

51-102F3 Material Change Report [F]

Item 1 Name and Address of Company

Canada Rare Earth Corp.
1780, 400 Burrard Street
Vancouver, BC V6C 3A6

Item 2 Date of Material Change

October 7, 2013

Item 3 News Release

The news release dated October 7, 2013 was disseminated through Canada Stockwatch and Market News under section 7.1 of National Instrument 51-102.

Item 4 Summary of Material Change

Please refer to attached news release.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

Please refer to attached news release.

5.2 Disclosure for Restructuring Transactions

N/A

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

N/A

Item 7 Omitted Information

N/A

Item 8 Executive Officer

Tracy Moore, CEO, Canada Rare Earth Corp.

Item 9 Date of Report

October 11, 2013

CANADA RARE EARTH CORPORATION CONFIRMS ITS VERTICAL INTEGRATION STRATEGY AND PROVIDES UPDATE OF ITS BUSINESS DEVELOPMENT ACTIVITIES

October 7, 2013

Canada Rare Earth Corporation ("CREC" or the "Company") (TSX.V: LL) is pleased to confirm its rare earth industry vertical integration strategy and to provide an update of business development initiatives.

Throughout 2013, CREC worked to implement its vertical integration strategy, as outlined in our news release dated December 6, 2012. CREC's vision is to establish a minimum of 10,000 metric tons ("MT") of full spectrum (both lights and heavies) separation refining capacity in multiple rare earth separation refineries in several locations. Each custom designed refinery is expected to annually separate between 1,000 MT and 5,000 MT of light and, more importantly, heavy rare earths. Customization is key to not only effectively separating rare earth concentrate into individual rare earth elements, but also to efficiently and profitably separate, taking into account the individual nature of each stream of concentrate and exacting customer specifications.

Our capability to separate critical rare earths, both light and heavy, differentiates us from other rare earth companies. This capability exists through the expertise of our strategic alliance partner, CEC Rare Earth Corp. ("REC") and its affiliates who have a proven track record of custom designing, constructing and operating rare earth separation refineries. Together, CREC's management team, directors and advisors and REC and its affiliates have the experience and knowledge to complete all aspects of rare earth separation including concentrate selection and purchasing, separation into individual elements and oxide sales. Additionally, our team has extensive experience with international business, project management of major construction projects including refineries, corporate finance and government relations.

Our business is based on our firm belief that while rare earths are not rare, the capability to separate rare earths into their individual elements to exacting purity specifications is not commercially available outside of China. For the past 20 years, China has intentionally developed its strength in separation capabilities while separation capacity outside of China has waned. Meanwhile, particularly over the past few years, a considerable amount of exploration activity has been carried out and continues. However, little mining is ongoing outside of China and strategically, very little if any refining capability has come on stream outside of China in over 10 years. China dominates the global market for rare earths, not through the 33% of known rare earth deposits it holds, but through the 90% or more of the global rare earth oxide supply it separates. The oligopoly of rare earth separation within China continues to cause angst among global users of rare earths.

Over the past year, we have driven towards our strategic vision and our work confirms that our strategy is sound. We are investigating nine potential locations to situate the five refineries we are planning. CREC is seriously evaluating sites in the Pacific Northwest of the United States, and has entered into a letter of intent with one location for a prospective refinery. The United States is a key market and the Pacific Northwest has a number of benefits, including a receptive regulatory system that is familiar with similar industrial processing.

Recently, we announced an investment in a resource company in the Caribbean which, in addition to providing participation in gold exploration, provides us with a 15 acre property suitable for custom designing and constructing a rare earth refinery. Prior to making the investment, we met with local

business persons, government officials, professional advisors, community representatives, and prospective financiers including international and humanitarian funding organizations. Feedback from all these groups was extremely supportive and open to CREC's plans. Although CREC has, in conjunction with REC, the capability to construct rare earth refineries it should be noted that, in addition to risk factors relating to forward-looking statements referred to below, no feasibility study has been completed on any of the refineries being proposed.

To further our business, we have also:

- engaged with major international manufacturers to discuss long term sales;
- entered discussions with financiers to scope out financing availability and terms;
- identified over 30,000 MT of monazite concentrate immediately available for our refineries (we would only need about 17,000 MT of such concentrate for 10,000 MT of separated rare earth output); and
- met with companies with advanced exploration projects with a view to maximizing the amount of heavy rare earth concentrate available for our refineries.

One of our challenges is synchronizing the availability of heavy concentrate from upstart mines with the completion of custom designed refineries. Meanwhile, international customers including certain countries are impatiently waiting for a long term solution - either as a secondary source or as an alternative primary source of separated rare earths.

Tracy A. Moore, CEO and President of CREC, explained, "In 2013, we focused our sales efforts on establishing optimal long term supply arrangements with key buyer groups for our refinery projects rather than short term trading. We have explicitly avoided dealing with "grey market product", which continues to be available despite Chinese government efforts to curtail illegal exports. Many manufacturers have internal policy requirements and are committed to participating in a completely transparent supply chain, which we whole-heartedly support. Our planned refineries will be operated with appropriate transparency adhering to international standards with full audit capabilities."

We are continuing to advance our own rare earth exploration properties with a modest budget and are continuing to meet with prospective joint venture financing groups to advance our rare earth properties in a significant way. One of our priorities will be on maintaining rights, through off-take agreements or otherwise, to separate rare earth concentrate derived from our existing portfolio of properties. Exploration budgets are modest in order for CREC to utilize its capital in developing its vertical integration strategy."

ABOUT CANADA RARE EARTH CORPORATION

Canada Rare Earth Corporation is developing a vertically integrated business within the global rare earth industry in conjunction with REC Rare Earth Corporation ("REC"). The relationship with REC provides the Company with access to REC's experienced personnel as well as its business model which includes a full spectrum of the rare earth industry including the designing, building and establishment of operations for rare earth refineries outside of China as well as the ongoing sales and marketing of refined rare earths. In addition to its relationship with REC, the Company presently has several rare earth properties exhibiting multi element potential (rare earths, niobium, beryllium, zirconium and iron ore). Additional information concerning the Company is contained in documents filed by the Company with securities regulators, available under the Company's profile at www.sedar.com. For more information, please visit the Canada Rare Earth Corporation web site at www.canadarareearth.com.

ON BEHALF OF THE BOARD OF DIRECTORS OF CANADA RARE EARTH

CORPORATION:

"Tracy A. Moore"
CEO & President

"Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release."

The information contained herein contains "forward-looking statements" within the meaning of applicable securities legislation. Forward-looking statements relate to information that is based on assumptions of management, forecasts of future results, and estimates of amounts not yet determinable. Any statements that express predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance are not statements of historical fact and may be "forward-looking statements." Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation: risks related to failure to obtain adequate financing on a timely basis and on acceptable terms; risks related to the outcome of legal proceedings; political and regulatory risks associated with mining, exploration and operations; risks related to the maintenance of stock exchange listings; risks related to environmental regulation and liability; the potential for delays in exploration or development activities or the completion of feasibility studies; the uncertainty of profitability; risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits; risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; results of prefeasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; risks related to rare earth and gold prices and other commodity price fluctuations; and other risks and uncertainties related to the Company's prospects, properties and business detailed elsewhere in the Company's disclosure record. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Investors are cautioned against attributing undue certainty to forward-looking statements. These forward looking statements are made as of the date hereof and the Company does not assume any obligation to update or revise them to reflect new events or circumstances. Actual events or results could differ materially from the Company's expectations or projections

For more information on the Company, Investors should review the Company's filings that are available at www.sedar.com.

FOR FURTHER INFORMATION PLEASE CONTACT:

Canada Rare Earth Corporation www.canadarareearth.com

Tracy A. Moore
CEO & President
Phone: (604) 638-8886
Email: tmoore@canadarareearth.com