

Interview with Tracy A. Moore, CEO of Canada Rare Earth Corporation (TSX.V: LL): Developing a Global Supply Chain within the Rare-Earth Industry

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Canada Rare Earth Corporation (TSX.V: LL) (“Canada Rare Earth” or the “Company”) is developing a global, vertically and horizontally integrated, supply chain within the rare-earth industry, which is separate from and alternative to the dominant China supply. This involves:

- *working with proven and advanced-staged mining ventures;*
- *securing supply arrangements with the mining operations for immediate delivery to customers and to proprietary refineries;*
- *designing, building and operating rare earth processing refineries in multiple geographic locations; and*
- *entering into long-term sales contracts with leading international manufacturers for a majority of the output from the refineries.*

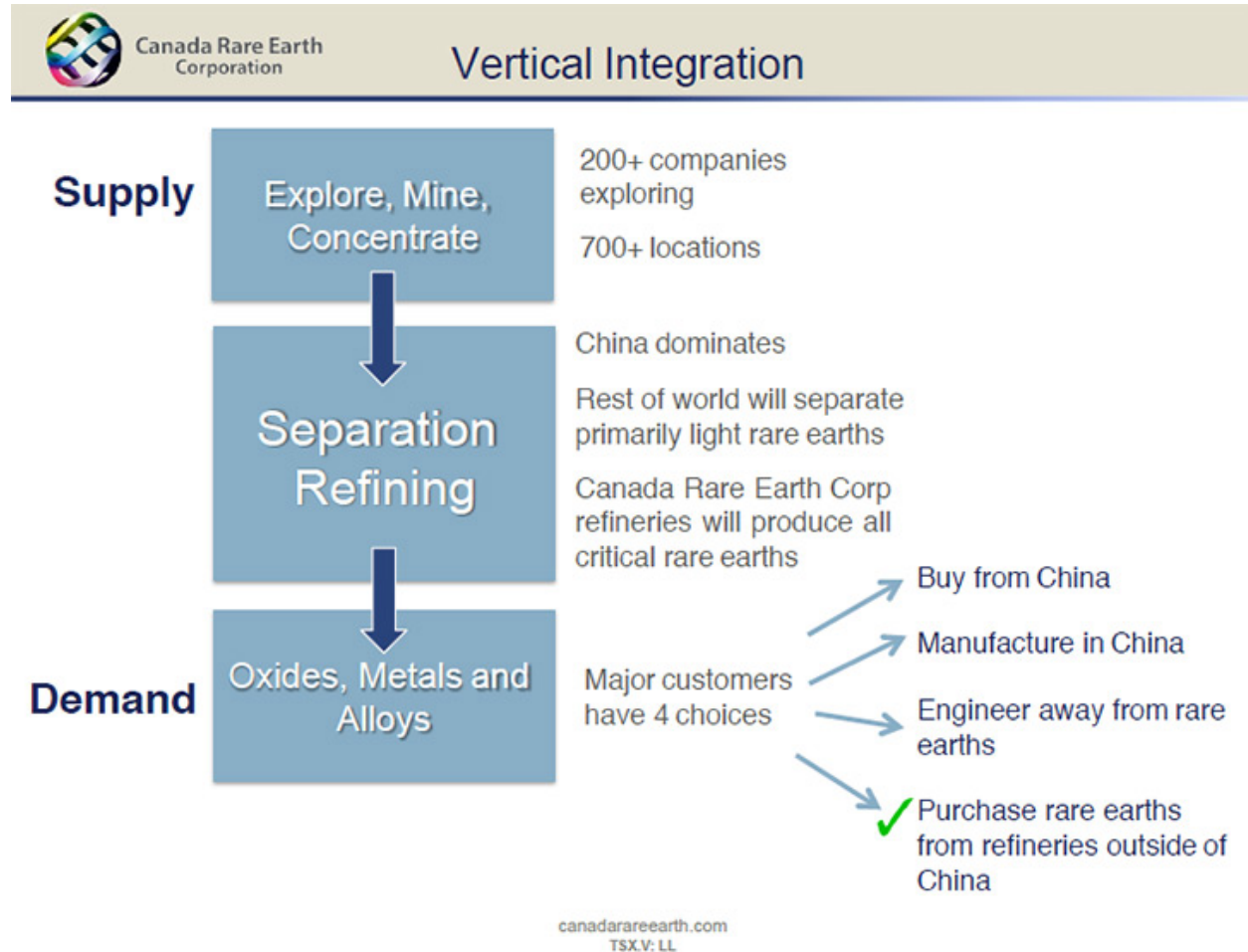
According to Tracy A. Moore, CEO of Canada Rare Earth, the rare earths prices are at the bottom, but even at this level the Company can be profitable with trading activities and with refinery operations. The near term and on-going focus is on trading of concentrates and oxides to generate positive cash flow and earnings for shareholders while developing strong customer relationships and concurrently developing rare earth separation refineries. The Company is taking charge of the final permitting of an existing refinery outside of China and, if successful, the Company may exercise the option to acquire a majority interest in that refinery for a pre-negotiated price.



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Dr. Allen Alper: This is Dr. Allen Alper, Editor-in-chief of Metals News, interviewing Tracy A. Moore, CEO of Canada Rare Earth. I can see that many new initiatives are occurring with Canada Rare Earth. Could you tell me how you're proceeding to become a totally integrated rare earth company?

Tracy A. Moore: Yes, with pleasure. We've been working for the last 3 years, on investigating the best approaches to provide a secure, transparent supply of rare earths to the 200+ major international manufacturers and their supply networks which depend on rare earths for their numerous and wide ranging products. China, for a number of reasons, has come to dominate the market for rare earths and this has caused the large manufacturing companies to become substantially dependent on the flow of rare earths from China. Prudent business practice dictates that key ingredients should be dual-sourced wherever possible. Many companies in the rare earth industry have tried to "push" their exploration properties to become producing mines in order to create a concentrate which then would either be sold into China or require processing by facilities yet to be developed. We have taken a completely different tact – 180 degrees from the norm: we have firstly focused on what the customers want. Our view is that rare earth concentrates are not particularly rare but the processing of rare earths is and therefore the supply chain to customers is particularly tenuous. The 4 main aspects of the supply chain, from our perspective include: (1st) securing long-term consistent sources of rare earth concentrates; (2nd) establishing one or more fully capability rare earth separation refineries outside of China, which we think is the key to unlocking the industry; (3rd) establishing relationships with many of the 200 largest companies that depend on rare earth to manufacture and develop their products; and (4th) securing financing for capital expenditures and working capital to support these endeavors.



We've identified a good number of rare earth sources and, with existing refineries, we are analyzing samples for optimization and benchmarking. The focus is to line up supply for refineries with existing requirements and for future rare earth separation refineries we are developing. We've also studied prospective sites for refineries in 9 different countries situated in South East Asia, the Caribbean, South America and the Middle East. We're narrowing our focus on two sites with two other strong contenders being considered. We've also had meaningful discussions with 25 of the 200 major manufacturing companies. We need 3 to 5 of the 200 to take up about a half or more of the output from any one of the refineries to make the project viable and financeable. We've been dealing with a few financiers and depending on which refinery project proceeds we are confident about the availability of funds although terms need to be finalized. We will continue to canvass other potential sources of capital.

These 4 major activities are happening simultaneously, but to get things moving, we're starting to buy rare earth concentrates and high purity rare earth oxides and sell them to suitable customers. These trading activities and the strong

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relationship with one particular rare earth refinery customer are the subjects of the most recent news releases in September, October, November and December 2016. Our purchases have taken place in India, South America and China and our sales have taken place in Europe, North America and China.


We're particularly excited about the sales we have completed and the increasing momentum of selling concentrate sourced from various providers in South America and selling to an existing refinery that has a definite need. We're very pleased with these commercial transactions as they, together with follow-on transactions, generate income and positive cash flow for us and very significantly prove that we are in business. Having cash flow is quite unique in the rare earth industry outside of China at this time and our achievements prove to the customers (who keep pushing and encouraging us) that we can deliver.

Dr. Allen Alper: That sounds exciting! Really great!

Tracy A. Moore: Yes, the fact that we are generating sales is a very significant differentiator in the rare earth industry.

Dr. Allen Alper: It's been a tough environment, and I must commend you for hanging in there, working hard and establishing relationships in this very difficult market. What does the market look like now? What are people in the industry saying, and market experts, about the outlook for rare earths in the years to come?

Tracy A. Moore: The market for rare earths, particularly those used in magnets, have a very good future. Each of the rare earth elements has a separate market, so it's hard to generalize, but if I were to generalize, I'd say the prices can't get much lower because even the big organizations in China had losses of, I believe, in the order of US\$300 Million last year. They're not very happy about that. I think they're going to be encouraging the prices to go up, which will help float our business as well. I think the prices are at a bottom, and I'm hoping that they're tending to go up from this point. Even at this level, with our trading activities, and the financial models we've created for our solvent extraction refineries, we can make profits albeit not the profits that we would have enjoyed a few years ago, when the market was probably too buoyant.



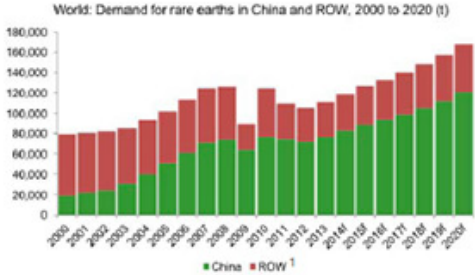
Canada Rare Earth Corporation

Future growth of RE market

- Demand growth for rare earths is strong and increasing
- Applications will continue to be developed rapidly especially if a dependable, cost effective, high quality supply is established outside of China

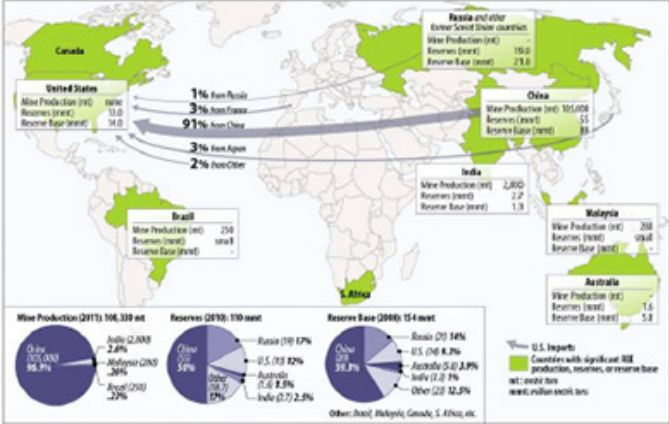
Future demand for rare earths in China and ROW¹

- RE market could grow by 6%/py between 2014 and 2020, driven by China
- Global demand could reach 168,250t REO by 2020, 120,750t REO of which could be in China



World: Demand for rare earths in China and ROW, 2000 to 2020 (t)

■ China ■ ROW¹



Sources: U.S. Geological Survey, Mineral Commodity Summaries, 2010-2013. (Figure created by CRS)

Source: Plunkett

¹ Rest of World

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Dr. Allen Alper:

Could you tell me a bit about your background Tracy, your team, and your board?

Tracy A. Moore:

Of course. My background is strategic planning, business planning, and corporate finance. I founded a small corporate finance firm in the '90s. We had small offices in Vancouver, Toronto, London and Paris. We were even expanding from there when 9/11 happened, and it took the fun out of international traveling. I've been dealing with 1 or 2 major clients since 9/11 and this led me into the rare earth industry. Our chief operating officer, Peter Shearing is an engineer with a Master's degree. He worked in the global high tech and contract electronics manufacturing industry for over a decade and before that with the Canadian Army as an engineering officer. He's a very accomplished person, well rounded in operations, engineering and supply chain matters, so he's much more technically astute in these matters than I am.

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We have an excellent, well rounded team of 11 directors, officers and advisors who are very helpful in moving us forward, including: two people involved with the rare earth industry for over 40 years at technical and business levels; a registered professional geologist who has worked in over 50 countries; a professional engineer who has overseen capital projects with budgets of US\$1 billion; a director with extensive background in commodity trading and natural resources procurement; and a former Canadian ambassador.



Canada Rare Earth
Corporation

Key People

Tracy A Moore – CEO & Director

Corporate finance experience in 20 countries

Peter Shearing – COO & Director

Broad international experience at the executive level in the electronics and high-tech manufacturing

Gordon J. Fretwell – Director, Secretary & Legal Counsel

Multiple clients and directorships in the exploration and mining industry

Bill Purcell – Director

Background in downstream oil industry

Christopher F. Goodman – Director

Commodity trading and international business development experience

Salil Dhaumya – Chief Financial Officer

Extensive experience in the resource sector

Roger Li – Chairman of the Advisory Board

Extensive network of relationships in rare earth market, inside and outside of China, former Chairman of CEC Rare Earth Corp.

Li Family – Advisors, capability partners, and major shareholders

The Li family business owns and operates the premier rare earth engineering and design company, as well as a refinery, in China

Wencai Zhu – Advisor

An experienced chemical engineer with multiple patents and publications relating to rare earth processing. General Manager of a major refinery in China

Mike Phillipoff – Advisor

Experienced in large-scale project management

Bob Schafer – Advisor

Global exploration/mining experience

John Treleaven – Advisor

Experienced in domestic and foreign government relations


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Dr. Allen Alper: That sounds very good. Could you tell me a bit about your stock, where it is listed, etc.?

Tracy A. Moore: Our shares are listed in Canada on the TSX Venture Exchange. The shares also trade in the United States, but we really don't pay much attention to the US trading at this time. In fact, we have devoted most of our energies on preparing and developing our business and really haven't paid very much attention to the public markets other than complying with all the regulatory filing requirements.

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We will be increasing our public awareness efforts early in 2017 as our business is gaining traction. We believe we have a unique story line in the rare earth sector and exciting, news worthy events will attract attention. As one of our advisors said, “until we have a shovel in the ground, we're just a concept.” We are now in business and hence we have a shovel in the ground. We’re very excited to start telling people about our focus and our opportunities.

 **Canada Rare Earth Corporation** **Capital Structure**

	Directors, Sr. Management & Advisers	Other	Basic and Fully Diluted
Shares	36,036,167 (22%)	130,903,826	166,940,141
Options Range: 5¢-17¢ Average: 9¢	17,934,700	5,640,300	23,575,000
Total	53,970,867 (28%)	136,545,126	190,515,141

Trading Prices: 4.5¢-1.5¢ 52 Week high/low

Market Capitalization: \$5,842,900

Dr. Allen Alper: That sounds promising. Could you tell me, going out into the rest of 2017, what might be the important milestones that you're looking forward to accomplishing?

Tracy A. Moore: Our focus is on trading activities of concentrates and oxides to generate positive cash flow while we develop equity positions in at least two rare earth separation

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refineries. We're helping with the permitting of an existing, truly unique refinery in part because it is situated outside of China but also because it is capable of separating the entire spectrum of commercially traded rare earths. If we're successful with the permitting, then we will have an opportunity to buy a majority interest in that refinery for a pre-negotiated price. We're hopeful about that as we have eliminated the largest objection to the issuance of the final operating permits and we have support from 2 different federal governments and a European major business entity, amongst others. We expect to have some positive news in the next few months in this regard.


We are also involved with 3 other refinery projects that are in the planning phase. Some work has been done on one of them, studying the opportunity. For another one, there are permits that have been issued to start construction. Our roles, responsibilities and equity positions are yet to be finalized and the doors are open. Involvement with rare earth refineries is a key aspect to the global supply chain so we are working very hard to become positioned in multiple refineries. In the meantime, and on an ongoing basis, the trading of the rare earth concentrates and oxides will help cement our relationships with customer groups, and also generate revenues and a fairly decent gross profit, which will help cover our operating costs and deliver a profit to the shareholders.



Dr. Allen Alper: That sounds very good. Could you tell me a little bit about the markets and the applications, for which rare earths are used, and why they're important?


Tracy A. Moore: I often refer to a National Geographic article back in June, 2011, entitled “The (Chinese) Secret Ingredient of Almost Everything”. These elements are used strategically and critically in many products, particularly electronics, and electronic applications. We have some rough numbers. It's very hard to prove these numbers, but intuitively it makes sense, that about \$2 Billion a year of rare earths are critically incorporated into \$1 Trillion of electronic products. Not a lot is needed for each one product, but they're critical to those products.

Examples are: guidance systems on missiles, electric cars, hybrid cars, regular cars, medical equipment, cellphones, laptops, just almost any electric product you can think of, and others, require, or can definitely benefit by using rare earths.

 Canada Rare Earth Corporation

Rare Earth Applications

- Rare earths are used in an almost endless list of applications
- Unique properties make them invaluable for improved performance, efficiency and quality of the end products
- New applications are being developed in rapid succession



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Dr. Allen Alper: That sounds very good. Could you summarize the primary reasons our high-net-worth readers/investors should consider investing in your company?

Tracy A. Moore: That's a very good question. There are a number of reasons, but one is that we are about to start actively promoting our company because our recent accomplishments have got the ball rolling on realizing our strategy. Our shares have been hovering at a low price for a long time, and I think that we're just breaking out now. We'll be making the point that we are one of the few companies in the rare earth sector with revenues and with profits through the trading activities we recently started. These activities are important in their own right, but they also help cement and bring together, what I call, the 4 Legs Of Our Chair: long-term sources of concentrate; rare earth processing facilities; 3 to 5 customers for each refinery; and the financing. The first commercial step (trading), is making a concerted effort to bring together the 4 legs of our chair, and to create a firm foundation for a business going forward.

Another key reason for investing in our company is our strong foundation of the processing of rare earths. Most of our peers are either traders with no processing capabilities in-house or they are explorers hoping to create a mine but without viable plans for processing the concentrate they hope to create. We are developing multiple streams of rare earth concentrates that are byproducts of other mining activities which generates additional revenues for the existing mining operations and allows us to avoid the typical risks and costs associated with exploration and mining. We maintain predictable overheads and therefore have minimal downside risk. For processing refineries our intention is to work with our proven technical partners and finance each refinery "off of our balance sheet" so again minimal down side risk other than for the overhead costs we allocate to initiatives. And, our trading activities are helping cement relationships with customers and partners that, in turn, establish even stronger relationships and international profile.

Our low-risk business model is designed to build long-term shareholder value.



Vision

To be the leading producer of refined rare earth products outside of China within 5 years.

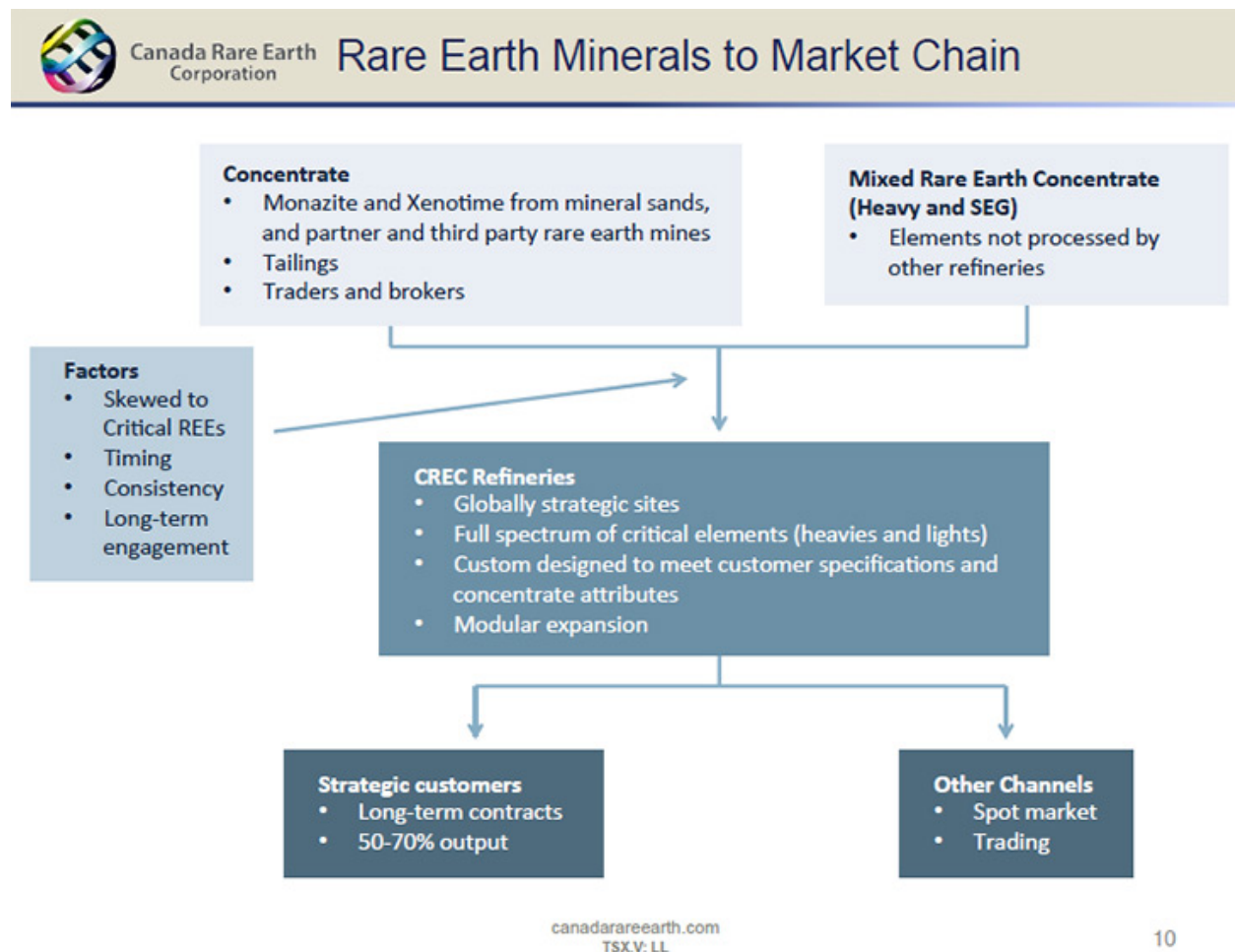
Strategy

- Organic growth with M&A activities
- Collaborate with key customers
- Collaborate with **capable & proven** partners
- Industry **proven** separation and refining technologies
- Produce **full range** of rare earth products
- Target **stable** geopolitical locations
- Commit to **sustainability** as a core value
- Leading environmental protection processes

Dr. Allen Alper: Thank you – that was well explained. Is there anything else you'd like to add, Tracy?

Tracy A. Moore: It is very important to emphasize that our global supply chain integration strategy is based on three factors: satisfying customer demands; being in business with revenues; and having secured technical processing capability. In contrast, most peers follow the traditional geological flow of exploration, hopefully creating a mine, hopefully creating a saleable concentrate and then finding a processor to deal with the concentrate. The rare earth industry is different from most other mineral industries – processing cannot be assumed. By-and-large, China is the dominant country where many of the processors of the rare earth concentrate are situated. There are very few exceptions, so most of our peers, if successful must either sell to China, or develop their own separation processes. There are a number of efforts including new technologies but they tend to be unproven and therefore risky propositions. There are very few full-size processors outside of China.

The customers have 4 ways of dealing with the rare earth issue. One is to continue exporting from China with the inherent risk of depending on a sole supplier. The second is to set up operations within China and thereby transfer technology and value –add to China. The third choice these major companies have is to engineer away from the use of rare earths, and in some cases, companies are successfully doing so. In many cases, the best they can do is reduce the amount of rare earths that they incorporate in products, but they still require rare earths. The fourth is dealing with a refinery setup outside of China. That's the solution we are endeavoring to provide. In fact, with the rapid development of new technologies we see an increasing demand for rare earths, particularly if a reliable, transparent supply (such as ours) becomes available.



Each refinery that we are planning to develop will be a profit center unto itself, and for that, we need 1 or more sources of concentrate, we need 3 to 5

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customers, and we need the financing. Each refinery would be something on the order of 2% of the world market. We'll have a viable business and we can step up with 1 or more refineries as we bring in the customers and secure the long-term feedstock for the refinery.

Dr. Allen Alper: Sounds like a very good approach.

Tracy A. Moore: I hope so – our team has devoted a lot of time and energy developing the strategy and pulling together the key aspects, and we are now beginning the implementation phase.

Dr. Allen Alper: Well, you've had the courage and the resolve to work at it. It sounds like you've been able to move forward and keep your dreams and goals viable.

Tracy A. Moore: Thank you. We have a very strong team and the support of many, significant customer groups.

Tracy A. Moore, CEO

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