

51-102F3 Material Change Report [F]

Item 1 Name and Address of Company

Canada Rare Earth Corp.
700, 1199 West Hastings Street
Vancouver, BC V6E 3T5

Item 2 Date of Material Change

October 1, 2015

Item 3 News Release

The news release dated October 1, 2015 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 1, 2015

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Canada Rare Earth Completes Acquisition of Additional Capabilities to Process Rare Earths

VANCOUVER, BRITISH COLUMBIA - Canada Rare Earth Corp. ("Canada Rare Earth" or the "Company") (TSX.V: LL) is pleased to announce the completion of the acquisition of assets complementary to its strategic plan of creating a vertically integrated rare earth supply chain.

The assets were purchased from CEC Rare Earth Corp. ("**REC**"), an affiliated private British Columbia company (the "**Acquired Assets**") and on the terms set out in the news release dated September 2, 2015. As part of the acquisition of the Acquired Assets (the "**Acquisition**"), REC will no longer be directly involved in the rare earth industry.

The Acquired Assets will enhance the Company's ability to develop and commercialize rare earth properties with the ultimate goal of processing and refining rare earths derived from its properties and from other sources.

With the closing of the Acquisition, Canada Rare Earth now has the following ongoing initiatives:

- a rare earth property portfolio including properties in Canada;
- dealings with prospective providers of heavy mineral sands, tailings, ionic clay deposits, traders and the Mata Azul project;
- direct access to multiple rare earth pre-treatment and separation refineries in China and prospective refineries in Southeast Asia (three), the Middle East (one), and Mata Azul in Brazil;
- direct access to a rare earth metal manufacturing business in Southeast Asia and a prospective metal making business also in Southeast Asia;
- direct access to a rare earth alloying manufacturer in Southeast Asia;
- opportunities to provide rare earth concentrates to existing rare earth refineries and to prospective refineries; and
- connections to 25 major international manufacturing companies and their supply networks which require rare earth oxides, metals and alloys.

The Acquired Assets included \$195,000 of cash and \$60,000 of inventory plus certain receivables, work in progress, and 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.

Commenting on combining the Acquired Assets with the Company's properties and vertical integration strategy Tracy A. Moore, CEO explained, "We have been working closely with REC for three years on Company initiatives and separately REC has worked with other clients and partners. The addition of the REC assets to the Company synergistically unifies, expands and simplifies our business while aligning the interests of stakeholders."

Mr. Moore continued, "The Acquisition also provides Canada Rare Earth with an important cornerstone for our business model, immediate access to and direct connection with one of the most experienced designers, builders and operators of rare earth separation refineries in China and therefore the world."

Canada Rare Earth's strategy for over two years has been the simultaneous development of sourcing rare earths; developing separation capabilities; approaching prospective customers for the separated, individual

rare earths; and approaching financiers. The significant accomplishment of combining Canada Rare Earth with a capable designer, builder and operator and with several of its prospective separation refineries is an important cornerstone to our business strategy and implementation.

Consideration for the Acquired Assets was set out in the September 2, 2015 news release and is summarized as follows:

- a) 24,178,000 common shares, subject to an 18 month escrow provision;
- b) three royalties based on non-refundable gross collected proceeds derived from the Acquired Assets;
- c) continuing the exercise period for 5,000,000 options exercisable at \$0.10 per share until November 8, 2017;

Additionally, the Company agreed to indemnify REC for up to \$40,000 of Canadian corporate income taxes resulting from this transaction

ON BEHALF OF THE BOARD OF DIRECTORS OF CANADA RARE EARTH CORP:

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 the price fluctuation of rare earths and other commodities; and other risks and uncertainties related to the Company's prospects, assets acquired from **REC**, 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:

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