CANADA RARE EARTH CORP.

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

For the year ended March 31, 2014

July 14, 2014

General

This Management Discussion and Analysis ("MD&A") is dated July 14, 2014 and is in respect of the year ended March 31, 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 year ended March 31, 2014.

The discussion should be read in conjunction with the audited consolidated annual financial statements and corresponding notes to the financial statements for the year ended March 31, 2014. The Company's audited consolidated annual financial statements have 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 audited consolidated financial statements of the Company for the year ended March 31, 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 year ended March 31, 2014 was highlighted by the following activities:

CORPORATE DEVELOPMENT

- On May 2, 2013, the Company signed a letter of intent for the potential purchase 140 acres of land in Washington State for the purpose of considering the custom design and construction of a rare earth refinery. The asking price for this land is $50,000/acre, and the final purchase price is subject to negotiation with the vendor. The transaction is subject to due diligence and raising necessary financing. A number of extensions to this agreement have been mutually agreed by the parties in order for the prospective vendor to deal with environmental cleanup issues affecting the property.
- On September 27, 2013, the Company announced that it entered into a share purchase agreement with a private Delaware company ("Delaware Co.") to acquire, 2,348,147 common shares of Delaware Co. for US$1.1 million (the "Investment"). At March 31, 2014, the Company owned a 12% equity interest in Delaware Co. and the Company also obtained the right to lease, for an initial period of 25 years, 15 acres of land. The Company has also been given an option to enter into a second 25 year term at the end of the initial term.
- On February 24, 2014, the Company announced that it entered into a letter of intent ("LOI") with Mineracao Mata Azul S.A. ("Mata Azul"), a private Brazilian company to form a joint venture for the development of an integrated rare earth business in Brazil (the "Project"). The Company will have an initial 47.5% Joint Venture interest, but will have 50% of the Joint Venture voting rights. The Joint Venture will involve exploration of Mata Azul's rare earth property in Tocantins, Brazil (the "Property") and if warranted the development of a rare earth mine and concentration facility and separation refinery for the production of rare earth oxides for sale to end user customers.

FINANCE

- The balance of cash and short-term investments was $1,232,671 as at March 31, 2014 and the balance of working capital as at March 31, 2014 was $1,316,479.

EXPLORATION

- $67,451 was incurred on exploration activities in 2014 (2013: $294,443) of which $36,153 was incurred in respect of the Lavergne-Springer project (2013: $99,050) and $21,200 was incurred in respect of Red Wine Property (2013: $70,290). During 2013-2014, mineralogy studies continued on the Lavergne-Springer project.

Delaware Co.

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

As part of its agreement to purchase the shares of Delaware Co., the Company obtained the right to lease, for an initial period of 25 years, 15 acres of deeded land, 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.

Partial drill results from a 1969 four-hole program included 0.98% Rare Earth Oxide (REO) over 112.7 meters which included a higher grade section of 1.22% REO over 63.3 meters (DDH-L-69-1). Since acquiring the Lavergne-Springer project in 2011, the Company has conducted sampling of old pits and trenches from historic work completed in the 1960's by Geophysical Engineering and Surveys Ltd., and has completed mineralogical and mineral processing studies, drilling, mapping, and airborne magnetic and radiometric geophysical surveys. Twenty of 22 drill holes totalling 6080 meters intersected rare earth mineralization along an 800 m strike length. Mineral characterization studies have confirmed the nature of the REE mineralogy to be synchysite, a calcium rare earth element ("REE") fluorocarbonate mineral.

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.

Historical exploration

During 2011 and 2012 the Company conducted various programs on the Springer project as follows:

- A semi-detailed mapping program.
- A petrographic study and identification of the major REE bearing minerals,
- A mineralogical and preliminary bench scale mineral processing stufy on selected samples.
- A 960 kilometre line airborne radiometric and magnetic survey.
- Two phases of diamond drilling consisting of 22 holes over 6,080 metres.

During 2013, metallurgical work was carried out by XPS to investigate the amenability of the ore to a mineral concentrate by froth flotation. Further work is required to establish an optimum process.

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 37 claim units) and Two Tom property (comprised of 34 claim units) which were acquired by option from third parties and the Dory Pond property which was acquired by staking by the Company.

Historical exploration

Work carried out at the Red Wine project during 2011 included prospecting, soil sampling and diamond drilling. In-fill drilling was completed at the Two Tom property and a 43-101 compliant resource was calculated. On the Dory Pond property, prospecting, soil sampling and drilling was completed in order to advance and identify a number of heavy rare earth targets. A description of the results is outlined below.

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: Y_2O_3 (0.43%), Dy_2O_3 (0.061%), Gd_2O_3 (0.050%), and Er_2O_3 (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.

Clay-Howells

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.

Between 2010 and 2012, the Company has completed airborne geophysics, ground geophysics, prospecting, mineralogy studies and a diamond drilling program designed to test the rare earth element (“REE”) potential of the historical iron ore resource drilled by Mattagami Mining in the late 1950’s and to explore for additional REE showings within the Clay-Howells Carbonatite Unit. Drilling in 2010 (5,432 meters in 18 holes) on the Clay-Howells property delineated near surface REE - Niobium (“Nb”) mineralization over a strike length of 700 meters and to a vertical depth of up to 250 meters from the surface. All holes were successful in intersecting the magnetite/REE zones over substantial width, and geochemical analysis of the drill core show that the Clay-Howell Fe - REE deposit is light rare element (LREE) enriched.

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 (Fe_2O_3) 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 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% 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 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.

Hinton Coal Property

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.

	Measured	Indicated	Inferred
HV C Bituminous (thermal)	33,339,000	23,838,000	8,559,000

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 from 12:1 to 20:1 Strip Ratio
(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.

A due diligence prospecting program was undertaken by the Company in April, 2012 and values ranging up to 6.17% C-graphite were obtained from samples of three new graphite occurrences along a minimum 900 meter trend coincident with three parallel conductive zones located within an intense magnetic low. The (AEM) anomalies associated with the graphite horizons have a strike length exceeding 4 km. The Company completed a trenching/chip sampling program and a preliminary mineralogy/particle size analysis. Results from the trenching/chip sampling include 3.92% C-Graphite over 8.0 meters (m) from the North Zone, 2.96% C-Graphite over 12 m from the Central Zone, and 4.18% C-Graphite over 6.5 m from the South Zone (Thomas Lake Road Occurrence).
The particle size analysis completed on a crushed portion of a sample from the North Zone which analyzed 9.27% C-Graphite confirmed the presence of flake graphite, recognized in both the plus 65 mesh (0.212 mm) and plus 35 mesh (0.425 mm) fractions with 42.9% of the total Graphite reporting to the plus 35 mesh and 69.4% of total Graphite in the plus 65 mesh fraction. The sample was also sent for a mineralogical analysis to determine the grain size of graphite and a semi-quantitative mineralogical analysis. Significant graphite liberation is achieved when stage-ground to passing 20 mesh. Flake size determinations show a size of 310 microns which is considered coarse flake graphite.

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 year ended March 31, 2013, 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 Complex $	Clay-Howells $	Coldwell Complex $	Hinton Coal $	Manitouwadge Graphite $	Other $	Total $
Balance, March 31, 2012	444,990	882,667	426,749	122,002	1,020,000	12,800	71,448	2,980,656
Acquisition costs for the year	88,533	193,800	2,706	-	-	20,714	-	305,753
Write-downs	-	-	-	-	-	-	-	-

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	-	-	-	-	57,540
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

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

During the year ended March 31, 2014, the Company recorded the following exploration expenditures:

Exploration Expenditures	Clay-Howells $	Springer $	Coldwell Complex $	Red Wine Complex $	Manitouwadge Graphite $	Total $
Prospecting	-	-	408	-	-	408
Geology	-	19,056	-	14,288	100	33,444
Geophysical	-	-	-	-	-	-
Line cutting	-	-	-	-	-	-
Trenching	-	-	-	-	-	-
Diamond drilling	-	17,097	-	6,912	-	24,009
Other	40	-	-	-	9,550	9,590
Exploration Expenditures for the year	40	36,153	408	21,200	9,650	67,451

During the year ended March 31, 2013, the Company recorded the following exploration expenditures:

Exploration Expenditures	Clay-Howells $	Springer $	Coldwell Complex $	Red Wine Complex $	Manitouwadge Graphite $	Other $	Total $
Prospecting	-	-	2,275	-	6,588	14,659	23,522
Geology	1,585	84,250	580	16,319	40,371	2,727	145,832
Geophysical	-	-	1,463	-	12,037	-	13,500
Line cutting	-	-	-	-	18,900	-	18,900
Trenching	-	-	-	-	10,592	-	10,592
Diamond drilling	2,226	14,800	-	53,971	-	-	70,997
Other	-	-	-	-	1,500	9,600	11,100
Exploration expenditures for the year	3,811	99,050	4,318	70,290	89,988	26,986	294,443

<u>Selected Annual Financial Information</u>

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:

	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 ($)	First Quarter Ended June 30, 2012 ($)
Revenue – Interest income	**2,959**	**15,957**	**(3,536)**	**10,681**	**11,727**	**13,024**	**8,869**	**(8,583)**
Exploration costs	**4,937**	**12,836**	**30,466**	**19,212**	**2,399**	**3,488**	**112,938**	**175,618**
Expenses	**205,658**	**300,715**	**275,770**	**362,344**	**434,228**	**509,784**	**431,621**	**269,963**
Loss and comprehensive loss for the Period	**(1,655,500)**	**(297,594)**	**(309,772)**	**(370,875)**	**(424,900)**	**(500,248)**	**(535,690)**	**(437,564)**
Loss Per Share	**(0.02)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.01)**	**(0.00)**	**(0.00)**	**(0.01)**

Financial and Operational Performance

Financial Condition

The Company's cash balance as at March 31, 2014 was $232,671 (March 31, 2013: $117,793) as well as short-term investments totaling $1,000,000 (March 31, 2013: $3,400,000). All investments are held in fully liquid instruments with a major Canadian financial institution.

Current assets of the Company as at March 31, 2014 were $1,360,590 compared to $3,576,931 as at March 31, 2013. The decrease was attributable to the redemption of short-term investments for the purpose of exploration and general expenditures and the investment in Delaware Co.

Total assets as at March 31, 2014 were $4,397,314 compared to $6,863,340 as at March 31, 2013, a decrease resulting from the redemption of short-term investments for the purpose of exploration and general expenditures and the write-down of exploration and evaluation assets.

Current liabilities as at March 31, 2014 were $44,111 compared to $116,720 at March 31, 2013. This decrease is attributable to fewer items recorded in accounts payable and accrued liabilities at the year end.

Shareholders' equity decreased to $4,353,203 at March 31, 2014 from $6,746,620 at March 31, 2013 due to exploration and general expenditures that increased the deficit to $17,685,247 at March 31, 2014 from $15,051,506 at March 31, 2013.

Results of Operations

The Company earned interest and investment income of $26,061 during the year ended March 31, 2014 compared to $25,037 earned during the year ended March 31, 2013.

Total exploration costs and company expenses for the year ended March 31, 2014 were $1,211,938 compared to $1,940,039 for the year ended March 31, 2013. The decrease of $728,101 is primarily attributable to three factors: a decrease in exploration expenses of $226,992 to $67,451, a decrease in share-based payments of $323,935 to $240,325 and a decrease in wages and benefits of $211,712 to $179,009 as the previous President & CEO received a severance package valued at $116,211 during fiscal 2013. There was an increase in Consulting fees to $424,952 at March 31, 2014 compared to $228,320 at March 31, 2013 due to consulting agreements to identify rare earth refinery locations and the general consulting of REC. Loss and comprehensive loss for the year ended March 31, 2014 was $2,633,741 or $0.02 loss per share compared to $1,898,402 or $0.01 loss per share at March 31, 2013 because of these noted factors plus the write-down of exploration and evaluation assets.

Expenses incurred during the years ended March 31, 2014 and 2013 consist of:

	March 31, 2014 $	March 31, 2013 $
Exploration costs	67,451	294,443
Depreciation	-	16,615
Consulting fees	424,952	228,320
Advertising and promotion	23,152	65,162
Listing, filing and transfer agent	24,904	93,720
Office and miscellaneous	26,736	57,195
Professional fees	113,939	137,053
Rent	21,600	41,878
Share-based payments	240,324	564,259
Travel and accommodation	89,871	50,673
Wages & benefits	179,009	390,721
Write-down of exploration and evaluation assets	1,447,864	-

The cumulative deficit from inception of the Company is $17,685,247.

Cash Flows

The Company used cash of $1,086,943 in operating activities during the year ended March 31, 2014 versus cash used in operating activities of $1,030,481 in the prior year. Main components of the increase in cash used in operating activities include refundable security deposits on a potential refinery property.

Cash flows provided by financing activities during the year were $nil compared to $2,541,050 during the year ended March 31, 2013. During the year ended March 31, 2013, net proceeds of $2,541,050 were raised pursuant to issuance of capital stock for cash.

Cash flows provided by investing activities were $1,201,821 for the year ended March 31, 2014 versus cash flows used in investing activities of $1,464,636 for the year ended March 31, 2013. The change was the result of net redemption of short-term investments for exploration and evaluation assets, exploration and general expenditures and the investment in Delaware Co.

Liquidity and Capital Resources

As of March 31, 2014, the Company had $232,671 in cash (March 31, 2013: $117,793) and held short-term investments of $1,000,000 (March 31, 2013: $3,400,000). Interest and other receivables were $15,766 (March 31, 2013: $47,882) and prepaid expenses and deposits were $7,129 (March 31, 2013: $11,256).

Accounts payable and accrued liabilities of $44,111 at March 31, 2014 (March 31, 2013: $116,720) includes yearend accrual for expenditures on mineral properties, legal fees, consultants and other amounts. These were incurred in the normal course of business and settled subsequently.

Working capital at March 31, 2014 was $1,316,479 (March 31, 2013: $3,460,211).

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 year ended March 31, 2014, the Company did not issue any shares in connection with evaluation and development of assets compared to 900,000 shares issued with a value of $55,000 during the year ended March 31, 2013.

The Company applies the fair value method of accounting for share-based payments to directors, officers, employees and consultants and accordingly $240,324 (March 31, 2013: $564,259) is recorded as share-based payments expense and under capital stock as share-based payments for the 5,347,008 options vesting to directors, officers, employees and consultants during the year ended March 31, 2014 (10,662,125 vested during the year end 2013).

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 4 with respect to certain agreements on its mineral property interests.

Related Party Transactions

Refer to Note 8 of March 31, 2014 consolidated financial statements.

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 March 31, 2014, the Company has incurred and capitalized $1,895,004 (March 31, 2013: $3,286,409) 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 6 of the March 31, 2014 consolidated 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, Delaware Co. is a U.S. based mineral exploration and exploitation company focused on locations in Haiti. As part of the Company's agreement with Delaware Co., 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.