CANADA RARE EARTH CORP.

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

For the three month period ended June 30, 2014

August 22, 2014

General

This Management Discussion and Analysis ("MD&A") is dated August 22, 2014 and is in respect of the three month period ended June 30, 2014. The following discussion of the financial condition and results of operations of Canada Rare Earth Corp. (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three month period ended June 30, 2014.

The discussion should be read in conjunction with the condensed consolidated interim financial statements at the Company for the three month period ended June 30, 2014, including the notes thereto and the audited consolidated annual financial statements and corresponding notes to the financial statements for the year ended March 31, 2014. All financial information has been prepared in accordance with International financial reporting standards ("IFRS"). 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 the SEDAR website at www.sedar.com.

Going Concern

The condensed consolidated financial statements of the Company for the three month period ended June 30, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") on the basis applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company's investment in mineral properties and exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop its properties and establish future profitable production from the properties, or from the proceeds of their disposition.

The Company is a development stage Company and has not earned any significant revenue to date. The Company is developing a vertically integrated business within the global rare earth industry. The Company has not yet determined whether its resource properties contain ore reserves that are economically recoverable.

Overview of the Company

The Company is a Canadian development stage public company developing a vertically integrated business within the global rare earth industry from the initial mandate of acquiring and exploring mineral property interests. The Company's common shares are listed on TSX Venture Exchange under the trading symbol "LL".

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

Highlights

The three month period ended June 30, 2014 was highlighted by the following activities:

CORPORATE DEVELOPMENTS

The Company is continuing with its objective of developing an integrated rare earth business with refining capabilities in various jurisdictions including the United States, the Caribbean and South America through the following initiatives:

- The Company is continuing to consider one or more sites in the United States for a rare earth refinery including the 140 acre parcel of land in Washington State which is proceeding through environmental cleanup. See news release dated May 6, 2013.
- The Company has maintained its investment in the Delaware company ("Delawareco") which has provided the Company with the right to lease 15 acres of Delawareco's 2,500 hectare parcel of land in Haiti. The Company continues to seek financing and obtain regulatory approvals to establish a full spectrum refinery on that acreage. See news release dated September 27, 2013.
- The Company is continuing with negotiations with Mineracao Mata Azul S.A. ("Mata Azul"), the owner of a rare earth property situated in Tocantins, Brazil (the "Property") with a view to finalizing a corporate relationship for the continued exploration of the Property and if warranted the development of a rare earth concentration facility and refinery. See news release dated February 24, 2014

In addition to the rare earth refinery initiatives, the Company is continuing to seek purchasers of its non-core coal and graphite property assets as well as the surface rights to its Springer rare earth property.

FINANCE

- The balance of cash and short-term investments was $1,039,013 as at June 30, 2014 and the balance of working capital as at June 30, 2014 was $1,116,561.

EXPLORATION

- $21,365 was incurred on exploration activities in 2014 (2013: $19,212) of which $14,424 was incurred in respect of the Mata Azul project (2013: $nil) and $41 was incurred in respect of Clay-Howells Property (2013: $40). The Company is currently evaluating the Mata Azul project..

Delawareco

The Company currently owns a 12% investment in common shares of a private Delaware company. Delawareco is a U.S. based mineral exploration and exploitation company.

As part of its agreement to purchase the shares of Delawareco, the Company obtained the right to lease, for an initial period of 25 years, 15 acres of deeded land, on which it would be suitable to construct a rare earth refinery.

Exploration and Evaluation Assets

The Company's advanced projects are the Springer project, the Red Wine project and the Clay-Howells property. Other projects include a property in the Coldwell Complex, the Manitouwadge Graphite property and the Hinton Coal property.

Springer

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

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

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

During the 2014 fiscal year, the Company determined no further exploration work would be conducted on the project and as a result wrote off $537,276 in exploration and evaluation assets.

2014 - 2015 outlook

The Company is intending to sell the surface rights for the Springer project.

Red Wine

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

The material properties of the Company's Red Wine project consist of the Mann #1 property (comprised of 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 2010/2011 a total of 23 holes were drilled on the Two Tom property and an independent resource report was completed on December 10, 2011, containing the following highlights:

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

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

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

In 2012, the Company decided to select the Two Tom property, the Mann #1 property and the Dory Pond property as the properties to concentrate on in the Red Wine Complex and allowed other properties with less potential to be dropped. 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 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 the 2014 fiscal year, the Company determined which claims would not be subject to further exploration work and, as a result, wrote off $702,406 in exploration and evaluation assets.

2014 - 2015 outlook

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

<u>Clay-Howells</u>

The Clay-Howells property consists of 45 patented claims (mining and surface) of approximately 720 hectares and 32 unpatented claims (mining) of approximately 5,340 hectares located 45 kilometers north-northeast of Kapuskasing, Ontario. The Clay-Howells property is accessible by existing forest roads leading north from the mill town of Kapuskasing, where infrastructure including highway, railroad, pipelines and airports are readily available. Because of its REE potential and its similarity to the Bayan Obo Iron-REE Mine in China, the Company purchased a 100% interest in the patented claims subject to a 2-per-cent net smelter return royalty ("NSR"). The Company has the right and option to purchase, at any time, one-half of the NSR in consideration of the payment of $1-million to the optionor.

Historical exploration

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

- 8.5 million tonnes grading at 0.73% total rare earth oxide (TREO), 0.13% Niobium Oxide (Nb205) and 44.17% iron oxide (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 5436 m of drilling in 18 holes and 1825 assay samples covering 700 meters of strike length to an average depth 280 meters
- Resource areas open along multiple directions and to depth

During the 2014 fiscal year, the Company determined which claims would not be subject to further exploration work and, as a result, wrote off $23,589 in exploration and evaluation assets.

2014 - 2015 outlook

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

<u>Coldwell Complex</u>

The Coldwell Complex Property was acquired by staking and is 100% owned by the Company and consists of 6 claims totaling 83 units 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 km east of Thunder Bay.

The Coldwell property mainly covers the central and western sections of the Coldwell Complex. There are 12 historic occurrences of niobium, zirconium, yttrium, and REE's documented on the property to date. Values up to 1.2% Ce205, 1.35% Nb2O5 and 2.44% ZrO2 were reported from grab samples.

Historical exploration

Field work including airborne surveying and prospecting was initiated on this project in May 2011. New prospect sample results include values ranging from 0.03% up to 3.97% TREO with HREO/TREO ratios ranging from 9% to 54%. Niobium values were also highly prospective with values ranging from 0.02% Nb_2O_5 to 1.29% Nb_2O_5. The sampling program was focused on airborne radiometric anomalies outlined from the recently completed 1522 line kilometer airborne magnetic and radiometric survey. These new discoveries confirm that the Coldwell Property hosts REE mineralization with a significant Heavy REE component and the zones tend to be associated with radiometric anomalies which in some cases are several kilometers in size.

During the 2014 fiscal year, the Company determined which claims would not be subject to further exploration work and, as a result, wrote off $108,336 in exploration and evaluation assets.

2014 - 2015 outlook

The Company is currently seeking business opportunities for the Coldwell Complex property.

<u>Hinton Coal Property</u>

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

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

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

(tonnes)

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

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

(tonnes)

	Measured	Indicated	Inferred
HV 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 metres were drilled in and around the area. The high volatile, bituminous, low sulphur coal of the Hinton Coal Property is part of the Coalspur Formation. The quality of the coal indicates that it is suitable for the international export thermal coal market after beneficiation. The Company has completed a preliminary engineering study on the development of this project.

Historical exploration

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

2014 - 2015 outlook

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

Manitouwadge Graphite Property

The Manitouwadge Graphite Property was acquired by staking and is 100% owned by the Company and consists of 15 claims totaling 200 units and is located approximately 30 kilometres north of the town of Manitouwadge in northwestern Ontario. Most of the property is accessible by road and parts of the property which are inaccessible from roads are best reached by helicopter from the Marathon Airfield.

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

During the 2014 fiscal year, the Company determined which claims would not be subject to further exploration work and, as a result, wrote off $4,809 in exploration and evaluation assets.

2014 - 2015 outlook

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

Exploration and Evaluation Expenditures

The Company's Exploration and evaluation assets represent costs incurred to acquire these assets. These costs are capitalized pursuant to the Company's accounting policy for recording such costs.

During the year ended March 31, 2014 and three month period ended June 30, 2014, the changes in the Company's exploration and evaluation assets balance are as follows:

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Mineral Interests	Springer $	Red Wine $	Clay-Howells $	Coldwell Complex $	Hinton Coal $	Manitouwadge Graphite $	Other $	Total $
Balance, March 31, 2013	533,523	1,076,467	429,455	122,002	1,020,000	33,514	71,448	3,286,409
Acquisition costs for the year	53,753	-	2,706	-	-	-	-	56,459
Write-downs	(537,276)	(702,406)	(23,589)	(108,336)	-	(4,809)	(71,448)	(1,447,864)
Balance, March 31, 2014	50,000	374,061	408,572	13,666	1,020,000	28,705	-	1,895,004
Acquisition costs for the year	-	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-	-
Balance, June 30, 2014	50,000	374,061	408,572	13,666	1,020,000	28,705	-	1,895,004

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

During the three month period ended June 30, 2014, the Company recorded the following exploration expenditures:

Exploration Expenditures	Springer $	Red Wine Complex $	Clay-Howells $	Coldwell Complex $	Manitouwadge Graphite $	Other $	Total $
Other	41	6,900	-	-	-	14,424	21,365
Exploration Expenditures for the period	41	6,900	-	-	-	14,424	21,365

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

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

Selected Annual Financial Information

Year Ended March 31,		2014		2013		2012
Revenue (Interest income)	$	26,061	$	25,037	$	107,277
Loss and comprehensive loss	$	(2,633,741)	$	(1,898,402)	$	(5,572,355)
Loss per share – basic and diluted	$	(0.02)	$	(0.02)	$	(0.07)
Total assets	$	4,397,314	$	6,863,340	$	5,647,815
Income tax expense (recovery)	$	NIL	$	NIL	$	(418,955)
Dividends	$	NIL	$	NIL	$	NIL

Summary of Quarterly Results

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

	First Quarter Ended June 30, 2014 ($)	Fourth Quarter Ended March 31, 2014 ($)	Third Quarter Ended December 31, 2013 ($)	Second Quarter Ended September 30, 2013 ($)	First Quarter Ended June 30, 2013 ($)	Fourth Quarter Ended March 31, 2013 ($)	Third Quarter Ended December 31, 2012 ($)	Second Quarter Ended September 30, 2012 ($)
Revenue – Interest income	**2,992**	**2,959**	**15,957**	**(3,536)**	**10,681**	**11,727**	**13,024**	**8,869**
Exploration costs	**21,365**	**4,937**	**12,836**	**30,466**	**19,212**	**2,399**	**3,488**	**112,938**
Expenses	**199,500**	**205,658**	**300,715**	**275,770**	**362,344**	**434,228**	**509,784**	**431,621**
Loss and comprehensive loss for the Period	**(217,873)**	**(1,655,500)**	**(297,594)**	**(309,772)**	**(370,875)**	**(424,900)**	**(500,248)**	**(535,690)**
Loss Per Share	**(0.00)**	**(0.02)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.01)**	**(0.00)**	**(0.00)**

Financial and Operational Performance

Financial Condition

The Company's cash balance as at June 30, 2014 was $39,013 (March 31, 2014: $232,671) as well as short-term investments totaling $1,000,000 (March 31, 2014: $1,000,000). All investments are held in fully liquid instruments with a major Canadian financial institution.

Current assets of the Company as at June 30, 2014 were $1,164,658 compared to $1,360,590 as at March 31, 2014. The decrease was attributable to a reduction in cash for the purpose of exploration and general expenditures.

Total assets as at June 30, 2014 were $4,201,382 compared to $4,397,314 as at March 31, 2014, a decrease attributable to a reduction in cash for the purpose of exploration and general expenditures.

Current liabilities as at June 30, 2014 were $54,997 compared to $44,111 at March 31, 2014. This increase is attributable to various items recorded in accounts payable and accrued liabilities at the year end.

Shareholders' equity decreased to $4,146,385 at June 30, 2014 from $4,353,203 at March 31, 2014 due to exploration and general expenditures that increased the deficit to $17,903,120 at June 30, 2014 from $17,685,247 at March 31, 2014.

Results of Operations

The Company earned interest and investment income of $2,992 during the three month period ended June 30, 2014 compared to $10,681 earned during the three month period ended June 30, 2013. The decrease in interest income is attributable to a decrease in the amount invested in short-term investments.

Total exploration costs and company expenses for the three month period ended June 30, 2014 were $220,865 compared to $381,556 for the three month period ended June 30, 2013. The decrease of $160,691 is primarily attributable to three factors: a decrease in Consulting fees of $19,500 to $90,000, a decrease in share-based payments of $121,358 to $11,055 and a decrease in travel and accommodations of $28,956 to $(317) as less travel was incurred during the period. There was an increase in Professional fees to $26,009 at June 30, 2014 compared to $10,077 at June 30, 2013 due to an accrual recorded and legal fees incurred in respect to due diligence on the Mata Azul project. Loss and comprehensive loss for the three month period ended June 30, 2014 was $217,873 or $0.00 loss per share compared to $370,875 or $0.00 loss per share at June 30, 2013 because of these noted factors.

Expenses incurred during the three month periods ended June 30, 2014 and 2013 consist of:

	June 30, 2014 $	June 30, 2013 $
Exploration costs	21,365	19,212
Consulting fees	90,000	109,500
Advertising and promotion	-	11,137
Listing, filing and transfer agent	16,055	10,617
Office and miscellaneous	7,853	7,673
Professional fees	26,009	10,077
Rent	5,400	5,400
Share-based payments	11,055	132,413
Travel and accommodation	(317)	28,639
Wages & benefits	43,445	46,888

The cumulative deficit from inception of the Company is $17,896,220.

Cash Flows

The Company used cash of $193,658 in operating activities during the three month period ended June 30, 2014 versus cash used in operating activities of $302,299 in the prior period. Main components of the decrease in cash used in operating activities include property decease in exploration and general expenditures.

Cash flows provided by investing activities were $nil for the three month period ended June 30, 2014 versus cash flows provided by investing activities of $246,419 for the three month period ended June 30, 2013. The change was the result of net redemption of short-term investments for exploration and evaluation assets and exploration and general expenditures.

Liquidity and Capital Resources

As of June 30, 2014, the Company had $39,013 in cash (March 31, 2014: $232,671) and held short-term investments of $1,000,000 (March 31, 2014: $1,000,000). Interest and other receivables were $15,539 (March 31, 2014: $15,766) and prepaid expenses and deposits were $5,082 (March 31, 2014: $7,129).

Accounts payable and accrued liabilities of $54,997 at June 30, 2014 (March 31, 2014: $44,111) includes period-end accrual for legal fees, consultants and other amounts. These were incurred in the normal course of business and settled subsequently.

Working capital at June 30, 2014 was $1,109,661 (March 31, 2014: $1,316,479).

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

In addition to the funds in the Company's treasury, the Company intends to continue raising funds for future rare earth refinery projects, 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 three month periods ended June 30, 2014 and 2013, the Company did not issue any shares in connection with evaluation and development of assets.

The Company applies the fair value method of accounting for share-based payments to directors, officers, employees and consultants and accordingly $11,055 (June 30, 2013: $132,413) is recorded as share-based payments expense and under capital stock as share-based payments for the 208,356 options vesting to directors, officers, employees and consultants during the three month period ended June 30, 2014 (June 30, 2013: 2,898,758).

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 note 5 with respect to certain agreements on its mineral property interests.

Related Party Transactions

The Company paid or accrued the following amounts to related parties during the three months ended June 30, 2014 and June 30, 2013:

Payee	Description of Relationship	Nature of Transaction	June 30, 2014 Amount $	June 30, 2013 Amount $
Stares Contracting Corp.	Company controlled by Michael Stares, Director	Payments for premises rental, supply of labour and reimbursement of exploration expenditures	5,400	5,400
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Secretary	Legal fees charged/accrued during the period	16,390	5,000
CEC Rare Earth Corporation	Company related by common directorships	Fees for consulting services	75,000	75,000
Moore Consulting Services Inc.	50% of Company owned by Tracy A. Moore, President & CEO	Fees for services as President and CEO	15,000	15,000

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

Included in accounts payable and accrued liabilities as at June 30, 2014 is $15,000 (2013 - $35,000) to Gordon J. Fretwell Law Corporation and $4,068 (2013 - $2,034) to Stares Contracting Corp., The payment terms are similar to the payment terms of non-related party trade payables.

Key management personnel remuneration during the period included $50,938 (June 30, 2013 - $39,548) in salaries and benefits and $5,300 (June 30, 2013 - $62,177) in share-based payments.

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.

Other MD&A Requirements

Additional Disclosure for Venture Issuers without Significant Revenues:

As of June 30, 2014, the Company has incurred and capitalized $1,895,004 (March 31, 2014: $1,895,004) as exploration and evaluation assets since inception of the Company net of write-downs and recoveries.

Outstanding Share Data

At the date of this management's discussion and analysis, there are 142,762,141 common shares outstanding as well as: (a) stock options to purchase an aggregate of 22,756,393 common shares expiring at various dates between October 31, 2014 and November 8, 2017 and exercisable at various prices between $0.10 and $0.60 per share; and (b) share purchase warrants to purchase an aggregate of 28,000,000 common shares expiring on September 11, 2014, exercisable at $0.10. For additional details of share data, please refer to Note 8 of the June 30, 2014 condensed consolidated interim financial statements.

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

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 negotiating with viable, long term sources of rare earths, transitioning rare earth exploration properties into mines, assisting with fund raising to support mining operations, identifying and negotiating with rare earth refineries situated outside of China either to acquire partly or entirely, or commissioning the design, build and operation of 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 yet to be identified, delays in obtaining permits, licenses and operating authorities, environmental matters, water and land use risks, risks associated with the industry in general, commodity prices and exchange rate changes, operational risks associated with exploration mining, development and production, 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 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 exploitation 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 move forward with its development and exploration activities, the Company will likely require additional funding. There can be no guarantee that such funds will be available as and when required or, if available, be accessible on reasonable commercial terms.

Reliance on Management

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

Auditors, Transfer Agents and Investor Relations

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

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

Commitments and Contingencies

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

Forward Looking Statements

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

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