CANADA RARE EARTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Six months ended September 30, 2019

GENERAL

The following is management's discussion and analysis ("MD&A") of Canada Rare Earth Corp. prepared as of November 27, 2019. This MD&A should be read together with the unaudited condensed consolidated interim financial statements for the six months ended September 30, 2019 and the audited consolidated financial statements for the year ended March 31, 2019 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 six months ended September 30, 2019 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("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.

Our business focus has transitioned from the exploration and development of precious metal and base metal mineral properties to properties with the potential to host rare earth elements. More recently, as we have gained greater knowledge of the global rare earth supply chain we have learned that the main issue confronting the global supply chain of rare earths is the processing of rare earth concentrates, much more so than the exploration phase. Accordingly, our main business goal is to establish down-stream processing and sale 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 Inc., 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

One of the primary uses of rare earths is in permanent magnets, particularly as these magnets optimize the energy efficiency of electric vehicles, and facilitate reductions in battery size, vehicle weight and environmental impact. Demand for a sustainable permanent magnet supply chain alternative sourced outside of China, in the rest of the world ("ROW") is growing quickly as a result of the current international trading uncertainties and geo-political tensions.

We are encouraged by a recent return of interest to the rare earth sector and the market's recognition of the need for an independent source, based in the ROW, of rare earth oxides and metals to augment or replace Chinese dominated supply. This global interest is resulting in higher product prices than experienced over the preceding five years and in a significant increase in our sector's corporate finance activities.

Our corporate development focus has remained steadfast over the past years. We are developing an international integrated business within the global rare earth industry. Our immediate key focus is to generate revenues and positive cash flow from a variety of profit centers in the rare earth production and sales chain by sourcing, adding value and selling rare earths and complementary, valuable minerals and by-products, in all stages and forms. We are in the process of establishing our own mining, concentrating and refinery capabilities in addition to working with affiliated and third-party organizations.

We are generating revenues in conjunction with the development of our integrated supply chain business. These business activities help expand our knowledge and practical experience of international purchases and sales, logistics and trade finance.

We are fortunate in that we have secured a key customer whose demands are greater than what we can currently supply hence we are devoting resources to maintain and increase our sources of supply for this customer and others.

We continue to see strong global demand particularly for products produced in the ROW as alternate supply sources are viewed favorably by the global manufacturing supply chain.

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 in the ROW. Rare earth raw materials and value-added products are essential to a wide variety of products including many "green" technologies such as electric and hybrid vehicles and wind power. We believe that the global efforts to reduce reliance on fossil fuels in favor of alternative energy sources present an extremely attractive opportunity for producers of rare earth elements. Additionally, there continues to be an increased demand for rare earths in the traditional markets including applications in the military, electronics, ceramics and oil processing sectors.

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

CORPORATE DEVELOPMENTS AND HIGHLIGHTS

Key activities, initiatives and accomplishments over the past year include:

Rare Earth Production – Enhancement and Separation

We have multiple initiatives underway for establishing our integrated business which is based on securing multiple sources of concentrates, establishing processing facilities in multiple locations, arranging long term customers to supply majority of the output and arranging financing for capital expenditures, investments and working capital.

Laos

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") which owns a substantially complete refinery. The refinery is designed to process rare earth 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. The Company is taking a prominent role in the final approval process and if success. The agreement provides the Company with the right to purchase the refinery for six months, subject to receiving the operating permits, and provides certain rights to selling output materials and sourcing input materials. The price is to be negotiated between the owner, the Company and the financiers.

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 the Laos refinery. In order to exercise the right, the third party would provide all the funds necessary (i) for the Company to purchase 60% of the refinery and (ii) provide a specified amount of working capital. Ability of the third party to participate in the refinery is subject to certain terms and conditions.

Our team continues to work with the Laotian government to arrange for approvals necessary to operate the Laos refinery. If the permits are issued, we would have the right to purchase a majority interest in the refinery.

New Refinery and Development Opportunity

We continue to investigate several opportunities in South America and Southeast Asia. In one case to acquire an interest in a refinery under construction and in several others to become the lead developer. Initial due diligence on a second development opportunity for a new refinery in Asia is being undertaken by management.

Supply

During the six months ended September 30, 2019 we generated mineral product sales totaling $370,094 and during the two years ended March 31, 2019 we generated mineral product sales of $2,839,000;

We are working to increase supply to meet customer demand through developing arrangements with a number of businesses in each of the following categories:

- Tailings from various mining operations;
- Heavy mineral sands operations;
- Green field opportunities with a particular focus on licensed, near-term production;
- Existing stock-piles; and
- Rare earth mining opportunities.

Our supply chain continues to develop, and we are in the process of adding other sources. We are working with suppliers to assist in the optimization of their processing to allow the Company to source higher quality material and larger volumes.

Amongst other activities two projects continue to progress:

The rare earth mine and processing opportunity disclosed in our news releases dated February12, 2019 and April 1, 2019 is progressing, with a 50 metric ton of bulk material sample shipped to three testing facilities in Asia. The quantity and arrays of rare earths on the source property has been studied extensively and the current testing is to determine the optimal processing methodology.

We have completed due diligence procedures on the property purchase opportunity discussed in the April 1, 2019 news release and the definitive agreement is in an advanced stage.

We have also initiated due diligence on another property in South America.

Strategic and Financing Relationship

In January 2018, we entered into a strategic and financing relationship with Talaxis Limited ("Talaxis"), a wholly owned subsidiary of the large Asian-based commodity trading company, Noble Group Limited. As part of this arrangement Talaxis provided us with a $1,500,000 loan which was converted into 21,612,093 shares and 9,000,000 warrants. Talaxis currently owns 11% of our issued and outstanding shares and the ownership would increase to 14% if all warrants were to be exercised. The warrants are exercisable until June 30, 2020 at the greater of $010 per share and a 15% discount to the preceding 10 day volume weighted adjusted share price.

In August 2019, we engaged Mr. Christopher Goodman to lead our team in South American with the purposes of increasing trading activities, securing long-term supply and most importantly to begin the development of a rare earth processing refinery. Chris has extensive international commodity trading experience having worked with Noble Group, Trafigura Group Pte. Ltd. and Mercuria Energy Group Ltd. Chris joined our board of directors as an independent director in March 2016.

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 we generated revenues, and incurred expenses, however, we have not incurred any income or 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:	$	$	$	$
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)
March 31, 2019	473,428	671,137	(675,153)	(0.00)
June 30, 2019	370,094	392,424	(151,831)	(0.00)
September 30, 2019	-	240,574	(194,223)	(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 was uncertain.
- March 31, 2019 – the Company wrote down deposits paid related to the purchase of mineral concentrates, as the future application of these deposits was uncertain.

RESULTS OF OPERATIONS

Overview of three months ended September 30, 2019

During the three months ended September 30, 2019 we did not generate revenues although we have paid deposits and expect revenues in the three months to end December 31, 2019. In comparison we generated $309,531of revenues during the three months ended September 30, 2018. The Company was in the process of changing suppliers and due to the late timing of the shipment leaving Brazil; we did not recognize any revenue in the current quarter.

Total operating expenses for the three months ended September 30, 2019 were $214,087 compared to $637,134 for the three months ended September 30, 2018.

The operating expenses were lower in the current period. Primary reasons were that the costs of sales were immaterial and share-based payments expenses were lower. Share-based payments decreased to $15,400 compared to $168,678 in the three months ended September 30, 2018, due to lower number of options vesting in the current period.

Net loss and comprehensive loss for the three months ended September 30, 2019 were $194,223 or $0.00 loss per share compared to net income and comprehensive income of $232,110 or $0.00 income per share for the comparative three month period ended September 30, 2018.

Overview of six months ended September 30, 2019

We earned revenue from sale of mineral products of $370,094 during the six months ended September 30, 2019 ("Current Period") compared to $436,984 during the three months ended September 30, 2018 ("Prior Period"). Our gross profit was higher in the Current Period due to sale of oxides which did not have corresponding cost of sales as those costs were written off in a prior period.

During the Current Period, we incurred $16,687 of royalty payments. This represents 13% of the gross profit for the Current Period, excluding the sale of oxides, amortization of intangible assets and finder's fees. These royalty payments and amortization of $29,842 related to the expensing of the intangible assets are included in cost of sales.

Total operating expenses for the Current Period were $632,998 compared to $967,130 for the Prior Period.

The operating expenses were lower in the Current Period primarily due to $nil cost of sales associated with the sale of oxides, inventory which was written off in a prior period and due to lower share-based payments. Share-based payments decreased to $36,100 compared to $217,165 in the Prior Period, due to lower number of options vesting in the Current Period.

We incurred an unrealized foreign exchange loss during the Current Period due to the US dollar weakening against the Canadian dollar over the Prior Period.

Net loss and comprehensive loss for the Current Period was $346,054 or $0.00 loss per share compared to a net loss and comprehensive loss of $29,971 or $0.00 loss per share for the Prior Period.

CASH FLOWS

We provided cash of $12,701 from operating activities during the Current Period compared to a cash reduction of $478,148 during the Prior Period. The change in cash provided by operating activities was primarily due to higher inflow of cash from accounts receivable collected.

Cash flows used in financing activities were $25,589 for the Current Period compared to $nil for the Prior Period. The change in financing activities was exclusively due to change in accounting treatment of leases in the Current Period.

CHANGES IN FINANCIAL POSITION SINCE MARCH 31, 2019

Changes in our financial position since March 31, 2019 relate to operations in the ordinary course.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2019, we had $488,403 in cash (March 31, 2019 - $514,227) and had net working capital of $209,042 (working capital deficit on March 31, 2019 - $711,726). Derivative liability – warrants although recorded as a current liability, are non-cash and therefore the net working capital position at September 30, 2019 was in effect $542,042.

During the Current Period, we placed deposits for, and purchased and sold mineral concentrate products. We do not operate any revenue producing mineral properties and we only started our trading activities in the fourth quarter of calendar year 2016. As a result, we do not have established cash flow from operations.

We raise funds for business and property development, general overheads and other expenses through the issuance of shares from treasury and/or debt facilities. These methods have been the principal source of funding for us since inception although we have generated cash for a short term through trading activities by providing consulting services.

We will also seek funding 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.

Our success in funding our requirements is dependent upon our ability to raise adequate debt and equity financing, primarily at the project level. If in the event those future 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 mineral processing projects and for working capital to meet project work commitments.

Related Party Transactions

Payee	Relationship	Nature of Transaction	September 30, 2019 $	September 30, 2018 $
Tracy A. Moore	President & CEO	Share-based payments	1,375	13,422
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Compensation	102,000	102,000
Peter Shearing	Chief Operating Officer	Share-based payments	1,375	13,422
EchoTrack Inc./Carberry Consulting Inc.	Companies controlled or owned 50% by Peter Shearing	Compensation	102,000	102,000
Bill Purcell	Director	Share-based payments	4,434	1,342
Mark Peters	Director	Share-based payments	4,525	3,341
Christopher Goodman	Managing Director, Brazil	Compensation and Share-based payments	33,532	27,420
Gordon J. Fretwell	Director	Share-based payments	11,841	10,738
Salil Dhaumya	CFO	Share-based payments	3,360	1,342
Koios Corporate Financial Services Ltd.	Company controlled by Salil Dhaumya	Compensation	15,000	15,000

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

During the six months ended September 30, 2019, $16,335 (September 30, 2018 - $16,213) of the office rental and related costs have been paid by a director of the Company as per a cost - sharing agreement.

The fees charged by 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 owes related parties $444,473 as at September 30, 2019 (March 31, 2019 - $369,387). The payment terms are similar to the payment terms of non-related party trade payables. $128,000 of this amount has been presented as shares to be issued in the balance sheet under shareholders' equity.

Contractual Obligations

On December 7, 2015, the Company entered into a commercial property lease expiring April 29, 2021. 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 share and pay premises costs on a 50/50 basis with the Company for the duration of the lease.

The Company has a written agreement with a related party to sublease to the related party 50% of the Company's 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 Board of Directors approved executive compensation plans ("ECPs") for the Chief Executive Officer ("CEO") and Chief Operating Officer ("COO") of the Company in March 2018 where 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 (waived by the CEO and COO for the current year); and,
- additional bonuses at the discretion of the Board of Directors.

The Company enters into finders' agreements from time to time pursuant to which fees are subject to completion at the discretion of the Company. For example, amongst other finders' agreements, the Company has a commitment to pay US$20/ton to a maximum of 30,000 tons for mineral concentrate sourced from a certain entity.

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.

As a result of the revision to the CLA in August 2019, the Company is obligated to keep Talaxis appraised and aware of all business development opportunities in Brazil which the Company may wish to consummate to allow Talaxis to participate on equal terms with the parties that the Company is dealing with.

In August 2019 the Company entered into a services and cost sharing agreement with Talaxis through which the services of Mr. Christopher Goodman were provided to the Company in Brazil. This services and cost sharing agreement provides Talaxis and its affiliates with the right of first offer and the right of first refusal to participate in the Company's Brazilian trade flows, financing opportunities, equipment purchases and investments in product sourcing, refining and processing facilities.

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

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. Credit risk arises from cash and trade receivables. While the Company is exposed to credit losses due to the non-performance of its counterparties and there is a significant concentration of credit risk because the trade receivables and deposits are receivable from/held by a single counterparty, management does not consider this to be a material risk.

The Company mitigates the risk of default of accounts receivable by assessing the credit worthiness of customers prior to sale and shipment of product.

For trade receivables, the simplified approach is applied for determining expected credit losses. This requires the lifetime expected losses to be determined for all trade receivables. The expected lifetime credit loss provision for trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, as required. Since the Company's buyer is considered to have low default risk and the Company's historical default rate and frequency of loss are low, the lifetime expected credit loss allowance for trade receivables is nominal as at September 30, 2019.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We monitor and review current and future cash requirements and match the maturity profile of financial assets and liabilities. At September 30, 2019, the Company had working capital (not including the derivative liabilities) of $519,613.

Trade 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 and prepaid expenses and deposits denominated in US dollars and Brazilian Real. There are no exchange rate contracts in place. A 10% change in the US dollar and Brazilian Real will affect profit/loss by approximately $67,000.

Financial instruments denominated in foreign currencies are:

At September 30, 2019	US Dollars	Brazilian Real
Assets	370,822	569,347
Exchange rate / $1.00 =	.7551	3.0964

At March 31, 2019	US Dollars
Assets	634,236
Liabilities	84,906
Exchange rate / $1.00 =	.7483

Risk of economic dependency

We are reliant on one customer for majority of our sales of mineral 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 promissory note and related interest receivable, approximates the carrying amount due to their short term nature and capacity for prompt liquidation. See note 9 for the fair value of the promissory note and note 12 for the fair value of the derivative liabilities - warrants.

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 September 30, 2019 and March 31, 2019:

	As at September 30, 2019		
	Level 1 $	Level 2 $	Level 3 $
Derivative liability - warrants	-	-	333,000

	As at March 31, 2019		
	Level 1 $	Level 2 $	Level 3 $
Derivative liability - warrants	-	-	324,000

There were no transfers between Level 1, 2 or 3 during the six months ended September 30, 2019 and year ended March 31, 2019.

OUTSTANDING SHARE DATA

At the date of this MD&A, there are 193,016,234 common shares outstanding, 21,200,000 stock options granted and 9,000,000 share purchase warrants issued to purchase an aggregate of 30,200,000 common shares expiring at various dates between December 31, 2019 and December 2022, exercisable at various prices between $0.05 and a minimum of $0.10 per share.

If all of the options and warrants were exercised there would be 223,216,234 shares issued and the Company would raise a further $1,960,000 of cash.

STOCK OPTIONS

We are authorized by our shareholders to grant options to our directors, officers, employees and service providers under our stock option plan for up to 33,880,028 common shares of which 21,200,000 have been granted.

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.

In March 2019, the Company granted stock options to officers, directors and consultants to purchase up to 1,350,000 common shares at an exercise price of $0.05 until March 22, 2024. The options vest in four equal instalments over eighteen months.

WARRANTS

In June 2018, we issued 3,000,000 warrants to Talaxis on conversion of $300,000 of the $1,500,000 convertible note into shares and warrants.

In August 2019, we issued 6,000,000 warrants in conjunction with the conversion of the balance of Talaxis' convertible note into shares and warrants.

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 the supply chain connecting supply of mineral 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 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 in the ROW, 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 as such will require stricter 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 and geo-political tensions. The effect of such factors cannot be accurately calculated. The existence of any or all such factors may restrict access to a market.

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 our business. 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 mineral concentrate. Impairment in the Company's relationship with this customer would have an adverse impact on the Company's business.