CANADA RARE EARTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nine months Ended December 31, 2018

GENERAL

The following is management's discussion and analysis ("MD&A") of Canada Rare Earth Corp. prepared as of February 22, 2019. This MD&A should be read together with the unaudited condensed consolidated interim financial statements for the nine months ended December 31, 2018 and the audited consolidated financial statements for the year ended March 31, 2018 and related notes.

Certain information included in the following MD&A may constitute forward-looking statements within the meaning of applicable laws and regulations. These forward-looking statements are not guarantees of future performance and involve risks and uncertainties, which could cause actual results to differ materially from those anticipated. We expressly disclaim any obligation to update forward-looking statements, unless so required by applicable law, and readers should read this MD&A with the understanding that actual future results may be materially different from those expected.

The Company's unaudited condensed consolidated interim financial statements for the nine months ended December 31, 2018 have been prepared in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee.

This MD&A contains "forward looking statements" that are subject to risk factors set out in this MD&A.

Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars, which is our functional and reporting currency. Additional information relating to us is available on SEDAR at www.sedar.com.

OVERVIEW

Canada Rare Earth Corp. (the "Company", "we" or "CREC") is a development stage company developing an integrated business within the global rare earth industry from the initial mandate of acquiring and exploring mineral property interests.

Historically, we were engaged solely in the exploration and development of precious metal and base metal mineral properties. Our focus was then directed to properties with the potential to host rare earth elements. As we have become more involved in the rare earth sector and have gained greater knowledge of the global rare earth supply chain, our attention, starting in about September 2012, expanded to the down-stream processing of rare earth products.

INCORPORATION AND ORGANIZATION OF THE COMPANY

We were incorporated under the laws of British Columbia on July 8, 1987. Our common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "LL".

Our head office and its registered office are located at 15th Floor - 1040 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4H1.

As of the date of this MD&A, we have three subsidiaries: REM Metals Corp., a wholly owned Ontario corporation; CREC South American Holdings Corp., a wholly owned British Columbia corporation; and CanBras Minerals LTDA, a Brazilian corporation, wholly owned by CREC South American Holdings Corp.

OUTLOOK

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

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

Our commercial activities have generated over $2,400,000 of sales over the past two years are generating gross profits but vary each quarter. We reported gross profits after deducting various royalties and amortization. Over the past two years, average revenues have been $302,000 per quarter. Revenues for the most recently completed quarter are less than average as we continue transitioning one of our supply chains to work with Talaxis Limited ("Talaxis" or the "Lender") resulting in a back log of shipments. We are expecting revenues to increase back to normal levels in the quarter ending March 31, 2019 as the backlog is expected to be reduced.

We have secured a key customer whose demands are currently greater than what we can supply hence we are devoting significant resources to maintain and increase our sources of concentrate. Readily available sources tend to be found in waste piles of mining operations focused on other minerals, such as heavy mineral sand operations. These operations are looking to augment their revenues and are more open to discussing sales with us. We are also in discussions with owners of prospective mines.

We believe that our integration strategy will position us to take advantage of the anticipated strong demand for rare earths, particularly those sourced and processed outside of China. Rare earth raw materials and value-added products are essential to many "green" technologies such as hybrid vehicles and wind power, and we believe that the global efforts to reduce reliance on fossil fuels in favour of alternative energy sources presents an extremely attractive opportunity for producers of rare earth elements. In addition to the emerging "green" technology sector there continues to be an increased demand for rare earths in the traditional markets including applications in the military and electronics sectors.

We continue to see strong global demand particularly for products produced outside China as analetrnate supply source is viewed favourably by the global manufacturing supply chain.

One of the primary uses of rare earths is with permanent magnets, particularly as these magnets optimise the energy efficiency of electric vehicles, and facilitate reductions in battery size, vehicle cost and environmental impact. Demand for a sustainable permanent magnet supply chain alternative to Chinese supply is growing quickly as a result of the current trading uncertainties between ertain countries such as between the USA and China.

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

CORPORATE DEVELOPMENTS AND HIGHLIGHTS

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

- In February 2019 we entered into a binding letter of intent to acquire 75 million metric tons of mine tailings and associated land in South America. The tailings will be reprocessed to extract saleable products.Consideration includes US$12 million payable over a ten-year period with a US$600,000 deposit at the time of closing the transaction. Consideration also includes providing technological advice to the vendor to upgrade existing mining operations.

- In February 2019 we also re-established discussions and momentum with the owners of an advanced prospective property situated in South America and, as a result, entered into a non-binding letter of intent. A 50-ton bulk sample will be delivered to a port designated by CREC in Asia; CREC will arrange for the importation of the sample, transportation within country to three testing and/or commercial processing facilities; and CREC will select the optimal process best suited to the ore. Final process selection and implementation are subject to testing results and subject to agreement by the Owners.

  Prior discussions were suspended in 2018 allowing the Owners time to review development plans and the global rare earth market.

  The owners will additionally be responsible for permitting of the mining operations and guiding CREC through the permitting processes required to design, build, and operate concentrate enhancement facilities.

- During the two years ended December 31, 2018 we generated $2,416,664 of concentrate and oxide sales.

- In March 2018 we received a non-refundable fee of US$500,000 for allowing a third party to have the right to acquire a 50% equity interest in a completed rare earth refinery. In order to participate in the refinery the third party must provide sufficient funds for the Company to exercise its right to acquire 60% of the refinery and must provide a specified amount of working capital. Ability of the third party to participate in the refinery is subject to certain terms and conditions.

- In January 2018 we entered into a strategic and financing relationship, evidenced by a Memorandum of Understanding ("MOU"), with Talaxis, a company wholly owned by Noble Group, a large international commodity trading company. The MOU sets out the proposed principles of a working relationship leading to cooperation in the development of supply chains in the rare earth industry. Specific terms and conditions are to be negotiated and included in subsequent agreements which will pertain to sourcing, processing and delivering rare earths; mid-stream processing facilities and technical and operational services; financing capital expenditures; and trade finance support. The MOU also included provisions for the parties to negotiate terms upon which Talaxis may participate in the capital structure of CREC using hybrid capital solutions that include debt, shares and warrants.

  As a component of this relationship Talaxis provided a $1,500,000 convertible loan facility of which $800,000 is repayable in January 2019 and $700,000 is repayable in January 2020. The loan is convertible into 18 million units and 1,666,670 shares, at prices averaging 7.6 cents per share, over the terms of the loan. Each unit is comprised of one common share and ½ warrant. A full warrant is exercisable until July 30, 2020 at the greater of $0.10 per share and (ii) volume weighted adjusted price less 15% determined over the preceding 10 days.

In June 2018, Talaxis converted $300,000 of the convertible note into 6,000,000 common shares and 3,000,000 warrants of the Company. And, as a result, $1,200,000 plus interest accrued (less $85,710 already paid) since August 1, 2018 is owing to Talaxis as on December 31, 2018. Of the current financial liabilities, $500,000 of the convertible note due in January 2019, was extended by additional three months by the note holder.

- In December 2016 we entered into a significant agreement with a refinery in Asia whereby we are to provide, on a best efforts basis, concentrates. The client is capable of purchasing much more product than we are currently capable of providing. Hence our increasing efforts to develop the supply chain through our internal resources and through external parties such as Talaxis, which is looking to expand into the rare earth sector.

- In October 2016 we initiated and accelerated our commercial activities by entering into four transactions for the purchase and sale of concentrate and oxide products. The transactions involved three suppliers and four customers situated in five countries on four continents: Europe, North America, South America and Southeast Asia.

- In September 2016 we entered into agreements for the purchase and corresponding sale of 16,500 metric tons of concentrate over a three-year period. Shipment volumes are to increase steadily to 500 metric tons per month and remain at this monthly amount for the balance of the agreement. Over the ensuing two years volumes have not met the original targets but we are continuing to deal with this supplier using modified terms.

- In May 2016 the Company entered into an agreement to purchase 60% of the issued and outstanding shares of a company based in Laos ("LaosCo"). LaosCo owns a full capability refinery that is designed to process concentrate and separate the concentrate into the entire spectrum of commercially traded rare earths including light and heavy elements. LaosCo's future development plans include extending operating capabilities and metal making. Over the past two years we have increased our efforts to facilitate the permitting of LaosCo and while we are increasingly optimistic, there can be no certainty that such permits will be forthcoming or that we will be able to raise funds on acceptable terms or at all in order to exercise our option to acquire a majority interest in LaosCo. Notwithstanding, we did enter into an agreement with a third party which paid us a US$500,000 non-refundable fee to participate in the financing and ownership opportunity.

  In September 2017 CREC and LaosCo modified terms of the agreement such that: CREC will continue to take the lead for facilitating the application for permits, and if and when the permits are issued:

  i) we will have earned the right of first refusal to sell concentrate to the refinery to the full extent of the refinery's requirements;

  ii) we will have earned the right of first refusal to sell products produced by the refinery to the full extent of production;

  iii) we will have earned the right to purchase a minimum of 60% of the issued and outstanding shares of LaosCo (the "Purchase Shares") for a price to be negotiated between the owner, the Company and the financiers. This purchase right shall continue for six months sfrom the receipt of final operating permits.

  Once the purchase of the LaosCo shares closes, shareholders of LaosCo will be responsible for contributing their respective pro-rata shares of (i) working capital requirements and (ii) agreed upon capital expenditures for expanding and extending processing capabilities.

Exploration and Evaluation Assets

Our mineral projects include the Red Wine project and the Hinton Coal property. At present, we are looking for business opportunities for our existing exploration and evaluation assets.

FINANCIAL

SELECTED QUARTERLY INFORMATION

During our most recent eight quarters, other than certain corporate finance fees, we have not generated any revenues or incurred any loss from discontinued operations or extraordinary items.

	Revenue	Operating expenses	Income (loss) and comprehensive income (loss) for the period	Income (loss) per share
Quarter ended:	$	$	$	$
March 31, 2017	50,844	154,344	(102,077)	(0.00)
June 30, 2017	525,495	547,669	(53,615)	(0.00)
September 30, 2017	614,182	649,385	(106,961)	(0.00)
December 31, 2017	429,481	569,767	(133,909)	(0.00)
March 31, 2018	187,328	1,008,149	(2,513,139)	(0.02)
June 30, 2018	127,453	329,996	(262,081)	(0.00)
September 30, 2018	309,531	637,134	232,110	0.00
December 31, 2018	172,350	419,502	(86,107)	(0.00)

Factors affecting quarterly income/losses include:

- March 31, 2018 – the Company wrote down the promissory note and related interest accrued and Mata Azul participation right and related accrued interest as the collectability of these amounts were uncertain.

RESULTS OF OPERATIONS

Overview of nine months ended December 31, 2018

We earned revenue from sale of oxides and concentrate products of $609,334 during the nine months ended December 31, 2018 compared to $1,569,158 during the nine months ended December 31, 2017. We experienced a lag in shipments in the nine months ended December 31, 2018 as we started transitioning into our relationship with Talaxis. Currently, we have approximately 400 tons of concentrate at various stages in our supply chain.

Included in cost of sales for the nine months ended December 31, 2018 are $4,685 (December 31, 2017 - $25,549) of royalty payments, $7,519 of finder's fees (December 31, 2017 - $20,671) and amortization of $44,762 related to the expensing of the intangible asset (December 31, 2017 - $14,921).

Total operating expenses including cost of sales for the nine months ended December 31, 2018 were $1,386,632 compared to $1,766,811 for the nine months ended December 31, 2017.

The decrease in expenses relates to cost of sales of sale of oxides and concentrate products due to lower sales in the nine months ended December 31, 2018, offset by higher consulting fees and share-based payments. Consulting fees increased to $334,150 compared to $117,500 in the nine months ended December 31, 2017 primarily due to increased management compensation. (see 'Related Party Transactions' on page 8)

We also incurred $96,844 of interest expense on the convertible note (December 31, 2017 - $nil) which increased our loss for the nine months ended December 31, 2018.

Net loss and comprehensive loss for the nine months ended December 31, 2018 was $116,078 or $0.00 loss per share compared to a loss and comprehensive loss of $294,485 or $0.00 loss per share at December 31, 2017. The decrease in loss was primarily due to recognizing the sale of option on refinery for $617,740 in the current period.

In July 2018, management was advised of a potential quality issue that may have occurred during shipment of a batch of concentrate during the year ended March 31, 2018. The matter was resolved during the nine months ended December 31, 2018 with no cost to the Company.

CASH FLOWS

We used cash of $631,275 in operating activities during the nine months ended December 31, 2018 compared to cash used of $35,282 during the nine months ended December 31, 2017. The change in cash used/provided by operating activities was primarily due to lower sales, a portion of the sales that were booked as receivable, lower gross margin, and higher consulting fees due to increased annual compensation of the CEO and COO.

Cash flows used in financing activities were $nil for the nine months ended December 31, 2018 compared to cash flows provided of $20,911 for the nine months ended December 31, 2017. The lack of financing activities is because of the absence of advances from or repayment of loans in the current period.

CHANGES IN FINANCIAL POSITION SINCE MARCH 31, 2018

Changes in our financial position since March 31, 2018 relate to operations in the ordinary course.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2018, we had $881,722 in cash (March 31, 2018 - $1,502,098) and had net working capital of $721,873 (March 31, 2018 - $47,460).

During the nine months ended December 31, 2018, we placed deposits for, and purchased and sold concentrate products. We do not operate any revenue producing mineral properties, and we only started our trading activities in the third quarter of fiscal year 2017. As a result, we do not have established cash flow from operations. We raise funds for business development, exploration, development and general overhead and other expenses through the issuance of shares from treasury or convertible notes. These methods have been the principal source of funding for us since inception although we have generated cash for a short term by providing consulting services and are now focused on trading activities.

We intend to continue raising funds for future refinery projects, business development, future exploration, and general overhead and other working capital through earn-in or option agreements with other mineral exploration and mining companies, sale of assets, raising funds at project levels, generating transaction fees, loans from directors, officers and third parties to the extent necessary and available through the continuation of issuance of shares from treasury.

During the nine months ended December 31, 2018, we issued 6,000,000 common shares and 3,000,000 warrants from conversion of $300,000 of the current portion of the Talaxis' convertible note.

Our success in funding our project expenditures is dependent upon our ability to raise adequate debt and equity financing, primarily at the project level. If in the event that future private placement financings cannot be closed, we would have to review our budgeted project expenditures and revise where necessary. Management continues to seek out capital required to undertake its rrefinery projects and for working capital to meet project work commitments.

Related Party Transactions

Payee	Relationship	Nature of Transaction	December 31, 2018 $	December 31, 2017 $
Tracy A. Moore	President & CEO	Reimbursement for office, travel related expenditures, interest on loan and share-based payments	36,468	59,484
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Compensation	153,000	45,000
Peter Shearing	Chief Operating Officer	Travel related expenditures and share-based payments	66,893	33,607
EchoTrack Inc./Carberry Consulting Inc.	Companies controlled by Peter Shearing	Compensation	153,000	45,000
Bill Purcell	Director	Share-based payments	1,732	1,431
Christopher Goodman	Director	Share-based payments	35,211	29,189
Gordon J. Fretwell	Director	Interest on loan and share-based payments	13,854	11,445
Salil Dhaumya	CFO	Share-based payments	1,732	1,431
Koios Corporate Financial Services Ltd.	Company controlled by Salil Dhaumya	Compensation	22,500	22,500

The short-term benefits were paid or accrued to management and directors of the Company or to companies controlled by management and directors.

The Board of Directors approved executive compensation plans ("ECPs") for the Chief Executive Officer ("CEO") and Chief Operating Officer ("COO") of the Company for the years ended March 31, 2017 and 2018 in December 2017 and March 2018 respectively. Prior to the approval of the ECPs, the CEO and COO each received annual base compensation of $60,000. Pursuant to the ECPs, the base compensation was increased to $204,000.

Each ECP has a one-year term, with the follow on ECP usually being negotiated and finalized prior to the expiry of, and being no less favourable than, the current one. Pursuant to the ECPs, the CEO and COO are entitled to the following bonus compensation:

- a performance bonus to a maximum of $156,000 based on achieving specified annual milestones approved by Board of Directors;
- a public market performance bonus to a maximum of $45,000 based on achieving specified levels of market capitalization;
- a minimum of 500,000 in stock options priced at market (but not less than $0.05 per share) vesting over 18 months; and
- additional bonuses at the discretion of the Board of Directors.

During the nine months ended December 31, 2018, $24,389 (December 31, 2017 - $25,198) of the office rental and related costs have been paid by an officer of the Company as per an agreement to share such expenses equally between the Company and the officer.

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 amount of consideration established and agreed to by the related parties.

The Company had $515,892 included in accounts payable and accrued liabilities that was payable to related parties as at December 31, 2018 (March 31, 2018 - $443,892). The payment terms are similar to the payment terms of non-related party trade payables. In December 2018, the CEO and COO each agreed to defer payment of $246,346 in consulting fees until January 2020. Accordingly, $492,692 has been presented as long-term.

Contractual Obligations

On December 7, 2015 the Company entered into a commercial property lease expiring April 29, 2021. The future minimum rental payments under the non-cancellable operating lease at March 31, 2018 are:

Year ending March 31	$
2019	15,573
2020	66,864
2021	67,280
2022	5,607
	155,324

The Company has a written agreement with a related party to sublease to the related party 50% of this office space. The related party will split premises costs on a 50/50 basis with the Company for the duration of the lease. Each party pays its 50% share.

The Company has a commitment to pay US$20/ton to a maximum of 30,000 tons as a finders' fee for concentrate sourced from a certain entity.

The Company has a commitment to pay 13% of gross profit on trading activities to the shareholders of a private company, whose assets were acquired by the Company in September 2015.

Pursuant to the Company's contracts for the sale of concentrate to a company in Asia, the buyer has the right to the following claims within 90 days and 12 months after arrival of the goods at destination based on an inspection certificate issued by the relevant government inspection authority:

- within 90 days – the right to claim for replacement with new goods or for compensation if the quality, specification or quantity is not in conformity with the contract; and
- within 12 months – as regarding quality based on the Company's guarantee that if damages occur in the course of operation as a result of inferior quality, bad workmanship or the use of inferior materials, the right to claim for immediate replacement of the defect, complete or partial replacement of the commodity, devaluation of the commodity according to the state of the defect(s) or, where necessary, elimination of the defects at the Company's expense.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Our financial instruments are exposed to certain risks, including credit risk, liquidity risk, interest rate risk and market risk.

Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash, accounts receivable, promissory note and interest receivable amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of offset exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i. *Trade credit risk*

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

ii. *Cash and cash equivalents*

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

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of our capital structure. We monitor and review current and future cash requirements and match the maturity profile of financial assets and liabilities. At December 31, 2018, the Company had cash of $881,722 to meet current financial liabilities of $687,059. Of the current financial liabilities, $500,000 of the convertible note due in January 2019, was extended by additional three months by the note holder.

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

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk. We currently do not have any financial instruments that would be impacted by changes in market prices.

Foreign Currency Exchange Rate Risk

The Company is exposed to foreign currency fluctuations as it has cash, accounts receivables, interest and other receivables, prepaid expenses and deposits, denominated in US dollars. There are no exchange rate contracts in place. A 10% change in the US dollar will affect profit/loss by approximately $120,000.

Financial instruments denominated in foreign currencies are:

At December 31, 2018	US Dollars
Assets	882,543
Liabilities	-
Exchange rate / $1.00 =	.7330

At March 31, 2018	US Dollars
Assets	1,393,384
Liabilities	18,516
Exchange rate / $1.00 =	.7756

Risk of economic dependency

We are reliant on one customer for majority of our sales of concentrate. If our relationship is impaired with this customer, it would have an adverse impact on the Company's business.

Fair value of financial instruments

The fair value of the Company's financial assets and liabilities, excluding the convertible note and derivative liability - warrants, approximates the carrying amount due to their short term nature and capacity for prompt liquidation. See note 10 for the fair value of the derivative liabilities – warrants in the financial statements.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets and liabilities, which are measured at fair value as at December 31, 2018 and March 31, 2018:

	As at December 31, 2018		
	Level 1	Level 2	Level 3
	$	$	$
Cash	881,722	-	-
Derivative liability - warrants	-	-	267,000

	As at March 31, 2018		
	Level 1	Level 2	Level 3
	$	$	$
Cash	1,502,098	-	-
Derivative liabilities - warrants	-	-	657,000

There were no transfers between Level 1, 2 or 3 during the nine months ended December 31, 2018 and year ended March 31, 2018.

OUTSTANDING SHARE DATA

At the date of this MD&A, there are 172,940,141 common shares outstanding and 19,850,000 stock options granted and 3,000,000 share purchase warrants issued to purchase an aggregate of 22,850,000 common shares expiring at various dates between December 31, 2019 and December 2022, exercisable at various prices between $0.05 and $0.10 per share.

If all of the options and warrants were exercised there would be 195,790,141 shares issued.

Further, we are authorized to issue an unlimited number of voting shares and 33,880,028 options. (of which 19,850,000 have been granted) and Talaxis has certain right to convert its loan into shares and warrants.

Subsequent to December 31, 2018, the Company filed an application with TSX-V to settle $223,200 of debt by issuing 4,464,000 shares at a deemed price of $0.05 per share.

STOCK OPTIONS

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

In April 2017, we granted stock options to a consultant to purchase up to 100,000 common shares at an exercise price of $0.05 until April 3, 2022. The options vest in four equal instalments over eighteen months.

In December 2017, we granted stock options to officers, directors and consultants to purchase up to 7,925,000 common shares at an exercise price of $0.05 until December 4, 2022. The options vest in four equal instalments over eighteen months. Of these options, 2,800,000 options have additional 'earn out' vesting conditions.

In August 2018, we granted stock options to a consultant to purchase up to 3,400,000 common shares at an exercise price of $0.065 until December 31, 2019.

WARRANTS

In June 2018, we granted 3,000,000 warrants to Talaxis on conversion of $300,000 of the convertible note. Each warrant is exercisable until July 31, 2020 at the greater of (i) $0.10 and (ii) the 10-day value weighted average price of the Company's common shares on the TSX Venture Exchange less 15%.

Conflicts of Interest

There are potential conflicts of interest to which our directors and officers will be subject to, in connection with the operations of the Company. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation, with a view to potential acquisition of interests in businesses and corporations on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with us. Conflicts, if any, will be subject to the procedures and remedies under the British Columbia *Business Corporations Act*.

RISK FACTORS

Risks associated with developing an integrated business within the rare earth industry

The global rare earth industry is facing a number of complex issues including a disjointed supply chain connecting supply of rare earth concentrates to the critical separation/refining capability which is found primarily in China, to over 200 international manufacturing companies and their supply networks. We are aware of the following factors associated with developing a vertical and horizontal integration strategy: the successful and timely completion of an integration strategy including identifying and arranging viable, long term sources of rare earths, transitioning rare earth exploration properties into mines, assisting with fund raising to support mining operations, arranging processing of rare earths with rare earth refineries whether inside China or otherwise, arranging for the commissioning of the design, build and operation of one or more rare earth separation refineries, raising sufficient funds to support the construction and operation of each refinery, reliance on other parties to meet projected timelines, entering into long term sales contracts with customers including international manufacturers on terms acceptable to us, risks related to the receipt of all required approvals including those relating to the commencement of production at selected mines and one or more refineries whether identified or not, delays in obtaining permits, licenses and operating authorities, environmental matters, water and land use risks, risks associated with the industry in general, commodity prices and exchange rate changes, operational risks associated with exploration mining, development, production, processing till separation, delays or changes in plans, risks associated with the uncertainty of reserve or resource estimates, health and safety risks, uncertainty of estimates and projections of production, costs and expenses, the adequacy of our financial resources and the availability of additional cash from operations or from financing on reasonable terms or at all, political risks wherever we may conduct business, risks associated with the relationship between us and/or our business partners and local governments wherever we conduct business, radioactivity and related issues, dependence on one or a few mineral projects, loss of key personnel, and other factors that could cause actions, events or results not to be as anticipated.

Environmental Risks

Environmental legislation is continuing to evolve and such as will require strict standards and enforcement, increased fines and penalties for non-compliance, more stringent assessment of proposed projects and a greater degree of corporate responsibility. There can be no assurance that future changes to environmental legislation will not adversely affect our operations.

Political Risks

We are subject to political, economic, and other uncertainties, including, but not limited to, the uncertainty of negotiating with foreign governments, expropriation of property without fair compensation, adverse determination or rulings by governmental authorities, changes in mining policies or in the personnel administering them, currency fluctuations, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, royalty and government take increases and other risks arising out of foreign governmental sovereignty over the areas in which our operations are conducted. Our operations may be adversely affected by changes in government policies and legislation and other factors which are not within our control.

Mineral Market

The market for minerals, in general, and for rare earth elements in particular is subject to factors beyond our control, such as market price fluctuation, currency fluctuation and government regulation. The effect of such factors cannot be accurately calculated. The existence of any or all such factors may restrict the access to a market, if same exists, for the sale of commercial ore which may be discovered.

Funding Requirements

In order to proceed with our activities, we will require additional funding. There can be no guarantee that such funds will be available as and when required or, if available, be accessible on reasonable commercial terms.

Reliance on Management

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

Risk of economic dependency

The Company is reliant on one customer for majority of its sales of concentrate. Impairment in the Company's relationship with this customer would have an adverse impact on the Company's business.