

CANADA RARE EARTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended March 31, 2015

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GENERAL

The following is management's discussion and analysis ("MD&A") of Canada Rare Earth Corp. prepared as of July 27, 2015. This MD&A should be read together with the audited consolidated financial statements and related notes for the year ended March 31, 2015.

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. The Company expressly disclaims 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 audited consolidated financial statements for the year ended March 31, 2015 have been prepared 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 the Company's functional and reporting currency. Additional information relating to the Company is available on SEDAR at www.sedar.com.

OVERVIEW

Canada Rare Earth Corp. (the "Company") is a Canadian development stage company developing a vertically integrated business within the global rare earth industry with the initial mandate of acquiring and exploring mineral property interests.

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

INCORPORATION AND ORGANIZATION OF THE COMPANY

The Company was incorporated under the laws of British Columbia on July 8, 1987. The Company's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "LL".

The Company's head office is located at Suite 400 – 602 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1P2 and its registered office is located at Suite 700 - 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

As of the date of this MD&A, the Company has three subsidiaries: REM Metals Inc., a wholly owned Ontario corporation; CREC South American Holdings Corp., a wholly owned British Columbia corporation; and CanBras Minerals S.A., a Brazilian corporation 80% owned by CREC South American Holdings Corp.

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LONG-TERM INVESTMENTS

The Company currently owns approximately a 12% interest in common shares of a private Delaware company ("Delaware Co."). Delaware Co. is a U.S. based mineral exploration and exploitation company with property in the Caribbean.

As part of its agreement to purchase the shares of Delaware Co., the Company obtained the right to lease, for an initial period of 25 years, 15 acres of deeded land of Delaware Co.'s 2,500 hectare parcel of land in Haiti, on which it would be suitable to construct a rare earth refinery.

OUTLOOK

China is host to the vast majority of rare earth concentrate processing and without a viable alternative, the Company along with most, if not all, rare earth mines and sources situated outside of China are currently forced to sell, directly or indirectly, to the Chinese dominated industry which, under the Chinese national government's direction, is being consolidated into six major state-owned organizations.

The Company's goal has now evolved to developing a "mine to market" vertically integrated business model by becoming a fully integrated rare earth producer. Over the past two years, the Company has taken a number of steps to effect its transformation from a narrowly focused rare earth exploration company to become a "mine to market" rare earth business involved from exploration, mining and concentrating to producing oxides, metals and alloys. Each facet of the business model is critical to the others and the development must be organized in a simultaneous, synchronized and planned manner.

Next steps in the development process include financing, planning and implementing mining and concentration activities for rare earth properties, with a focus on the Mata Azul property in Brazil. The Company intends to arrange for the processing and separating of rare earth concentrate by one or more refineries set up outside of China and, in the interim, to establish sales channels between available rare earth supply and customers in China. If commercially advantageous, the Company will participate in the ownership of such refineries established outside of China.

The Company believes that its vertical integration strategy will position it to take advantage of the anticipated strong demand for rare earths. Rare earth raw materials and value-added products are essential to many "green" technologies such as hybrid vehicles and wind power, and the Company believes 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. Although the supply of rare earth oxides has been largely dominated by China with approximately 86% of the world's production in 2014, China only has approximately 42% of the known reserves of rare earths. Accordingly the introduction of new high quality rare earth sources such as Mata Azul will be an important factor in the future supply of rare earths.

China imposed export quotas on rare earths in 2005 and reduced exports by 50% over the ensuing six years. This effectively created two markets for rare earths: one internal to China and one for the rest of the world. Drastic quota reductions in early 2010 and late 2011, together with attempts by the Chinese government to introduce more regulation to the industry, led to angst among international manufacturers and in turn led to speculative price increases. In March 2012, the United States, Japan and the European Union took the position before the World Trade Organization ("WTO") that China was restricting supply contrary to international fair trade

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practice. After a number of presentations and appeals the WTO requested that China bring its practices into "conformity".

In December 2014 China announced the removal of export quotas effective May 2015. Concurrently China established a new export license regime and continued with its consolidation of the Chinese rare earth industry by six majority state-owned organizations. The government of China increased controls over the production of rare earths via production quotas applied to mining operations, increased enforcement of environmental regulations at separation facilities, and increased efforts to reduce illegal rare earth mining activity and the smuggling of rare earths out of the country.

Over the last decade, many rest of world companies established manufacturing facilities in China to take advantage of lower domestic prices and to remain competitive with their Chinese peers. Recently softening of rare earth prices may be the result of continuing macro-economic effects stemming from the global financial crisis of 2008 coupled with end user industry de-stocking of inventories in the wake of the 2011 price spike.

Despite these developments, the Company believes that industry fundamentals remain sound and that in order to satisfy rest of world demand for either an alternative primary supplier or an alternate secondary supplier, rare earth production sources and down-stream processing capability outside of China needs to be developed.

The Company has established a business relationship with CEC Rare Earth Corporation ("REC"), a private British Columbia corporation that is an affiliate of CREC and an Asian based group of companies (the "Asian Group") (together the "Venture Partners"). The Asian Group owns one fully operational refinery (the "Operational Refinery") and owns another in Laos that is fully constructed but which is not yet operational (the "Constructed Refinery") as permitting is pending.

The Venture Partners have more than ten years of engineering experience directly related to rare earth refinery design, construction and importantly to operations. In particular, the Asian Group has been instrumentally involved with the design and construction of more than ten rare earth refineries. REC is controlled by one of our directors and the Asian Group is controlled by a relative of that director. The Venture Partners and the Company are evaluating a number of rare earth refinery initiatives with the goal of pursuing one or more projects

The Company believes that it, by virtue of access to rare earth sources and most importantly access to down-stream processing design, build and operating experience, is well positioned to become a leading business within the global rare earth industry.

CORPORATE DEVELOPMENTS AND HIGHLIGHTS

The Company's 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:

- In July 2015, the Company granted 7,875,000 stock options to directors, officers, employees and consultants with an exercise price of \$0.05 and exercisable until July 8, 2020.
- In May, 2015, the Company granted 500,000 stock options to a consultant with an exercise price of \$0.05 and exercisable until May 2020.

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- In June 2015, the due diligence period pursuant to the Hinton Coal property option agreement lapsed. The Company and the optionee are in discussions to renegotiate the terms of the agreement, however, there can be no certainty that it will be extended. See *Exploration and Evaluation Assets* below.
- In February 2015, the Company completed the sale of the Manitouwadge graphite property. See *Exploration and Evaluation Assets* below.
- In January 2015, the Company appointed Salil Dhaumya as chief financial officer. Mr. Dhaumya has more than 20 years of experience providing services to Canadian and US listed companies with international subsidiaries and private companies in the areas of finance, administration and public accounting. Evan Asselstine and Matt Witoluk resigned from their positions as chief financial officer and controller, respectively, and have agreed to continue as advisors of the Company throughout 2015.
- In November 2014, the Company entered into a joint venture agreement with Mineracao Mata Azul S.A. ("Mata Azul") to advance exploration and establish mining and concentration operations for rare earth and other mineral rights owned by Mata Azul. The Company entered into an agreement with Mata Azul providing the right but not the obligation to purchase all of the rare earth concentrate to be produced from the Mata Azul property for 20 years. The Company also entered into two letters of intent (each an "LOI") to sell 10,000 metric tons ("MT") annually, of rare earth concentrate to two affiliated full spectrum rare earth separation refineries situated in Asia.
- In September 2014, the Company entered into separate agreements to option the Hinton Coal property and the Manitouwadge graphite property for a total of \$1,179,000 plus royalties and reimbursement of certain expenses. See *Exploration and Evaluation Assets* below.
- In September 2014, the Company was engaged to provide corporate finance, strategic and business development services for a mechanically complete, full spectrum rare earth separation refinery built in Laos.

EXPLORATION AND EVALUATION ASSETS

The Company's mineral projects include the Mata Azul project, Red Wine project and the Clay-Howells property. Other projects include property in the Coldwell Complex and the Hinton Coal property and a number of other properties which have been previously written off. As described below, the Company has completed the sale of the Manitouwadge graphite property.

MATA AZUL

On November 3, 2014, the Company entered into a joint venture agreement with Mata Azul to advance exploration and establish mining and concentration operations for rare earth and other mineral rights owned by Mata Azul (the "Joint Venture"). This business arrangement allows for the Company to control the exploration and development of the Mata Azul property and ratifies the previously announced agreement between the Company and Mata Azul which provides the Company with the right to purchase all of the rare earth concentrate from the project.

The Company had previously entered into a long term rights agreement to purchase all of the rare earth concentrate to be produced from the Mata Azul property. Pursuant to this agreement, the Company has the right but not obligation to purchase some or all of the rare earth

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concentrate produced from the Mata Azul property for a base price plus a percentage of the difference between the base price and fair market value.

On November 5, 2014, the Company entered into two LOIs to sell 10,000 MT annually, of rare earth concentrate to two affiliated full spectrum rare earth separation refineries situated in Asia. The two LOIs, each having a five-year term, are hedged with the Company's 20-year right (but not obligation) to purchase rare earth concentrate from the Mata Azul property in Brazil.

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 Red Wine Complex is located approximately 160 kilometers northwest of Happy Valley-Goose Bay and 120 kilometers northeast of Churchill Falls, and between 15 kilometers and 60 kilometers 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 Complex consist of the Mann #1 property (comprised of 48 claim units) and Two Tom property (comprised of 34 claim units), which were acquired by option from third parties, and the Dory Pond property (155 claim units), which was acquired by staking by the Company. The properties, together with the property known as the Zimtu Property (50 claim units), are located in four separate claim groups located over a 30 kilometre length of the Red Wine Complex.

Historical exploration

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

- Inferred mineral resource of 40.635 million tonnes grading at 1.18% total rare earth oxide ("TREO"), 0.26% niobium oxide (Nb₂O₅) 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 meters of drilling in 22 holes and four trenches (44.2 meters), and 2,647 assay samples covering approximately 1,200 meters 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 ("REE") that were obtained from the sampling. Of particular note is a cluster of REE rich boulders that have been traced over a distance of four kilometers that had prospect sample values up to 8.48% 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 1,600 meters wide. The largest of these soil anomalies is the Dory "Mega" Soil Target. This target consists of a three kilometer by two kilometer 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.

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In 2012, the Company decided to focus on the Two Tom property, the Mann #1 property and the Dory Pond property within the Red Wine Complex and allowed other properties with less potential to be dropped. Exploration at Dory Pond 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.

During fiscal 2013, further metallurgical work was carried out by XPS to investigate the probability of producing a mineral concentrate by means of magnetic separation. These tests were inconclusive and further work is required.

During fiscal 2014, the Company did not renew 450 claims at the Red Wine Complex where the management had decided not to pursue additional exploration work.

At present, the Company is maintaining the property and 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 28 unpatented claims (mining) of approximately 6,656 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% 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 \$1,000,000 to the optionor.

Historical exploration

Work carried out at the Clay-Howells property in 2011 included prospecting, mineralogy studies and diamond drilling. In September 2011, the Company announced its initial National Instrument 43-101 ("NI 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% TREO, 0.13% niobium oxide (Nb₂O₅) and 44.17% iron oxide (Fe₂O₃) at a 0.6% TREO cut-off grade in the inferred category
- 40.4 million tonnes grading at 0.48% TREO and 34.62% Fe₂O₃ within a larger 0.2% TREO gradeshell
- HREO/TREO ratio is 10%
- Calculation is based on over 5,436 meters of drilling in 18 holes and 1,825 assay samples covering 700 meters of strike length to an average depth of 280 meters
- Resource areas open along multiple directions and to depth

During fiscal 2014, the Company allowed 17 unpatented claims to lapse.

Currently, the Company is seeking business opportunities for the Clay-Howells property.

SPRINGER

During fiscal 2014, the Company determined no further exploration work would be conducted on the project. The Company intends to sell the surface rights for the Springer project.

COLDWELL COMPLEX

The Coldwell Complex property was acquired by staking and is 100% owned by the Company. The property consists of 51 unpatented mining claims of approximately 1,584 hectares and is located in 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 kilometers 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 REEs documented on the property to date. Values up to 1.2% Ce₂O₅, 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 completed 1,522 line kilometer airborne magnetic and radiometric survey. These 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.

During fiscal 2014, the Company allowed certain claims to lapse that were not subject to further exploration work and reduced the property to 52 unpatented mining claims.

During the summer of 2014, the Company carried out a small prospecting program as a follow up from previous sampling and as a result detailed sampling was done over one of the main Niobium showings. The sampling was successful in outlining an area of Niobium mineralization of approximately 300 meters wide by 900 meters long.

Currently, the Company is continuing to maintain the property and is weighing its options.

HINTON COAL PROPERTY

The Hinton Coal property is located approximately 306 kilometers west of Edmonton, Alberta. It covers an area measuring approximately 2,752 hectares. The closest major centre is Hinton, Alberta, located approximately 19 kilometers 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.

In June 2008, the Company acquired 100% ownership in the Hinton Coal property and in July 2008 filed a NI 43-101 report for the property. This report can be viewed on the Company's website or on SEDAR. The in-place resource estimates are as follows:

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In-Place Coal Resources Suitable for Surface Mining to 12:1 Strip Ratio (tonnes)			
	Measured	Indicated	Inferred
H V C Bituminous (thermal)	47,032,000	2,557,000	161,000
In-Place Coal Resources Suitable for Surface Mining to 12:1 to 20:1 Strip Ratio (tonnes)			
	Measured	Indicated	Inferred
H V C Bituminous (thermal)	33,339,000	23,838,000	8,559,000
(tonnes)			
	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 meters 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. The Company continues to own a 100% interest in the Hinton Coal property.

Historical exploration

No exploration work has been undertaken on this project since fiscal 2010.

Outlook

In September 2014, the Company entered into an agreement to option the Hinton property and on September 11, 2014, the Company received a non-refundable deposit of \$20,000. Further, payments of 1) \$200,000, 2) \$400,000 and 3) \$400,000 are payable at the option of the optionee with a minimum of half cash and the balance of shares of a publicly traded company issued at a discount to the volume weighted adjusted price. The payments are due four months ('due diligence period') from entering into the option agreement, 12 months thereafter and then a further 12 months thereafter, respectively. The Company will be granted a royalty of \$0.15 per tonne on the first 20,000,000 tonnes of coal produced from the site. The optionee may purchase this royalty for \$1,000,000.

In December 2014 and March 2015, the Company received additional non-refundable deposits for a total of \$20,000 in consideration of extending the due diligence period until June 24, 2015. The \$20,000 is to be applied against the first \$200,000 payment due upon successful conclusion of the due diligence being undertaken by the optionee.

Subsequent to year end, the due diligence period lapsed and a further extension of the due diligence period until February 29, 2016 was negotiated in principle.

MANITOUWADGE GRAPHITE PROPERTY

In September 2014, the Company entered into an agreement to option Manitouwadge property and received a non-refundable deposit of \$10,000 upon signing. In February 2015, the Company received the remaining \$149,000 to complete the sale of the Manitouwadge property, receiving a total \$159,000. The Company was granted a 2% gross production royalty based on

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the graphite produced from the property. The purchaser may acquire half of the royalty for \$250,000.

FINANCIAL

In the following discussion, financial amounts other than per-share amounts are expressed in thousands of dollar.

CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of certain selected financial information that is qualified by the more detailed information appearing in the Company's audited consolidated financial statements for the year ended March 31, 2015.

SELECTED ANNUAL AND QUARTERLY INFORMATION

During the most recent three fiscal years, the Company has not recognized any revenue, had any discontinued operations or extraordinary items, or declared any dividends.

Year ended March 31	2015	2014	2013
	\$	\$	\$
Revenue (corporate finance fee)	192,667	-	-
Revenue (interest income)	8,995	26,061	25,037
Loss for the year	(666,518)	(2,633,741)	(1,898,402)
Loss per share, basic and diluted	(0.00)	(0.02)	(0.02)
Total assets	3,735,550	4,397,314	6,863,340

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The following is a summary of the eight most recently completed quarters:

Quarter ended:	Revenue \$	Exploration costs \$	Expenses \$	Loss and comprehensive loss for the period \$	Loss per share \$
June 30, 2013	-	19,212	362,344	(370,875)	(0.00)
September 30, 2013	-	30,466	275,770	(309,772)	(0.00)
December 31, 2013	-	12,836	300,715	(297,594)	(0.00)
March 31, 2014	-	4,937	205,658	(1,656,000)	(0.02)
June 30, 2014	-	21,365	199,500	(217,873)	(0.00)
September 30, 2014	11,000	850	208,305	(195,354)	(0.00)
December 31, 2014	86,672	9,100	319,163	(222,887)	(0.00)
March 31, 2015	94,995	2,000	238,192	(30,404)	(0.00)

During this period, other than certain corporate finance fees, the Company did not generate any revenues, have discontinued operations or extraordinary items.

RESULTS OF OPERATIONS

The Company earned corporate finance fees of \$192,667 during the year ended March 31, 2015 compared to \$nil during the year ended March 31, 2014. The corporate finance fees relate to the Company providing corporate finance, strategic and business development services for a mechanically complete, full spectrum rare earth separation refinery built in Laos for which, the Company receives US\$25,000 per month. The term of the engagement is for 12 months.

The Company also earned interest and investment income of \$8,995 during the year ended March 31, 2015 compared to \$26,061 earned during the year ended March 31, 2014. The decrease in interest income is attributable to a decrease in the amount invested in short-term investments.

Total business development, exploration costs and company expenses for the year ended March 31, 2015 were \$998,475 compared to \$1,211,938 for the year ended March 31, 2014. The decrease is primarily attributable to the following factors: a decrease in share-based payments to \$13,399 in the year ended March 31, 2015 compared to \$240,324 in 2014, as a result of fewer options vesting in the current year, and a decrease in travel and accommodations to \$23,256 in the year ended March 31, 2015 compared to \$89,871 in the year ended March 31, 2014. Loss and comprehensive loss for the year ended March 31, 2015 was \$666,518 or \$0.00 loss per share compared to \$2,633,741 or \$0.02 loss per share at March 31, 2014 because of the above noted factors.

CASH FLOWS

The Company used cash of \$797,225 in operating activities during the year ended March 31, 2015 compared to \$1,086,943 in fiscal 2014.

Cash flows provided by investing activities were \$617,171 for the year ended March 31, 2015 compared to \$1,201,821 for the year ended March 31, 2014.

FOURTH QUARTER RESULTS

The Company earned corporate finance fees of \$94,995 during the fourth quarter of 2015 compared to \$nil during the comparative quarter.

Total business development, exploration costs and company expenses for the quarter ended March 31, 2015 were \$240,192 compared to \$210,595 for the comparative quarter. The increase is primarily attributable to an increase in consulting fees to \$175,013 in the fourth quarter of 2015 compared to \$91,137 in the comparative quarter. This increase was offset by decreased share-based payments to \$2,344 in the fourth quarter of 2015 compared to \$26,474 in the comparative quarter, as a result of fewer options vesting, and a decrease in travel and accommodations to \$2,894 in the fourth quarter of 2015 compared to \$15,714 in the comparative quarter. Loss and comprehensive loss for the fourth quarter of 2015 was \$30,404 or \$0.00 loss per share compared to \$1,655,500 or \$0.02 loss per share in the comparative quarter.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2015, the Company had \$52,617 in cash (March 31, 2014 - \$232,671), held short-term investments of \$540,000 (March 31, 2014 - \$1,000,000) and had working capital of \$690,236 (March 31, 2014 - \$1,316,479).

At this time, other than certain corporate finance fees, the Company does not own or operate any revenue producing businesses or mineral properties, and accordingly, does not have cash flow from operations. The Company raises 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 the Company since inception.

In addition to the funds in the Company's treasury, the Company intends to continue raising funds for future rare earth refinery projects, business development, future exploration, and general overhead and other working capital 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.

During the years ended March 31, 2015 and 2014, the Company did not issue any shares in connection with evaluation and development of assets.

The Company's success in funding its project expenditures is dependent upon its 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, the Company would have to review its 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.

Off-Balance Sheet Arrangements

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

Contractual Obligations

The Company has commitments as described in notes 8 and 16 to the March 31, 2015 consolidated financial statements with respect to certain agreements on its mineral property interests.

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Related Party Transactions

Payee	Relationship	Nature of Transaction	March 31, 2015	March 31, 2014
			\$	\$
Tracy A. Moore	President & CEO	Payments for office and travel related expenditures	35,388	52,698
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Compensation including fee and share-based payments	60,904	70,149
Michael Stares	Director	Compensation including fee, share-based payments and reimbursement of exploration and travel related expenses	52,705	65,290
Stares Contracting Corp.	Company controlled by Michael Stares, Director	Payments for premises rental charges	17,600	21,600
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Secretary	Legal fees charged/accrued during the period	32,679	97,329
Koios Corporate Financial Services Ltd.	Company controlled by Salil Dhaumya, CFO	Compensation including fee and share-based payments	9,844	-
CEC Rare Earth Corporation	Company related by common directorships	Fees for consulting services	428,000	300,000
Laos Xiangjiang Rare Earth Resources Co. Ltd.	Company controlled by a director's relative	Fees earned for providing corporate finance services	192,667	-

As at March 31, 2015, the Company owed \$3,419 (March 31, 2014 - \$15,000) to Gordon J. Fretwell Law Corporation for legal services provided by Mr. Gordon J. Fretwell and \$904 to Stares Contracting Corp. for rental charges (March 31, 2014 - \$6,102). There are no terms or conditions related to any outstanding debt to related parties and the debt is unsecured.

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 development 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 a large Canadian financial institution. 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 its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities.

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 a major Canadian financial institution.

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.

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OUTSTANDING SHARE DATA

At the date of this MD&A, there are 142,762,141 common shares outstanding and stock options to purchase an aggregate of 25,075,000 common shares expiring at various dates between August, 2015 and July, 2020, exercisable at various prices between \$0.05 and \$0.37 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 25,075,000.

The Company is authorized to issue an unlimited number of voting shares.

OTHER MD&A REQUIREMENTS

Additional Disclosure for Venture Issuers without Significant Revenues:

As of March 31, 2015, the Company has incurred and capitalized \$1,829,580 (March 31, 2014: \$1,895,004) as exploration and evaluation assets since inception of the Company net of write-downs and recoveries.

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 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 British Columbia *Business Corporations Act*.

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 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. 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 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 particularly

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those situated outside of China, arranging for the commissioning the design, build and operation of one or more rare earth separation refineries to be situated outside of China, raising sufficient funds to support the construction and operation of the each refinery, reliance on other parties to meet projected timelines, entering into long term sales 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 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 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 the Company may conduct business, risks associated with the relationship between the Company and/or its business partners and local governments wherever the Company 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 or on mineral properties owned by others which are or may become under contract to the Company. 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 will not adversely affect the Company's operations.

Political Risks

The Company is 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 the Company's operations are conducted. The Company's operations may be adversely affected by changes in government

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policies and legislation and other factors which are not within the control of the Company. In particular, Delawareco is a U.S. based mineral exploration and exploration company focused on locations in Haiti. As part of the Company's agreement with Delawareco, the Company has been given 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 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 proceed with its exploration and development activities, the Company 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

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.

PROPOSED TRANSACTIONS

We have not entered into any proposed transactions that have not already been disclosed to the public.