CANADA RARE EARTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended March 31, 2016

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GENERAL

The following is management's discussion and analysis ("MD&A") of Canada Rare Earth Corp. prepared as of July 29, 2016. This MD&A should be read together with the audited consolidated financial statements for the year ended March 31, 2016 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. 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, 2016 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" or "CREC") is a Canadian development stage company developing an 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. More 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 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, 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, wholly owned by CREC South American Holdings Corp.

PROMISSORY NOTE

In September 2013, the Company acquired a 15% interest (2,348,147 common shares) in a private Delaware company ("Delaware Co."). Delaware Co. is mineral exploration and exploitation company. The Master Agreement comprised a Common Stock Purchase Agreement ("CSPA") and a Land Lease Agreement ("LLA"). Pursuant to the CSPA, the Company paid US$1,100,000 ($1,141,720) for its 15% interest and was provided with a 25 year lease of 15 acres of deeded land in accordance with the LLA. Pursuant to the LLA, the Company was granted an option to renew the lease for an additional consecutive 25 years. For the purposes of the LLA, the US$1,100,000 investment was considered to represent a pre-payment of rent for the initial 25 year period of the lease.

On December 1, 2015, the Company entered into the CREC Stock Purchase Agreement ("SPA"). Pursuant to the SPA, Delaware Co. repurchased the Company's 15% interest for gross proceeds of US$1,200,000 ($1,604,640) resulting in a gain on sale of its long-term investment of $462,920. The gross proceeds are secured by a US$1,200,000 promissory note. The promissory note bears interest at 2% per annum for the first 24 months and 6% per annum for the final 12 months. The principal balance plus accrued interest is due on or before November 30, 2018. Pursuant to the SPA, the lease and lease option were cancelled. The Company, in its sole discretion, has the right to extend the maturity date in the event Delaware Co. fails to pay on a timely basis. If Delaware Co. defaults, the Company has the right and option to either extend the promissory note on its current terms or reinstate the equity investment in Delaware Co., any company that owns, directly or indirectly, the deeded land or any entity affiliated with any of these companies. The equity investment shall be US$1,200,000 plus interest accrued on the promissory note converted at a 10% discount to the lowest priced issuance of shares by that entity in the past 24 months. In addition, the lease and lease option shall be reinstated with an extension for the lease term equal to the duration of the period of time the promissory note was outstanding.

OUTLOOK

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

The Company's goal over the past few years has evolved from exploring for rare earth elements to developing an integrated supply chain business model by focusing on securing multiple long term supplies of rare earth concentrates and directing the concentrates to one or more proprietary rare earth separation refineries – all situated outside of China. The Company continues to short list refinery sites based on a number of criteria including relationships with local partners and identifying likely sources of project debt and equity financings. In the interim, the Company is placing an increasing emphasis on selling ultra pure rare earth oxides to customers in the Americas and Europe and intends to extend this reach into Asia. Over the past four years, the Company has taken a number of steps to effect its transformation from a narrowly focused rare earth exploration company to become a 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.

The Company is seeking sources of rare earth concentrate from a number of prospective properties; primarily those involved with existing mining operations including mineral sands operations where rare earths have, until recently, been considered a waste product. 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 the concentrate. As a result, less emphasis is being placed on prospective hard-rock sources of rare earth concentrate.

The Company has one or more immediate buyers of rare earth concentrate, located in China. The intention is to secure concentrate supply from outside of Chin and deliver the concentrate to the Chinese buyer(s); if and when the Company's refinery projects become operational then the concentrate would be redirected.

The Company believes that its integration strategy will position it 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 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 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 late 2010 and early 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 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 and with the general slowing of the Chinese economy.

Despite these developments, the Company believes that industry fundamentals remain sound albeit more challenging and less profitable 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 had 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. In September 2015, the Company acquired the assets of REC and in November 2015 the Company announced a joint venture with the Asian Group to design and build rare earth separation refineries.

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. As a result of this arrangement the Company is 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 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 rare earth refinery that is designed to process monazite rare earth concentrate and separate the concentrate into the entire spectrum of commercially traded rare earths including light and heavy elements. In order to complete the purchase the Company must, among other factors, (1) arrange for permits necessary for the operation of the refinery and (2) raise sufficient funds to complete the purchase.

- In April 2016, the Company granted 300,000 stock options to a director with an exercise price of $0.05 and exercisable until April 4, 2021.
- In March 2016, the Company appointed Christopher F. Goodman as a director of the Company and Michael Stares resigned from the board of directors.
- In January 2016 the Joint Venture Agreement with Mineracao Mata Azul S.A. ("MMA") expired regarding the financing of the Mata Azul property in Brazil. However, the Company's off-take agreement continues which, in part, allows the Company the right (but not the obligation) to purchase all rare earths derived from the Mata Azul property for 20 years at a discount to market but with a specified floor price.
- In December 2015, the Company received a promissory note due on December 1, 2018 in the amount of US$1,200,000 ($1,558,440) in selling its equity investment in a privately held Delaware company with property in the West Indies. When the Company acquired

this interest in September 2013, it was also granted a related 25 year lease and option to extend the lease for additional 25 years for an additional US$1,500,000 due at time of exercising the option. The lease and option pertain to 15 acres of land situated on a 75 acre prospective gold property. The Company may reverse the transaction and extend the original lease period by the period of time the promissory note is outstanding, if the promissory note is not paid out by December 1, 2018.

- In December 2015, the Company appointed Gordon J. Fretwell as a director of the Company.
- In November 2015, Mr. Rojer Li resigned as director of the Company so that he may spend more time in Asia. He will be actively engaged in the facilitation of the multitude of business activities and opportunities that CREC is currently pursuing. Mr. Li will continue as an advisor and source of business and business relations for the Company.
- In November 2015, the Company confirmed the assignment to it of a letter of intent to establish a Joint Venture (the "JV") originally entered into between REC and a leading international designer, builder and operator of rare earth refineries (the "Engineering Company"). The objective of the JV is to design, build and operate rare earth processing facilities in which the Company will establish an equity interest. Pursuant to the LOI, the Company is to: (i) initiate or secure projects for the JV; (ii) provide project liaison services and project management services; and (iii) facilitate sourcing of concentrate/feedstock and securing customers and off take agreements for such projects. The Engineering Company will provide engineering services; project management and execution services; cost estimates; refinery commissioning; and ongoing operations (if requested). Each of the JV partners will elect two directors and the four may elect a fifth. The directors of the JV will decide on terms and conditions of any design and build contracts presented by the Company. The two JV partners are proceeding on this basis but have not yet prepared the agreement.
- In October 2015, the Company announced signing of a distribution agreement with Ganzhou Zhanhai Industrial and Trade Co., Ltd. ("Ganzhou") for specialty rare earth products including high purity rare earth products. The Company has commenced the selling activities.

  With this agreement, the Company has the exclusive right to market, distribute and sell Ganzhou's rare earth products in Europe, the Americas, Russia and India and the non-exclusive right in Asia. The agreement continues in perpetuity so long as the Company purchases specified minimum values of inventory in two year sequential increments.
- In October 2015, the Company appointed Peter Shearing as chief operating officer. Mr. Shearing has international business experience in operations, engineering and manufacturing and will be involved with the development and integration of the REC assets.
- In September 2015, the Company acquired assets from REC, an affiliated private British Columbia company. See *Acquisition of CEC Rare Earth Corp Assets* below.
- 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 June 2015, the due diligence period pursuant to the Hinton Coal property option agreement lapsed. See *Exploration and Evaluation Assets* below.
- 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. The options were subsequently cancelled.
- Management conducted due diligence and made offers to purchase a European company whose business is complementary to our vertical integration strategy. The European company was acquired by another party.
- Management held discussions with the owner(s) of the Laotian refinery with the intention of both parties to revise the terms of the Company's engagement to advise on the permitting requirements and approach. The original mandate expired during the quarter ended September 30, 2015. In May 2016, the Company entered into the purchase agreement (above).

ACQUISITION OF CEC RARE EARTH CORP. ASSETS

In September 2015, the Company acquired assets from REC. The acquired assets included $190,795 of cash, $60,000 of inventory, receivables determined to have $nil fair value and intangible assets determined to have fair value of $232,765 in the form of certain business arrangements that relate to exploring for, mining, concentrating, sourcing, treating, separating and selling rare earths in all forms and at all stages, and rights to earn equity positions in various initiatives. The Company wrote off the $60,000 of inventory at March 31, 2016.

Consideration for the acquired assets includes 1) 24,178,000 common shares, subject to an escrow provision over 18 months; 2) three royalties adding to 13%, based on non-refundable gross collected proceeds derived from the acquired assets. The Company can acquire one of the three royalties amounting to 3% by issuing 15,712,000 shares within two years following the acquisition; and, 3) continuing the exercise period for 5,000,000 options exercisable at $0.10 per share until November 8, 2017. Additionally, the Company has also agreed to indemnify REC for up to $40,000 of Canadian corporate income taxes resulting from this transaction, if any.

EXPLORATION AND EVALUATION ASSETS

The Company's mineral projects include the 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 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 "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 joint venture terminated in January 2016 and the long term rights agreement continues.

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 for 20 years. Pursuant to this agreement, the Company has the right but not the obligation to purchase some or all of the rare earth 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 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. 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

Mann #1, 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 (Nb205) and 0.18% beryllium oxide (BeO) at a 0.60% TREO cut-off grade in the inferred category.
- Neodymium content is 15.9% of the TREO.
- Calculation is based on over 5,140 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 of 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.

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 management had decided not to pursue additional exploration work.

At present, the Company controls 12 claim blocks totaling 231 claim units in the Red Wine Complex. The Company is maintaining the property and seeking business opportunities for the Red Wine project.

Red Wine Property – Zimtu - Pursuant to an option agreement in September 2012, the Company acquired 100% ownership in the property. The optionors retain a 2% NSR of which the Company has the right to purchase one-half (1%) of the NSR from the optionors for $1,000,000. Currently the property is comprised of 7 claim blocks totalling 50 units.

CLAY-HOWELLS

During fiscal 2015, the Company allowed 16 unpatented claims (mining) to be cancelled. The property now consists of 45 patented claims (mining and surface) and 12 unpatented mining claims 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 (Nb205) 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% Fe_2O_3 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

The Company allowed 17 unpatented claims to lapse during fiscal 2014. In the year ended March 31, 2016, the Company allowed an additional 23 unpatented claims to lapse and wrote off $58,754.

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 or otherwise dispose of the surface rights for the Springer project. The property is currently comprised of 32 unpatented mining claims located in Springer Township and the adjacent townships of Field to the north and Pedley to the east. In the year ended March 31, 2016, the Company fully impaired the property and wrote off $50,620.

COLDWELL COMPLEX

The Coldwell Complex property was acquired by staking and is 100% owned by the Company. The property currently consists of one 16 unit unpatented mining claims and is located in the Coldwell Alkaline Complex in Northern Ontario. The Coldwell property is located 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% Ce205, 1.35% Nb_2O_5 and 2.44% ZrO_2 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% Nb_2O_5 to 1.29% Nb_2O_5. 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:

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 Coal property for $1,020,000 and received a non-refundable deposit of $20,000.

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.

As of June 24, 2015, the agreement to option the Hinton property expired. Due to conditions in the coal market, negotiations with the former optionee have ceased. In the year ended March 31, 2016, the Company fully impaired the Hinton Coal property and wrote off $985,014.

FINANCIAL

CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of certain selected financial information that is qualified by the more detailed information appearing in the audited consolidated financial statements of the Company for the year ended March 31, 2016.

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	2016 $	2015 $	2014 $
Revenue (corporate finance fee)	92,363	192,667	-
Revenue (interest income)	12,822	8,995	26,061
Loss for the year	(2,134,775)	(666,518)	(2,633,741)
Loss per share, basic and diluted	(0.01)	(0.00)	(0.02)
Total assets	2,190,495	3,735,550	4,397,314

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

	Revenue	Exploration costs	Expenses	Loss and comprehensive loss for the period	Loss per share
Quarter ended:	$	$	$	$	$
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)
June 30, 2015	92,363	-	238,040	(203,462)	(0.00)
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)

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

Factors affecting quarterly losses include:

- June 30, 2014 – the Company sold the Manitouwadge Graphite property and recognized a gain of $130,295, which reduced our loss to $30,404.

- June 30, 2015 – the Company wrote off the Red wine project and balance of the Clay-Howells property as the management made a decision not to allocate any resources towards them.

RESULTS OF OPERATIONS

The Company earned corporate finance fees of $92,363 during the year ended March 31, 2016 compared to $192,667 during the year ended March 31, 2015. 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 received US$25,000 per month. The term of the engagement was for 12 months and expired during the quarter ended September 2015 although payments ceased in June 2016 as the parties began to negotiate the terms of a new mandate agreement, which culminated in the purchase agreement announced on May 9, 2016.

The Company also earned interest and investment income of $12,822 during the year ended March 31, 2016 compared to $8,995 earned during the year ended March 31, 2015. The increase in interest income is attributable to interest accrued on the promissory note.

The Company's unrealized foreign exchange gains increased during the current period due to the US dollar strengthening against the Canadian dollar.

Total business development, exploration costs and company expenses for the year ended March 31, 2016 were $767,589 compared to $998,475 for the year ended March 31, 2015.

Generally, administrative and regulatory expenses in the year ended March 31, 2016 were comparable to the prior period. Consulting fees decreased to $269,582 compared to $591,640 in the comparative period, while share-based payments increased to $115,580 compared to $13,399 in the comparative period due to management issuing 8,375,000 options in the current year compared to 250,000 options in the comparative year. Net loss and comprehensive loss for the year ended March 31, 2016 was $2,134,775 or $0.01 loss per share compared to a loss of $666,518 or $0.00 loss per share at March 31, 2015. The substantial increase in net loss was primarily due to write-down of exploration and evaluation assets of $1,840,203 compared to $nil in the prior period.

CASH FLOWS

The Company used cash of $428,041 in operating activities during the year ended March 31, 2016 compared to $797,225 in the year ended March 31, 2015.

Cash flows provided by investing activities were $720,172 for the year ended March 31, 2016 compared to $617,171 for the year ended March 31, 2015.

Fourth Quarter Results

The Company earned corporate finance fees of $nil during the fourth quarter of 2016 compared to $94,995 during the comparative quarter. Total business development, exploration costs and company expenses for the quarter ended March 31, 2016 were $61,362 compared to $240,192 for the comparative quarter. The decrease is primarily attributable to a reduction in consulting fees to $37,302 in the fourth quarter of 2016 compared to $175,013 in the comparative quarter. Loss and comprehensive loss for the fourth quarter of 2016 was $449,929 or $0.00 loss per share compared to $30,404 or $0.00 loss per share in the comparative quarter.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2016, the Company had $323,471 in cash (March 31, 2015 - $52,617), held short-term investments of $nil (March 31, 2015 - $540,000) and had net working capital of $324,391 (March 31, 2015 - $690,236).

At this time, 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 year ended March 31, 2016, the Company issued 24,178,000 shares in connection with the acquisition of the REC assets. During the year ended March 31, 2016, 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 a commitment towards an office lease as described in note 16 of the March 31, 2016 consolidated financial statements.

Related Party Transactions

Payee	Relationship	Nature of Transaction	March 31, 2016 $	March 31, 2015 $
Tracy A. Moore	President & CEO	Reimbursement for office, travel related expenditures and share-based payments	57,559	35,388
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Compensation	60,000	60,000
Peter Shearing	Chief Operating Officer	Travel related expenditures, share-based payments	55,597	120
EchoTrack Inc.	Company controlled by Peter Shearing	Compensation	30,000	-
Bill Purcell	Director	Share-based payments	6,501	120
Michael Stares	Former director	Compensation including fee, share-based payments and reimbursement of exploration and travel related expenses	51,787	52,705
Stares Contracting Corp.	Company controlled by Michael Stares, Director	Payments for premises rental charges	7,200	17,600
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell	Legal fees charged/accrued during the period	56,659	32,679
Gordon J. Fretwell	Director	Share-based payments	15,168	120
Salil Dhaumya	CFO	Share-based payments	3,749	2,344
Koios Corporate Financial Services Ltd.	Company 50% owned by Salil Dhaumya	Compensation and reimbursements for office related expenses	32,513	7,690
CEC Rare Earth Corporation	Company related by common directorships	Fees paid for consulting services	135,000	428,000
Laos Xiangjiang Rare Earth Resources Co. Ltd.	Company controlled by a former director's relative	Fees earned for providing corporate finance services	92,363	192,667

As at March 31, 2016, the Company had $6,194 included in accounts payable and accrued liabilities that was payable to related parties (March 31, 2015 - $4,323). The payment terms are similar to the payment terms of non-related party trade payables.

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

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

Interest Rate Risk

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

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

STOCK OPTIONS

The Company may grant options to the Company's directors, officers, employees and service providers under the Company's stock option plan. In December 2012, the shareholders of the Company approved an incentive stock option plan which provides that the maximum number of common shares reserved for issuance under the plan is 28,552,428.

In April 2016, the Company 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 July 2015, the Company granted stock options to directors, officers, employees and consultants to purchase up to 7,875,000 common shares at an exercise price of $0.05 until July 8, 2020. The options vest in four equal instalments over 18 months.

In May 2015, the Company granted stock options to a consultant to purchase up to 500,000 common shares at an exercise price of $0.05 until May 15, 2020. The options vest in four equal instalments over 18 months with the first instalment vesting in August 2015. The options were subsequently cancelled.

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 24,050,000 common shares expiring at various dates between January 2017 and April 2021, exercisable at various prices between $0.05 and $0.17 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 24,050,000.

The Company has a contingent commitment relating to its May 9, 2016 agreement with the company in Laos to issue warrants to purchase 40,000,000 common shares of the Company at $0.25 per warrant share, at the closing of the purchase of the Laos company's shares.

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, 2016, the Company has incurred and capitalized $nil (March 31, 2015: $1,829,580) 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 situations 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 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. 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 those situated outside of China, arranging for the commissioning of 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 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 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 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 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.