51-102F3 Material Change Report [F]

Item 1 Name and Address of Company

Canada Rare Earth Corp.
15th Floor, 1040 West Georgia Street
Vancouver, BC V6E 4H1

Item 2 Date of Material Change

December 12, 2016

Item 3 News Release

The news release dated December 12, 2016 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

December 12, 2016

Canada Rare Earth Becomes the Primary International Supplier of Monazite

December 12, 2016

Canada Rare Earth Corporation (“Canada Rare Earth” or the “Company”) (TSX.V: LL) is pleased to announce the signing of a significant agreement with Yongzhou Xiangjiang Rare Earth Resource Co. (“Xiangjiang Rare Earth” or the “Refinery”) which is fully licensed by Chinese environmental law to import and process rare earth monazite concentrate. Pursuant to the mutually beneficial agreement, Canada Rare Earth has the opportunity to become the primary international supplier of monazite concentrate to the Refinery.

Our senior management team visited the Refinery in China on multiple occasions to conduct due diligence. During the investigations we confirmed that the Refinery has been fully operational for over fifteen years during which time it has consistently been highly regarded for its ability to process monazite concentrate and separate the concentrate into the complete spectrum of rare earth elements. All environmental standards established by Chinese law and international standards have continuously been met or exceeded. The Refinery is a technically advanced and automated facility that benefits from numerous patents and sizeable investments in environmental systems, controls and testing mechanisms.

The arrangement provides Xiangjiang Rare Earth with solid international sourcing of monazite through a close ally and provides Canada Rare Earth with direct access to the largest market involving rare earth products via a strategic partner. Under the terms of the agreement, Canada Rare Earth 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 the event Canada Rare Earth is unable to source monazite on commercially acceptable terms there will be no breach of underling terms of the agreement or the occurrence of legal or financial obligations.

Peter Shearing, the Chief Operating Officer of Canada Rare Earth noted, “We are developing a dependable base of multiple sources of rare earth concentrate supply including the recently announced multi-year purchase agreement in South America. This and other sources are intended to generate trading profits in the near, medium and longer term as well as providing consistent, reliable sources of concentrate for the refineries we are in the process of permitting, planning or building.”

On behalf of the Board

Tracy A. Moore, CEO and Peter Shearing, COO

ABOUT CANADA RARE EARTH CORP.

Canada Rare Earth is developing an international integrated business within the global rare earth industry. Our key focus is to generate revenues and positive cash flow from a variety of profit centres in the rare earth production and sales chain by sourcing, adding value and selling rare earths 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.

"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 that could cause actual events or results to differ from those reflected in the 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, interested parties should review the Company's filings that are available at www.sedar.com.

FOR FURTHER INFORMATION PLEASE CONTACT:

Tracy A. Moore
Chief Executive Officer
tmoore@canadarareearth.com

Peter Shearing
Chief Operating Officer
pshearing@canadarareearth.com

Tel: (604) 638-8886
Website: www.canadarareearth.com