CANADA RARE EARTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nine Months Ended December 31, 2016

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GENERAL

The following is management's discussion and analysis ("MD&A") of Canada Rare Earth Corp. prepared as of February XX, 2016. This MD&A should be read together with the unaudited condensed consolidated interim financial statements for the nine months ended December 31, 2016 and the audited consolidated financial statements for the year ended March 31, 2016 and related notes.

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

The Company's unaudited condensed consolidated interim financial statements for the nine months ended December 31, 2016 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 the Company's functional and reporting currency. Additional information relating to the Company is available on SEDAR at www.sedar.com.

OVERVIEW

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

Historically, the Company was engaged solely in the exploration and development of precious metal and base metal mineral properties. More recently, the Company's focus has been directed to properties with the potential to host rare earth elements. As the Company has become more involved in the rare earth sector and has gained greater knowledge of the global rare earth supply chain, the Company's attention, starting in about September 2012, has expanded to the down-stream processing of rare earth products.

INCORPORATION AND ORGANIZATION OF THE COMPANY

The Company was incorporated under the laws of British Columbia on July 8, 1987. The Company's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "LL".

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

As of the date of this MD&A, the Company has three subsidiaries: REM Metals Inc., a wholly owned Ontario corporation; CREC South American Holdings Corp., a wholly owned British

Columbia corporation; and CanBras Minerals LTDA, a Brazilian corporation, wholly owned by CREC South American Holdings Corp.

OUTLOOK

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

The Company's goal over the past few years has evolved from exploring for rare earth elements to developing an integrated supply chain business model by focusing on securing multiple long term supplies of rare earth concentrates and directing the concentrates to one or more proprietary rare earth separation refineries – all situated outside of China and in the interim, to customers in China. The Company continues to short list refinery sites based on a number of criteria including relationships with local partners and identifying likely sources of project debt and equity financings. In the interim, the Company is placing an increasing emphasis on purchasing rare earth concentrate from suppliers situated outside of China and selling the concentrate to customers situated in China, and on selling ultra pure rare earth oxides to customers in the Americas, Europe and Asia. Over the past four years, the Company has taken a number of steps to effect its transformation from a narrowly focused rare earth exploration company to become a rare earth business involved from exploration, mining and concentrating to producing oxides, metals and alloys. Each facet of the business model is critical to the others and the development must be organized in a simultaneous, synchronized and planned manner.

The Company is seeking sources of rare earth concentrate from a number of prospective properties; primarily those involved with existing mining operations including mineral sands operations where rare earths have, until recently, been considered a waste product. With the general downturn in the natural resource sectors and mining and mineral processing in particular, these operations are looking to augment their revenues and are more open to discussing the sale of rare earths so long as ultimate buyers may legally import the concentrate. As a result, less emphasis is being placed on prospective hard-rock sources of rare earth concentrate.

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

The Company believes that its integration strategy will position it to take advantage of the anticipated strong demand for rare earths, particularly those sourced and processed outside of China. Rare earth raw materials and value-added products are essential to many "green" technologies such as hybrid vehicles and wind power, and the Company believes that the global efforts to reduce reliance on fossil fuels in favour of alternative energy sources presents an extremely attractive opportunity for producers of rare earth elements. In addition to the emerging "green" technology sector there continues to be an increased demand for rare earths in the traditional markets including applications in the military and electronics sectors. Although the supply of rare earth oxides has been largely dominated by China with approximately 90% of the world's production in 2015, China only has approximately 42% of the known reserves of rare earths. Accordingly the introduction of new high quality rare earth sources will be an important factor in the future supply of rare earths.

China imposed export quotas on rare earths in 2005 and reduced exports by 50% over the ensuing six years. This effectively created two markets for rare earths: one internal to China and one for the rest of the world. Drastic quota reductions in late 2010 and early 2011, together with attempts by the Chinese government to introduce more regulation to the industry, led to angst among international manufacturers and in turn led to speculative price increases. In March 2012, the United States, Japan and the European Union took the position before the World Trade Organization ("WTO") that China was restricting supply contrary to international fair trade practice. After a number of presentations and appeals the WTO requested that China bring its practices into "conformity".

In December 2014, China announced the removal of export quotas effective May 2015. Concurrently, China established a new export license regime and continued with its consolidation of the Chinese rare earth industry by six majority state-owned organizations. The government of China increased controls over the production of rare earths via production quotas applied to mining operations, increased enforcement of environmental regulations at separation facilities, and increased efforts to reduce illegal rare earth mining activity and the smuggling of rare earths out of the country.

Over the last decade, many rest of world companies established manufacturing facilities in China to take advantage of lower domestic prices and to remain competitive with their Chinese peers. Recently, softening of rare earth prices may be the result of continuing macro-economic effects stemming from the global financial crisis of 2008 coupled with end user industry de-stocking of inventories in the wake of the 2011 price spike and with the general slowing of the Chinese economy.

Despite these developments, the Company believes that industry fundamentals remain sound albeit more challenging and less profitable and that in order to satisfy rest of world demand for either an alternative primary supplier or an alternate secondary supplier, rare earth production sources and down-stream processing capability outside of China needs to be developed.

The Company had established a business relationship with CEC Rare Earth Corporation ("REC"), a private British Columbia corporation that is an affiliate of CREC and an Asian based group of companies (the "Asian Group") (together, the "Venture Partners"). The Asian Group owns one fully operational refinery (the "Operational Refinery") and owns another in Laos that is fully constructed but which is not yet operational (the "Constructed Refinery") as permitting is pending. In September 2015, the Company acquired the assets of REC and in November 2015 the Company announced a joint venture with the Asian Group to design and build rare earth separation refineries. In May 2016, the Company entered into an agreement to purchase a refinery in Laos ("LoasCo"), which agreement is subject to a number of terms and conditions including obtaining final operational permits, due diligence and financing.

The Venture Partners have more than ten years of engineering experience directly related to rare earth refinery design, construction and importantly to operations. In particular, the Asian Group has been instrumentally involved with the design and construction of more than ten rare earth refineries. As a result of this arrangement the Company is evaluating a number of rare earth refinery initiatives with the goal of pursuing one or more projects

The Company believes that it, by virtue of access to rare earth sources and most importantly access to down-stream processing design, build and operating experience, is well positioned to become a leading business within the global rare earth industry.

CORPORATE DEVELOPMENTS AND HIGHLIGHTS

The Company's objective is the development of an integrated rare earth business with refining capabilities in various jurisdictions including Asia, the Caribbean and South America. Recent developments and initiatives include:

- In December 2016, the Company entered into a significant agreement with Yongzhou Xiangjiang Rare Earth Resource Co. ("Xiangjiang Rare Earth" of the "Refinery") to import and process rare earth monazite concentrate. The agreement provides Xiangjiang Rare Earth with solid international sourcing of monazite through a close ally and provides CREC with direct access to the largest market involving rare earth products via a strategic partner. The terms of the agreement, CREC will represent the Refinery for all purchases of rare earth monazite concentrate from third party sources outside of China for an initial period of 5 years with the option to extend for additional terms so long as both parties are satisfied with the commercial and operational benefits of the arrangement.

- In October 2016 the Company entered into four transactions for the purchase and sale of 33 metric tons of rare earth concentrate and oxide products. The transactions involve three suppliers and four customers situated in five countries on four continents: Europe, North America, South America and Southeast Asia.
- In September 2016 the Company entered into agreements for the purchase and corresponding sale of 16,500 metric tons of rare earth concentrate over a three-year period. Arranging the initial shipment of 25 metric tons commenced within 30 days and has been shipped. Shipment volumes are to increase steadily to 500 metric tons per month and remain at this monthly amount for the balance of the agreement. The provider, Canada Rare Earth, and the buyer are receptive to increasing volumes above 500 metric tons per month.
- 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 owns a full capability rare earth refinery that is designed to process monazite rare earth concentrate and separate the concentrate into the entire spectrum of commercially traded rare earths including light and heavy elements. In order to complete the purchase the Company must, among other factors, (1) arrange for permits necessary for the operation of the refinery and (2) raise sufficient funds to complete the purchase. The Company believes the permitting process is underway albeit taking longer than anticipated. The Company and the owner of LaosCo are in discussions to extend the terms of the agreement.
- In March 2016, the Company appointed Christopher F. Goodman as a director of the Company and Michael Stares resigned from the board of directors.
- In January 2016 the Joint Venture Agreement with Mineracao Mata Azul S.A. ("MMA") expired regarding the financing of the Mata Azul property in Brazil. However, the Company's off-take agreement continues which, in part, allows the Company the right (but not the obligation) to purchase all rare earths derived from the Mata Azul property for 20 years.
- In December 2015, the Company received a promissory note due on December 1, 2018 in the amount of US$1,200,000 ($1,604,640) for selling its equity investment in a privately held Delaware company with property in the West Indies. When the Company

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

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

  With this agreement, the Company has the exclusive right to market, distribute and sell Ganzhou's rare earth products in Europe, the Americas, Russia and India and the non-exclusive right in Asia. The agreement continues in perpetuity so long as the Company purchases specified minimum values of inventory in two year sequential increments.
- In October 2015, the Company appointed Peter Shearing as chief operating officer. Mr. Shearing has international business experience in operations, engineering and manufacturing and will be involved with the development and integration of the REC assets.
- In September 2015, the Company acquired assets from REC, an affiliated private British Columbia company. See Acquisition of CEC Rare Earth Corp Assets below.

ACQUISITION OF CEC RARE EARTH CORP. ASSETS

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

Consideration for the acquired assets includes 1) 24,178,000 common shares, subject to an escrow provision over 18 months; 2) three royalties adding to 13%, based on non-refundable gross collected proceeds derived from the acquired assets. The Company can acquire one of the three royalties amounting to 3% by issuing 15,712,000 shares within two years following the acquisition and a second royalty at any time during the three years following completion of the acquisition for US$15 million less 50% of royalties paid in this regard; and, 3) continuing the exercise period for 5,000,000 options exercisable at $0.10 per share until November 8, 2017. Additionally, the Company has also agreed to indemnify REC for up to $40,000 of Canadian corporate income taxes resulting from this transaction, if any.

PROMISSORY NOTE

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

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

Exploration and Evaluation Assets

The Company's mineral projects include the Red Wine project and the Clay-Howells property. Other projects include property in the Coldwell Complex and the Hinton Coal property and a number of other properties, which have been previously written off. At present, we are looking for business opportunities for all are existing exploration and evaluation assets.

MATA AZUL

On November 3, 2014, the Company entered into a joint venture agreement with Mineracao Mata Azul S.A. ("Mata Azul") to advance exploration and establish mining and concentration operations for rare earth and other mineral rights owned by Mata Azul (the "Joint Venture"). This business arrangement allows for the Company to control the exploration and development of the Mata Azul property and ratifies the previously announced agreement between the Company and Mata Azul which provides the Company with the right to purchase all of the rare earth concentrate from the project. The joint venture terminated in January 2016 and the long term rights agreement continues.

The Company had previously entered into a long term rights agreement to purchase all of the rare earth concentrate to be produced from the Mata Azul property for 20 years. Pursuant to this agreement, the Company has the right but not the obligation to purchase some or all of the rare earth concentrate produced from the Mata Azul property for a base price plus a percentage of the difference between the base price and fair market value.

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	Exploration costs	Expenses	Income (loss) and comprehensive income (loss) for the period	Income (loss) per share
Quarter ended:	$	$	$	$	$
March 31, 2015	94,995	2,000	238,192	(30,404)	(0.00)
June 30, 2015	92,363	-	238,040	(203,462)	(0.00)
September 30, 2015	-	-	202,386	(1,228,092)	(0.01)
December 31, 2015	-	-	265,801	(253,293)	(0.00)
March 31, 2016	-	-	61,362	(449,928)	(0.00)
June 30, 2016	-	-	152,630	(152,630)	(0.00)
September 30, 2016	2,761	-	99,650	(73,192)	(0.00)
December 31, 2016	107,010	-	140,684	12,211	0.00

Factors affecting quarterly income/losses include:

- June 30, 2015 - the Company wrote off the balance of the Clay-Howells property as the management made a decision not to allocate any resources towards them.
- September 30, 2015 – the Company wrote off the balance of the Springer and Hinton Coal properties.
- June 30, 2016 - the Company incurred higher share-based payments relating to options granted in July 2015.
- December 31, 2016 – the Company earned revenue related to establishing

the Brazilian supply chain and revenue related to the sale of rare earth concentrate products.

RESULTS OF OPERATIONS

Overview of Nine Months Ended December 31, 2016

The Company earned revenue from sale of rare earth concentrate products and consulting fees regarding the establishment of a Brazilian supply chain of of $109,771 during the nine months ended December 31, 2016 compared to corporate finance fee of $92,363 during the nine months ended December 31, 2015.

The Company also earned interest and investment income of $23,670 during the nine months ended December 31, 2016 compared to $1,772 earned during the nine months ended December 31, 2015. The increase in interest income is attributable to interest accrued on the promissory note.

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

Total business development, rare earths costs, exploration costs and company expenses for the nine months ending December 31, 2016 were $388,143 compared to $706,227 for the nine months ending December 31, 2015.

Generally, administrative and regulatory expenses in the nine months ending December 31, 2016 were lower than the prior period. Consulting fees decreased to $136,499 compared to $232,280 in the nine months ending December 31, 2015 due to absence of, consulting fee that was paid to a company related by common directors and to a consultant for investor relation activities, while share-based payments decreased to $50,019 compared to $155,096 in the nine months ending December 31, 2015, due to lower number of options vesting in the current year. Office and miscellaneous costs increased due to additional regulatory costs over the comparative period. Net loss and comprehensive loss for the nine months ending December 31, 2016 was $213,611 or $0.00 loss per share compared to a loss of $1,684,847 or $0.01 loss per share at December 31, 2015. The decrease in net loss was primarily due to substantially lower amount of write-down of exploration and evaluation assets of $ 9,632 compared to $1,099,006 in the comparative period.

CASH FLOWS

The Company used cash of $305,020 in operating activities during the nine months ending December 31, 2016 compared to $367,724 in the nine months ending December 31, 2015 due to higher rent and office related charges, travel expenses and advance payments relating to buying inventory of rare earth concentrate products offset by lower consulting fee, professional fee and wages and benefits.

Cash flows provided by investing activities were $nil for the nine months ending December 31, 2016 compared to $444,377 for the nine months ending December 31, 2015.

Cash flows provided by financing activities were $nil for the nine months ending December 31, 2016 compared to $190,795 for the nine months ending December 31, 2015.

Changes in Financial Position Since March 31, 2016

Changes in our financial position since March 31, 2016 relate to operations in the ordinary course.

Liquidity and Capital Resources

As of December 31, 2016, the Company had $15,399 in cash (March 31, 2016 - $323,471) and had net working capital of $83,378 (March 31, 2016 - $324,391).

During the nine months ended December 31, 2016, the Company placed deposits for, and purchased and sold rare earth concentrate products. The Company does not operate any revenue producing mineral properties, and is just starting its trading activities. As a result, it does not have established cash flow from operations. The Company raises funds for business development, exploration, development and general overhead and other expenses through the issuance of shares from treasury. This method has been the principal source of funding for the Company since inception although it has generated cash for a short term by providing consulting services and is now focused on trading activities.

In addition to the funds in the Company's treasury, the Company intends to continue raising funds for future rare earth refinery projects, business development, future exploration, and general overhead and other working capital through earn-in or option agreements with other mineral exploration and mining companies, sale of assets, raising funds at project levels, generating transaction fees and to the extent necessary and available through the continuation of issuance of shares from treasury.

During the nine months ended December 31, 2016, the Company did not issue any shares in connection with evaluation and development of assets or for any other purpose.

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.

Related Party Transactions

Payee	Relationship	Nature of Transaction	December 31, 2016 $	December 31, 2015 $
Tracy A. Moore	President & CEO	Reimbursement for office, travel related expenditures and share-based payments	31,862	45,205
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Compensation	45,000	45,000
Peter Shearing	Chief Operating Officer	Travel related expenditures, share-based payments	34,828	37,170
EchoTrack Inc.	Company 50% owned by Peter Shearing	Compensation	45,000	15,000
Bill Purcell	Director	Share-based payments	1,558	5,575
Michael Stares	Former director	Compensation including fee, share-based payments and reimbursement of exploration and travel related expenses	-	48,775
Stares Contracting Corp.	Company controlled by Michael Stares, Director	Payments for premises rental charges	-	7,200
Christopher Goodman	Director	Share-based payments	6,926	-
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell	Legal fees charged/accrued during the period	-	56,659
Gordon J. Fretwell	Director	Share-based payments	3,635	13,009
Salil Dhaumya	CFO	Share-based payments	407	3,271
Koios Corporate Financial Services Ltd.	Company controlled by Salil Dhaumya	Compensation and reimbursements for office related expenses	23,073	23,070
CEC Rare Earth Corporation	Company related by common directorships	Fees paid for consulting services	-	158,000

The Company had $6,592 included in accounts payable and accrued liabilities that was payable to related parties as at December 31, 2016 (March 31, 2016 - $6,194). The payment terms are similar to the payment terms of non-related party trade payables.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Contractual Obligations

The Company has a commitment towards an office lease as described in note 13 of the December 31, 2016 condensed consolidated interim 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.

OUTSTANDING SHARE DATA

At the date of this MD&A, there are 166,940,141 common shares outstanding and stock options to purchase an aggregate of 23,875,000 common shares expiring at various dates between January 2017 and February 2022, exercisable at various prices between $0.05 and $0.17 per share. There are no share purchase warrants outstanding.

All of the options are out of the money but if those were exercised, the maximum number of shares potentially issuable is therefore 23,875,000.

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

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

STOCK OPTIONS

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

In April 2016, the Company granted stock options to a director to purchase up to 300,000 common shares at an exercise price of $0.05 until April 4, 2021. The options vest in four equal instalments over eighteen months.

In February 2017, the Company granted stock options to a director to purchase up to 300,000 common shares at an exercise price of $0.05 until February 17, 2022. The options vest in four equal instalments over eighteen months.

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OTHER MD&A REQUIREMENTS

Additional Disclosure for Venture Issuers without Significant Revenues:

As of December 31, 2016, the Company has incurred and capitalized $nil (December 31, 2015: $741,197) as exploration and evaluation assets since inception of the Company net of write-downs and recoveries.

Dividend Policy

No dividends have been paid on any shares of the Company since the date of incorporation, and it is not contemplated that any dividends will be paid in the foreseeable future.

Legal Proceedings

To the knowledge of the Company, there are no actual or pending legal proceedings to which the Company is or is likely to be a party or of which any of its assets are likely to be subject.

Indebtedness of Directors, Officers, Promoters and Others

No director, officer, or promoter or other member of management of the Company, or any associate or affiliate of any such person, is or has been indebted to the Company.

Conflicts of Interest

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

RISK FACTORS

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

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

Risks associated with exploration and mining operations

The exploration and development of mineral properties involves a high degree of risk which cannot be avoided despite the experience, knowledge and careful evaluation of prospective properties by management. There can be no assurance commercial quantities of ore will be discovered on the Company's mineral properties or on mineral properties owned by others which are or may become under contract to the Company. Even if such commercial quantities are subsequently discovered by the Company's exploration efforts, there can be no assurance such properties can be brought in to commercial production.

Operations may be subject to disruption due to weather conditions, labour unrest or other causes beyond the control of the Company. Hazards such as unexpected formations, pressures, flooding, or other conditions over which the Company does not have control may be encountered and may adversely affect the Company's operations and financial results.

Environmental Risks

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

Political Risks

The Company is subject to political, economic, and other uncertainties, including, but not limited to, the uncertainty of negotiating with foreign governments, expropriation of property without fair compensation, adverse determination or rulings by governmental authorities, changes in mining policies or in the personnel administering them, currency fluctuations, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, royalty and government take increases and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted. The Company's operations may be adversely affected by changes in government policies and legislation and other factors which are not within the control of the Company. In particular, Delawareco is a U.S. based mineral exploration and exploration company focused on locations in the Caribbean. As part of the Company's agreement with Delawareco, the Company may regain the right to lease, for an initial period of 25 years, 15 acres on which it may be suitable to construct a rare earth refinery.

Mineral Market

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

Funding Requirements

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

Reliance on Management

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

PROPOSED TRANSACTIONS

We have not entered into any proposed transactions that have not already been disclosed to the public.