initial period of 5 years with the option to extend for additional terms so long as both parties are satisfied with the commercial and operational benefits of the arrangement. We have completed a number of transactions in this regard and more are in progress and are planned.
- In October 2016 we initiated and accelerated our commercial activities by entering into four transactions for the purchase and sale of rare earth 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 rare earth 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. The supplier, Canada Rare Earth, and the buyer are receptive to increasing volumes above 500 metric tons per month. Volumes have as yet not reached the targeted minimum but are generally increasing.
- In May 2016, we 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 rare earth refinery that is designed to process and separate rare earth 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 rare earth metal making.

Although the written agreement expired, the owner of LaosCo and the Company have continued with the terms of the agreement pursuant to a verbal understanding. The agreement continues to be subject to certain terms and conditions including: receiving an operating permit and paying a specified purchase price for the shares within a currently unspecified period of time. There can be no assurance that the operating permit will be received, the necessary funding for the purchase of the shares will be raised or that the verbal agreement will be honoured. For proprietary business and competitive pricing reasons and while fund raising for this initiative the purchase price of the LaosCo shares will not be publicly disclosed until the transaction closes.

Once the purchase of the LaosCo shares closes, shareholders of LaosCo will be responsible for contributing their respective pro-rata shares of working capital requirements. Additionally, shareholders will be responsible for their pro-rata share of future, agreed upon capital expenditures (such as for extending the refinery's capabilities to rare earth metal making utilizing the oxide production).

### **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.

## CANADA RARE EARTH CORP.

Management's Discussion and Analysis  
Three Months Ended June 30, 2017

---

### OPERATING PERFORMANCE

We are experiencing strong demand for rare earth concentrate products. We delivered approximately 270 tons of concentrate in the three months ended June 30, 2017 compared to a total of approximately 31 tons during the 12 months ended March 31, 2017. As of the date of this MD&A, we have approximately 540 tons of rare earth concentrate products at various stages of progress for delivery. We expect this trend of increased shipments to continue in the current fiscal year. We continue to seek new sources of rare earth concentrate products as demand is much greater than our current ability to supply.

### 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.

---

Quarter ended:	Revenue	Operating expenses	Income (loss) and comprehensive income (loss) for the period	Income (loss) per share
	\$	\$	\$	\$
September 30, 2015	-	202,386	(1,228,092)	(0.01)
December 31, 2015	-	265,801	(253,293)	(0.00)
March 31, 2016	-	61,362	(449,928)	(0.00)
June 30, 2016	-	147,370	(152,630)	(0.00)
September 30, 2016	2,761	100,089	(73,192)	(0.00)
December 31, 2016	107,010	140,684	12,211	0.00
March 31, 2017	50,844	154,344	(102,077)	(0.00)
June 30, 2017	525,495	547,659	(53,615)	0.00

---

Factors affecting quarterly income/losses include:

- September 30, 2015 – the Company wrote off the balance of the Springer and Hinton Coal properties.
- March 31, 2016 - the Company wrote off the Red Wine and Clay-Howells properties.
- September 30, 2016 onwards – the Company started earning revenue related to establishing the Brazilian supply chain and revenue related to the sale of rare earth concentrate products.

## **CANADA RARE EARTH CORP.**

Management's Discussion and Analysis  
Three Months Ended June 30, 2017

---

### *RESULTS OF OPERATIONS*

#### *Overview of three months ended June 30, 2017*

We earned revenue from sale of rare earth products of \$525,495 during the three months ended June 30, 2017 compared to \$nil during the three months ended June 30, 2016. Our net loss during the three months ended June 30, 2017 was \$53,615 compared to \$152,630 during the three months ended June 30, 2016.

Included in cost of sales for the three months ended June 30, 2017 are \$8,508 of royalty payments, \$7,011 of finder's fees and amortization of \$4,974 related to the expensing of the intangible asset.

We also earned interest and investment income of \$8,667 during the three months ended June 30, 2017 compared to \$7,689 earned during the three months ended June 30, 2016. The increase in interest income is attributable to interest accrued on the Promissory Note and interest accrued on a receivable.

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

Total operating expenses including cost of sales for the three months ended June 30, 2017 were \$547,659 compared to \$147,370 for the three months ended June 30, 2016.

Our administrative and regulatory expenses in the three months ended June 30, 2017 were lower than the three months ended June 30, 2016. Consulting fees decreased to \$37,500 compared to \$61,499 in the three months ended June 30, 2016 due to absence of a consulting fee paid relating to the LaosCo agreement, while share-based payments decreased to \$5,309 compared to \$27,213 in the three months ended June 30, 2016, due to lower number of options vesting in the current year. Office and miscellaneous costs decreased to \$6,047 in the current period compared to \$12,240 in the comparative period due to lower regulatory costs over the comparative period. Net loss and comprehensive loss for the three months ended June 30, 2017 was \$53,615 or \$0.00 loss per share compared to a loss and comprehensive loss of \$152,630 or \$0.00 loss per share at June 30, 2016. The decrease in net loss was primarily due to lower administrative costs as well as gross profit generated from trading activities.

### *CASH FLOWS*

Cash flows from operating activities were \$4,145 from during the three months ended June 30, 2017 compared to cash flows used in operating activities of \$124,721 during the three months ended June 30, 2016. The positive change in use of cash from operating activities was primarily due to gross profit generated by sale of rare earth concentrate products and lower administrative costs offset by increase in prepaid expenses and deposits for advance payments for rare earth concentrate products.

Cash flows used in financing activities were \$39,065 for the three months ended June 30, 2017 compared to \$nil for the three months ended June 30, 2016. The financing activities relate solely to loans repaid and received by the Company.

### *CHANGES IN FINANCIAL POSITION SINCE MARCH 31, 2017*

Changes in our financial position since March 31, 2017 relate to operations in the ordinary course.

## **CANADA RARE EARTH CORP.**

Management's Discussion and Analysis  
Three Months Ended June 30, 2017

---

### *LIQUIDITY AND CAPITAL RESOURCES*

As of June 30, 2017, we had \$4,469 in cash (March 31, 2017 - \$45,599) and had net working capital deficiency of \$7,666 (working capital at March 31, 2017 - \$3,914). We have access to trade finance loans which will support at least \$150,000 per month of rare earth product purchases and sales.

During the three months ended June 30, 2017, we placed deposits for the purchase of rare earth products and we completed purchases and sales of such products. We do not operate any revenue producing mineral properties, and we only started our trading activities in the third quarter of fiscal year 2017. As a result, we do not have established cash flow from operations. Historically, and we may in the future raise funds for business development, 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 us since inception although we have generated cash for a short term by providing consulting services and most recently through trading activities. Our preference is to generate cash through business activities and to avoid raising funds by issuing more shares of the Company.

We expect shares will be issued in conjunction with projects we are developing including future rare earth refinery projects, business development and future property development initiatives. Where ever possible the shares will be issued at the subsidiary level or through special purpose vehicles. We will also consider raising funds for working capital and other needs through the 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.

During the three months ended June 30, 2017 and for the past 22 months, we did not issue any shares in connection with evaluation and development of assets or for any other purpose.

Our success in funding our project expenditures is dependent upon our ability to raise adequate debt and equity financing, primarily at the project level. If, in the event that future private placement 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 rare earth refinery projects and for working capital to meet project work commitments.



**CANADA RARE EARTH CORP.**  
Management's Discussion and Analysis  
Three Months Ended June 30, 2017

**Related Party Transactions**

Payee	Relationship	Nature of Transaction	March 31, 2017 \$	March 31, 2016 \$
Tracy A. Moore	President & CEO	Reimbursement for office, travel related expenditures, interest on loan and share-based payments	5,592	15,074
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Compensation	15,000	15,000
Peter Shearing	Chief Operating Officer	Travel related expenditures and share-based payments	-	21,929
EchoTrack Inc.	Company 50% owned by Peter Shearing	Compensation	15,000	15,000
Bill Purcell	Director	Share-based payments	-	837
Christopher Goodman	Director	Share-based payments	291	4,007
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell	Legal fees charged/accrued during the period, News releases	-	-
Gordon J. Fretwell	Director	Interest on loan and share-based payments	-	1,954
Salil Dhaumya	CFO	Share-based payments	-	270
Koios Corporate Financial Services Ltd.	Company controlled by Salil Dhaumya	Compensation and reimbursements for office related expenses	7,500	7,693
Hunter Dickinson Services Inc. ("HDSI")	Mark Peters, Director (CFO of HDSI)	Office rent	8,077	-

We had \$88,274 included in accounts payable and accrued liabilities that was payable to related parties as at June 30, 2017 (March 31, 2017 - \$82,467). The payment terms are similar to the payment terms of non-related party trade payables.

During the three months ended June 30, 2017, we had loans outstanding in the amount of \$55,358 (US\$41,250) (March 31, 2017 - US\$71,000 to two directors) to a director of the Company. The amounts are unsecured, bearing interest at a rate of 6% per annum calculated daily and are due on demand. In May, 2017, the Company repaid a US\$50,000 loan to a director.

### **Contractual Obligations**

On December 7, 2015 the Company entered into a commercial property lease expiring April 29, 2021. The future minimum rental payments under the non-cancellable operating lease at June 30, 2017 are:

<u>Year ending March 31</u>	<u>\$</u>
2018	46,719
2019	62,292
2020	66,864
2021	67,280
2022	5,607
	<u>248,762</u>

The Company has a written agreement with a related party to sublease to the related party 50% of this 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 has a commitment to pay US\$20/ton to a maximum of 30,000 tons as a finders' fee for rare earth concentrate sourced from a certain entity.

The Company has a commitment to pay 13% royalty on gross profits generated from trading activities.

### *FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS*

Our financial instruments are comprised of cash and cash equivalents, receivables, investments and accounts payable and accrued liabilities. Our 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, accounts receivable, promissory note and interest receivable 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*

We monitor and control our risks and exposures through financial and credit based systems and to a large extent through personal relationships and, accordingly, we believe that we have procedures in place for evaluating and limiting the credit risks to which the Company is subjected to. Credit is subject to ongoing management review.

ii) *Cash and cash equivalents*

In order to manage credit and liquidity risk, our cash is held through a large Canadian financial institution.

iii) *Promissory note, interest receivable*

We are able to minimize our risk on the promissory note and interest receivable

## CANADA RARE EARTH CORP.

Management's Discussion and Analysis

Three Months Ended June 30, 2017

---

by exercising our right to convert the outstanding amount into equity investment in the Delaware Co.

### 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.

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

### Interest Rate Risk

Interest rate risk pertains to interest income earned on the promissory note and a receivable. We actively manage our interest rate exposure, where possible. The interest rate on the Company's promissory note is at 2% per annum for the first 24 months and 6% per annum for the final 12 months. Interest on the receivable is at 6% per annum until the receivable has been repaid. At June 30, 2017, the receivable and the accrued interest are overdue.

### 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, promissory note, interest receivable on promissory note, Mata Azul participation right, loan and loans, related parties 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 \$178,000.

Financial instruments denominated in foreign currencies are:

---

At June 30, 2017	US Dollars
Assets	1,464,082
Liabilities	91,250
Exchange rate - \$1.00 =	.7706

---

---

At March 31, 2017	US Dollars
Assets	1,458,924
Liabilities	125,270
Exchange rate - \$1.00 =	.7519

---

**CANADA RARE EARTH CORP.**  
Management's Discussion and Analysis  
Three Months Ended June 30, 2017

---

**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.

The following is an analysis of the Company's financial assets, which are measured at fair value as at June 30, 2017 and March 31, 2017:

	As at June 30, 2017		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	4,469	-	-
	4,469	-	-

  

	As at March 31, 2017		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	45,599	-	-
	45,599	-	-

## **CANADA RARE EARTH CORP.**

Management's Discussion and Analysis  
Three Months Ended June 30, 2017

---

### *OUTSTANDING SHARE DATA*

At the date of this MD&A, there are 166,940,141 common shares outstanding and stock options to purchase an aggregate of 22,950,000 common shares expiring at various dates between November 2017 and April 2022, exercisable at various prices between \$0.05 and \$0.10 per share. There are no share purchase warrants outstanding.

All of the options are out of the money but if those were exercised, the maximum number of shares potentially issuable is therefore 22,950,000.

We are authorized to issue an unlimited number of voting shares and a certain number of stock options.

### *STOCK OPTIONS*

We may grant options to our directors, officers, employees and service providers under our stock option plan. In March 2017, our shareholders approved an amendment so that 33,880,028 common shares are reserved for issuance pursuant to the incentive stock option plan.

In April 2016, we granted stock options to a director to purchase up to 300,000 common shares at an exercise price of \$0.05 until April 4, 2021. The options vest in four equal instalments over eighteen months.

In February 2017, we granted stock options to a person who subsequently became a director to purchase up to 300,000 common shares at an exercise price of \$0.05 until February 17, 2022. The options vest in four equal instalments over eighteen months.

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.

### ***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 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. 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

## **CANADA RARE EARTH CORP.**

Management's Discussion and Analysis

Three Months Ended June 30, 2017

---

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. In particular, Delawareco is a U.S. based mineral exploration company focused on locations in the Caribbean. As part of our agreement with Delawareco, we may regain the right to lease, for an initial period of 25 years, 15 acres on which it may be suitable to construct a rare earth refinery.

### *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 rare earth concentrate. An impairment in the Company's relationship with this customer would have an adverse impact on the Company's business.