CANADA RARE EARTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended March 31, 2020

CANADA RARE EARTH CORP.
Management's Discussion and Analysis
Year Ended March 31, 2020

GENERAL

The following is management's discussion and analysis ("MD&A") of Canada Rare Earth Corp. prepared as of July 28, 2020. This MD&A should be read together with the audited consolidated financial statements for the year ended March 31, 2020 and related notes.

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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. We expressly disclaim 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.

Our audited consolidated financial statements for the year ended March 31, 2020 have been prepared 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 our functional and reporting currency. Additional information relating to us is available on SEDAR at www.sedar.com.

OVERVIEW

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

Our business focus has transitioned from the exploration and development of precious metal and base metal mineral properties to properties with the potential to host rare earth elements. More recently, as we have built up an in depth knowledge of the global rare earth supply chain we have learned that the main issue confronting the global supply chain of rare earths is the processing of rare earth concentrates, much more so than the exploration phase. Accordingly, our main business goal is to establish an international supply network business based on our commodity-trading platform and existing, developing and planned processing facilities. We are generating revenues and gross profits as we develop our network based on the rare earth industry and with increasing attention directed to valuable by-products. Our business involves sourcing, adding value and selling rare earths and other mineral products in all stages and forms utilizing proprietary, affiliated and third-party sources and facilities.

INCORPORATION AND ORGANIZATION OF THE COMPANY

We were incorporated under the laws of British Columbia on July 8, 1987. Our common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "LL".

Our 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, we have 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

One of the primary uses of rare earths is in permanent magnets. These permanent rare-earth magnets allow manufacturers to optimize the energy efficiency of electric vehicles, and facilitate reductions in battery size, vehicle weight and environmental impact. Demand for a sustainable permanent rare-earth magnet supply chain based outside of China, in the rest of the world ("ROW"), is growing quickly as a result of the current international trading uncertainties and geo-political tensions.

We are encouraged by a recent return of interest to the rare earth sector and the market's recognition of the need for source(s), based in the ROW, of rare earth oxides and metals to augment or replace Chinese dominated supply. This global interest is resulting in higher product prices than experienced over the preceding five years and in a significant increase in our sector's corporate finance activities.

Our corporate development focus has remained steadfast over the past years. We are developing an international integrated business within the global rare earth industry. Our immediate key focus is to generate revenues and positive cash flow from a variety of profit centers in the rare earth production and sales chain by sourcing, adding value and selling rare earths and complementary, valuable minerals and by-products, 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.

These business activities help expand our knowledge and practical experience of international purchases and sales, logistics and trade finance.

We are fortunate in that we have secured a key customer for concentrates whose demands are greater than what we can currently supply hence we are devoting resources to maintain and increase our sources of supply for this customer and others.

We continue to see strong global demand particularly for products produced in the ROW as alternate supply sources are viewed favorably by the global manufacturing supply chain.

We believe that our integration strategy will position us to take advantage of the anticipated strong demand for rare earths, particularly those sourced and processed in the ROW. Rare earth raw materials and value-added products are essential to a wide variety of products including many "green" technologies such as electric and hybrid vehicles and wind power. We believe that the global efforts to reduce reliance on fossil fuels in favor of alternative energy sources present an extremely attractive opportunity for producers of rare earth elements. Additionally, demand for rare earths in the traditional markets, including applications in the military, electronics, ceramics and oil processing sectors, continues to increase.

We believe that by virtue of our commercial activities and direct access to extensive rare earth refinery capabilities including design, construction and operations, we are uniquely positioned to become a leading business within the global rare earth industry.

For the past 20 years China has dominated the global market for each of the commercially traded rare earth elements but not because they have more sources to supply feedstock; rather through establishing a dominating capacity for enhancing and processing of feedstock. Certain supply factors (such as the preclusion of imports from Myanmar into China and a reduction in Chinese ionic clay mining quotas) have affected volumes of concentrates available for

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processing in China however these have not impacted China's dominance in the rare earth market. Other factors have caused the market for some (light) rare earths to become oversupplied with concentrate from the United States and Africa, leading to local market structural modifications, increased competition and continued weak prices. Future trends depend to a large extent on China central government policies.

Some (heavy) rare earth supply has been reduced as the China central government reduced mining quotas for ionic clay (the main source of heavy rare earths in China) due to environmental concerns and the recent ban on imports of similar material from Myanmar. As the future growth of the electric vehicle market is expected to translate into a sharp increase in demand for dysprosium and terbium (two of the "heavy" rare earths), the market is anticipating this future shortage and most industry participants expect heavy rare earth prices to continue increasing.

COVID-19 PANDEMIC

In March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

CORPORATE DEVELOPMENTS AND HIGHLIGHTS

Key activities, initiatives and accomplishments over the past year include:

Four Pillar Strategy

We have a number of initiatives underway for establishing our integrated business which is based on four pillars: (i) establishing processing facilities in multiple locations, (ii) securing multiple sources of concentrates, (iii) arranging long term customers to purchase a majority of the output and (iv) arranging financing for capital expenditures, investments and working capital.

Rare Earth Production – Enhancement and Separation

South America

In February 2020, we commissioned a study to select the optimal location for the Company's proposed South American rare earth refinery (the "Study"). Over the years we investigated various locations across nine countries and narrowed the scope for our first refinery to 6 regions within South America. The Study considered refinery permitting, logistics and government support such as grants, tax deferrals and loans in determining the two best regions in which to situate a full spectrum refinery capable of producing:

(i) a saleable rare earth concentrate, and

(ii) the complete range of commercially traded rare earths including Neodymium ("Nd"), Praseodymium ("Pr") and heavy elements.

The Study was undertaken by a qualified person who completed a Ph.D. in Mineral Economics from the Colorado School of Mines, was head of the Mining Engineering Department of a Brazilian university and for 8 years was responsible for the mining and ore treatment of the

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largest heavy mineral sand operation in South America.

The Company, with the assistance of the aforementioned study, selected two regions based on a number of criteria including:

- Availability of known sources of input materials (rare earth concentrates and chemicals);
- Logistics and economics of transporting concentrates and chemicals to the selected site and of finished products (full spectrum of commercially traded are earth oxides and metals) to domestic and international markets;
- Availability of infrastructure such as water, power and modes of transportation;
- Existing and established relationships with persons having relevant experience and extensive connections in the region;
- Government support for business and industrial development and incentives such as tax waivers and concessions, grants and other financial support; and
- Availability and suitability of local employment base.

The Company will be pursuing the two regions simultaneously in order to maximize potential negotiating positions.

The CREC South American refinery initiative builds on the Company's recent announcements (December 19, 2019 and January 22, 2020) of the purchase of significant mineral sand tailings including access to existing permits and licenses necessary to process the tailings.

Management intends to utilize available, existing proprietary processing technology for the production of rare earth products including both heavy and light elements. Once the site has been selected the Company is striving for a rapid design and construction timeframe by leveraging existing designs that are proven and in production. By utilizing existing and proven technology, the Company is confident that it has a lower risk path to successful production especially compared to other rare earth processing projects dependent on process development of, as of yet, unproven technologies. The Company has not, as of this date, made a production decision as the initiative is subject to a number of factors including permitting and finance.

Laos

In May 2016, the Company entered into an agreement to purchase 60% of the issued and outstanding shares of a Laotian company ("LaosCo") which owns a substantially complete refinery. The refinery is designed to process rare earth concentrate and separate the concentrate into the entire spectrum of commercially traded rare earths including light and heavy elements. Future development plans include extending operating capabilities to metal making.

The agreement is subject to obtaining the final operating permit and the Company is, accordingly, taking a prominent role in the final approval process. The agreement also provides the right to close on the purchase six months after permitting. The purchase price is to be negotiated between the owner, the Company and the prospective financiers.

In March 2018, we received a non-refundable fee of US$500,000 for allowing a third party the right to acquire a 50% equity interest in the Laos refinery. In order to exercise the right, the third party would provide all the funds necessary (i) for the Company to purchase 60% of the refinery and (ii) provide a specified amount of working capital. Ability of the third party to participate in the refinery is subject to certain terms and conditions.

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Refinery Development Opportunities

We continue to investigate other opportunities in South America and Southeast Asia. One opportunity involves the Company acquiring an interest in a refinery under construction; and several other opportunities involve the Company becoming the lead developer.

Supply

During the year ended March 31, 2020 we generated mineral product sales totaling $597,000 and to date we have generated mineral product sales of $3,279,000;

We are working to increase supply to meet customer demand through developing arrangements with a number of businesses in each of the following categories:

- Tailings from various mining operations;
- Heavy mineral sands operations;
- Green field opportunities with a particular focus on licensed, near-term production;
- Existing stock-piles; and
- Rare earth mining opportunities.

Our supply chain continues to develop, and we are in the process of adding other sources. We are working with suppliers to assist in the optimization of their processing to allow the Company to source higher quality material and larger volumes.

South American Mineral Sand Tailing Source

On December 16, 2019, we acquired tailings which provide an opportunity for processing and extracting rare earths and other minerals such as cassiterite, zircon, and ilmenite (previously disclosed in our news releases dated February and April 1, 2019). CanBras Minerals Ltda. ("CanBras"), a wholly owned subsidiary of the Company's subsidiary CREC South American Holdings Corp. ("CREC SAH") closed on a multi-faceted agreement including:

- Purchasing tailings produced from over 25 years of historical mining and any future mining activities conducted on a 9,960-hectare property leased by the Company for 26 years (the "Leased Property");
- The existing tailings, situated on 590 hectares of the Leased Property, contain rare earths, cassiterite, ilmenite and zircon;
- The right to utilize existing permits and licenses necessary to process the tailings;
- The right of first refusal to purchase the mining rights related to the 9,960 hectares; and
- Consideration to the vendors/lessors (the "Vendors") of US$11 million (the "Purchase Price") over ten years: US$600,000 in January 2020 (paid) and US$100,000 per month starting September 2020 and continuing through April 1, 2029.

The Company arranged with two other parties (the "Investors") to provide 80% of the Purchase Price to acquire an 80% equity interest in CREC SAH. Accordingly, the Company is responsible for funding 20% of the Purchase Price.

CanBras may terminate the agreement by providing a three month notice, returning ownership of the tailings to the Vendors and cancelling the lease. Thereafter, CanBras would not be

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required to make payments beyond the notice period. After 26 years, the Vendors may repurchase the tailings and cancel the lease for nominal consideration.

We have also initiated due diligence on another property and other assets in South America.

Canada

In Canada, our mineral projects include the Red Wine project and the Hinton Coal property. At present, we are looking for business opportunities for these assets.

Internationally

We are frequently presented with opportunities to investigate properties in other parts of the world for the purposes of jointly developing, acquiring or entering into off-take agreements. We have studied properties in over 20 countries in this respect.

Strategic and Financing Relationship

In January 2018, we entered into a strategic and financing relationship with Talaxis Limited ("Talaxis"), a wholly owned subsidiary of the large Asian-based commodity trading company, Noble Group Limited. As part of this arrangement Talaxis provided us with a $1,500,000 loan which was converted into 21,612,093 shares and 9,000,000 warrants. Talaxis currently owns 11% of our issued and outstanding shares and the ownership would increase to 14% if all warrants were to be exercised. The warrants are exercisable until June 30, 2020 at the greater of $0.10 per share and a 15% discount to the preceding 10-day volume weighted adjusted share price.

In August 2019, Mr. Christopher Goodman left a senior role with Talaxis to join the Company on a full time basis to lead our team and initiatives in South American. Specific focuses include increasing trading activities, securing long-term supply and most importantly to begin the development of a rare earth processing refinery. Mr. Goodman joined our board of directors as a director in March 2016.

FINANCIAL

SELECTED ANNUAL AND QUARTERLY INFORMATION

During the most recent three fiscal years, we have not incurred any loss from discontinued operations or extraordinary items.

Year ended March 31	2020 $	2019 $	2018 $
Revenue	597,189	1,082,762	1,756,486
Interest and investment income	-	-	57,170
Loss for the year	(674,362)	(791,231)	(2,807,624)
Loss per share, basic and diluted	(0.00)	(0.00)	(0.02)
Total assets	1,519,710	1,108,336	1,981,667

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The following is a summary of the eight most recently completed quarters:

	Revenue	Operating expenses	Income (loss) and comprehensive income (loss) for the period	Income (loss) per share
Quarter ended:	$	$	$	$
June 30, 2018	127,453	329,996	(262,081)	(0.00)
September 30, 2018	309,531	637,134	232,110	0.00
December 31, 2018	172,350	419,502	(86,107)	(0.00)
March 31, 2019	473,428	671,137	(675,153)	(0.00)
June 30, 2019	370,094	392,424	(151,831)	(0.00)
September 30, 2019	-	240,574	(194,223)	(0.00)
December 31, 2019	227,095	458,582	(80,846)	(0.00)
March 31, 2020	-	425,903	(247,462)	(0.00)

Factors affecting quarterly income/losses include:

- March 31, 2019 – the Company wrote down deposits paid related to the purchase of mineral concentrates, as the future application of these deposits was uncertain.

RESULTS OF OPERATIONS

Overview of Year ended March 31, 2020

We earned revenue from sale of oxides and mineral concentrate products of $597,189 during the year ended March 31, 2020 ("Current Period") compared to sale of oxides and mineral concentrate products of $1,082,762 during the year ended March 31, 2019 ("Prior Period"). The decrease in revenue in the year ended March 31, 2020 was due to challenges relating to sourcing materials from existing suppliers in South America.

During the year ended March 31, 2020, we incurred $21,401 of royalties payable. This represents 13% of the gross profit for the year, excluding amortization of intangible assets. These royalty payments and amortization of $59,684 related to the expensing of the intangible assets are included in cost of sales.

Total operating expenses for the Current Period were $1,517,483 compared to $2,090,276 for the Prior Period.

The operating expenses were lower in the current year primarily due to lower cost of sales of sale of oxides and mineral concentrate products as a result of lower revenue. Administrative and regulatory expenses in the Current Period increased compared to the Prior Period. Consulting fees increased to $694,766 compared to $443,000 in the Prior Period, due to increased activity in Brazil. Share-based payments decreased to $52,100 compared to $274,007 in the year ended March 31, 2019, due to lower number of options vesting in the current year.

Net loss and comprehensive loss for the Current Period was $674,362 or $0.00 loss per share compared to a loss and comprehensive loss of $791,231 or $0.00 loss per share at March 31, 2019.

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CASH FLOWS

We used cash of $136,492 in operating activities during the year ended March 31, 2020 compared to cash used of $965,095 during the year ended March 31, 2019. The change in cash used by operating activities was primarily due to lower amount of advance payments for mineral concentrates offset by higher consulting and professional fees.

Cash flows provided by financing activities was $601,400 for the year ended March 31, 2020 compared to $nil for the year ended March 31, 2019. The change in financing activities was due to receiving deposits to provide 80% of the Purchase Price of the multi-faceted agreement described under *South American Mineral Sand Tailing Source* for an 80% equity investment in CREC SAH.

Cash flows used by investing activities relate to property claims payments in the Current Period and the Prior Period.

CHANGES IN FINANCIAL POSITION SINCE MARCH 31, 2019

Changes in our financial position since March 31, 2019 relate to operations in the ordinary course.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2020, we had $204,270 in cash (March 31, 2019 - $514,227) and had working capital (excluding deposits – equity interests and derivative liabilities) of $49,802 (working capital deficit excluding derivative liabilities on March 31, 2019 - $387,726).

During the Current Period, we placed deposits for, and purchased and sold mineral concentrate products. We do not operate any revenue producing mineral properties and we only started our trading activities in the fourth quarter of calendar year 2016. As a result, we do not have established cash flow from operations.

We raise funds for business and property development, general overheads and other expenses through the issuance of shares from treasury and/or debt facilities. These methods have been the principal source of funding for us since inception although we have generated cash for a short term through trading activities by providing consulting services.

We will also seek funding 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.

Our success in funding our cash requirements is dependent upon our ability to raise adequate debt and equity financing, primarily at the project level. If in the event those future financings cannot be closed, we would have to review our budgeted project expenditures and revise where necessary. Management continues to seek out capital required to undertake its mineral processing projects and for working capital to meet project work commitments.

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Related Party Transactions

Payee	Relationship	Nature of Transaction	March 31, 2020 $	March 31, 2019 $
Tracy A. Moore	President & CEO	Share-based payments	1,270	19,169
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Compensation	204,000	204,000
Peter Shearing	Chief Operating Officer	Share-based payments	1,270	19,169
EchoTrack Inc./Carberry Consulting Inc.	Companies controlled by Peter Shearing	Compensation	204,000	204,000
Bill Purcell	Director	Share-based payments	6,348	1,917
Christopher Goodman	Director	Compensation and share-based payments	221,717	38,913
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell	Legal fees charged/accrued during the period, news releases	30,000	23,370
Gordon J. Fretwell	Director	Share-based payments	16,568	15,335
Salil Dhaumya	CFO	Share-based payments	4,792	1,917
Koios Corporate Financial Services Ltd.	Company controlled by Salil Dhaumya	Compensation	37,500	30,000
Mark Peters	Director	Share-based payments	6,432	3,195

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The short-term benefits were paid or accrued to management and directors of the Company or to companies controlled by management and directors.

The Board of Directors approved executive compensation plans ("ECPs") for the Chief Executive Officer ("CEO") and Chief Operating Officer ("COO") of the Company for the years ended March 31, 2020 and 2019. Each ECP has a one-year term, with the follow on ECP usually being negotiated and finalized prior to the expiry of, and being no less favorable than, the current one. Pursuant to the ECPs for the years ended March 31, 2020 and 2019, the CEO and COO are entitled to the following bonus compensation:

- a performance bonus to a maximum of $156,000 based on achieving specified annual milestones approved by Board of Directors;
- a public market performance bonus to a maximum of $45,000 based on achieving specified levels of market capitalization;
- a minimum of 500,000 in stock options priced at market (but not less than $0.05 per share) vesting over 18 months (waived by the CEO and COO for the current year); and
- additional bonuses at the discretion of the Board of Directors.

During year ended March 31, 2020, $34,513 (March 31, 2019 - $32,507) of the office rental and related costs were paid by a director of the Company directly to the landlord.

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The fees charged by related parties are in the normal course of operations and are measured at the exchange amount which is amount of consideration established and agreed to by the related parties.

On September 18, 2019, CanBras and a director of the Company entered into a Service Agreement and Other Covenants (the "SAOC") whereby the director will provide business management services to, and act as a director of, CanBras. The SAOC is effective for one year from the date the director is issued a Business Visa by Brazil (issued in October 2020). Pursuant to the SAOC, the director will receive a fee of US$2,000 per month. Either party may terminate the SAOC by giving at least 60 days' written notice. The District Court of Sao Paulo, State of Sao Paulo, has been elected to settle all issues arising from the SAOC.

On November 1, 2019, the Company and a company controlled by a director of the Company entered into a Business Development and Negotiation Consultancy Agreement (the "BDNCA") whereby the company will provide its expertise to the Company for all things pertaining to rare earth commodities within Asia and elsewhere as and if applicable. Pursuant to the BDNCA, the company will receive a fee of US$18,000 per month. The BDNCA will continue until terminated by the Company giving five days' written notice or the company giving 30 days' written notice. The BDNCA is governed and construed in accordance with the laws of the United Kingdom

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In March 2019, the Company settled $223,200 payable to related parties by issuing 4,464,000 shares at a deemed price of $0.05 per share.

In March 2020, related parties exercised 5,000,000 options at $0.05 per share, with $250,000 of balances payable to these related parties included in accounts payable and accrued liabilities settled as consideration for these exercises.

The Company owes related parties $393,699 as at March 31, 2020 (March 31, 2019 - $369,387). $176,000 (2019 - $250,000) of this amount has been presented as a long-term liability and the balance as current accounts payable and accrued liabilities. The payment terms are similar to the payment terms of non-related party trade payables.

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Contractual Obligations

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On December 7, 2015, the Company entered into a commercial property lease expiring April 29, 2021. The Company has a written agreement with a related party to sublease to the related party 50% of the Company's office space. The related party will split premises costs on a 50/50 basis with the Company for the duration of the lease. Each party pays its 50% share.

The Company enters into finders' agreements from time to time pursuant to which fees are subject to completion at the discretion of the Company.

Pursuant to the Company's contracts for the sale of concentrate to a rare earth company in Asia, the buyer has the right to the following claims within 90 days and 12 months after arrival of the goods at destination based on an inspection certificate issued by the relevant government inspection authority:

- within 90 days – the right to claim for replacement with new goods or for compensation if the quality, specification or quantity is not in conformity with the contract; and

- within 12 months – as regarding quality based on the Company's guarantee that if damages occur in the course of operation as a result of inferior quality, bad workmanship or the use of inferior materials, the right to claim for immediate replacement of the defect, complete or partial replacement of the commodity, devaluation of the commodity according to the state of the defect(s) or, where necessary, elimination of the defects at the Company's expense.

In August 2019 the Company entered into a services and cost sharing agreement with Talaxis through which the services of a director of the Company are provided to the Company in Brazil. These services and cost sharing agreement provides Talaxis and its affiliates with the right of first offer and the right of first refusal to participate in the Company's Brazilian trade flows, financing opportunities, equipment purchases and investments in product sourcing, refining and processing facilities. Talaxis will fund the monthly compensation of US$20,000 for one year and at the end of the year the Company will reimburse 50% of the compensation by either cash or shares at the option of the Company.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Our financial instruments are exposed to certain risks, including credit risk, liquidity risk, interest rate risk and market risk.

Credit risk

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. Credit risk arises from cash, trade receivables and deposits. While the Company is exposed to credit losses due to the non-performance of its counterparties and there is a significant concentration of credit risk because the trade receivables and deposits are receivable from/held by a single counterparty, management does not consider this to be a material risk.

The Company mitigates the risk of default of accounts receivable by assessing the credit worthiness of customers prior to sale and shipment of product.

For trade receivables, the simplified approach is applied for determining expected credit losses. This requires the lifetime expected losses to be determined for all trade receivables. The expected lifetime credit loss provision for trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, as required. Since the Company's buyer is considered to have low default risk and the Company's historical default rate and frequency of loss are low, the lifetime expected credit loss allowance for trade receivables is nominal as at March 31, 2020.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of our capital structure. We monitor and review current and future cash requirements and match the maturity profile of financial assets and liabilities. At March 31, 2020, the Company had a working capital (excluding deposits – equity interest and derivative liabilities) of $49,802.

Trade accounts payable and accrued liabilities are due within the current operating period.

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

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<#>employing the director (see Note 12) or arranging for the director to be employed to manage the Company's business operations in Brazil and providing support in implementing his employment including, but not limited to, a contract of employment and a salary equivalent to US$240,000 per annum, paid monthly and in an agreed upon currency, plus any other necessary company taxes, duties, insurances and social contributions as required by local regulations in his location of employment, to a maximum of US$500 per month (together, the "Monthly Salary");¶
<#>enabling the director to provide direct advice or services to Talaxis' and its affiliates' business interests in Indonesia, to the extent that this does not materially interfere with the director's ability to manage and carry out the Company's business operations in Brazil. Any assistance resulting in such a material reduction in the director's ability requires the approval of one of the Company's CEO, COO, the specified director or a nominated designate or successor of these individuals; and
<#>providing Talaxis and its affiliates with the right of first offer and right of first refusal to participate in the Company's and its affiliates' Brazilian trade flows, financing opportunities equipment purchases and investments in product sourcing, refining and processing facilities. ¶
The Company will provide the above-noted services in consideration of the following payments:¶
<#>during the Term, to the extent that the Company is providing the services and paying the director's salary, Talaxis will arrange for an amount equal to the Monthly Salary to be paid into a bank account nominated by the Company within 30 days after receiving an invoice from the Company for the prior month's Monthly Salary costs;¶
<#>On August 1, 2020:¶
<#>the Company will pay to Talaxis, in US$, the "Anniversary Payment" which is defined as the amount equivalent to 50% of the total accumulated Monthly Salary from August 1, 2019 to July 31, 2020; and¶
<#>the Company may, at its sole discretion, elect to pay the Anniversary Payment in cash or new ordinary shares of the Company calculated in accordance with the prescribed formula. Any election by Talaxis must be... [1]

Deleted: As at March 31, 2020, the accumulated Monthly Salary totaled $212,956 (US$160,000). ¶
The SCSA is governed and construed in accordance with the laws of Hong Kong. ¶
The parties have agreed not to renew the SCSA. ¶

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risk, and other price risk. We currently do not have any financial instruments that would be impacted by changes in market prices.

Foreign Currency Exchange Rate Risk

The Company is exposed to foreign currency fluctuations as it has cash, accounts receivables, interest and other receivables, prepaid expenses and deposits, denominated in US dollars and Brazilian Real. There are no exchange rate contracts in place. A 10% change in the US dollar will affect profit/loss by approximately $17,000, while a 10% change in the Brazilian Real will affect profit/loss by approximately $1,000.

Financial instruments denominated in foreign currencies are:

At March 31, 2020	US Dollars	Brazilian Real
Assets	269,492	4,453
Liabilities	148,000	47,130
Exchange rate / $1.00 =	.7049	3.6603

At March 31, 2019	US Dollars	Brazilian Real
Assets	634,236	-
Liabilities	84,906	-
Exchange rate / $1.00 =	.7483	-

Risk of economic dependency

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We are reliant on one customer for majority of our sales of mineral concentrate. If our relationship is impaired with this customer, it would have an adverse impact on the Company's business.

Fair value of financial instruments

The fair value of the Company's financial assets and liabilities, excluding the promissory note and related interest receivable, approximates the carrying amount due to their short term nature and capacity for prompt liquidation. See note 9 for the fair value of the promissory note and note 12 for the fair value of the derivative liabilities - warrants.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets and liabilities, which are measured at fair value as at March 31, 2020 and March 31, 2019:

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	As at March 31, 2020		
	Level 1 $	Level 2 $	Level 3 $
Derivative liability - warrants	-	-	135,000

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	As at March 31, 2019		
	Level 1 $	Level 2 $	Level 3 $
Derivative liabilities - warrants	-	-	324,000

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There were no transfers between Level 1, 2 or 3 during the year ended March 31, 2020 and March 31, 2019.

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OUTSTANDING SHARE DATA

At the date of this MD&A, there are 198,493,634 common shares outstanding, as well as 10,325,000 stock options granted and 9,000,000 share purchase warrants issued to purchase an aggregate of 19,325,000 common shares expiring at various dates between April 2021 and May 2025, exercisable at various prices between $0.05 and $0.10.

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If all of the options and warrants were exercised there would be 217,818,634 shares issued and the Company would raise a further $1,405,250 of cash.

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STOCK OPTIONS

We are authorized by our shareholders to grant options to our directors, officers, employees and service providers under our stock option plan for up to 33,880,028 common shares of which 10,325,000 have been granted.

In August 2018, we granted stock options to a consultant to purchase up to 3,400,000 common shares at an exercise price of $0.065. These options expired on December 31, 2019.

In March 2019, the Company granted stock options to officers, directors and consultants to purchase up to 1,350,000 common shares at an exercise price of $0.05 until March 22, 2024. The options vest in four equal instalments over eighteen months.

In January 2020, the Company granted stock options to a consultant to purchase up to 150,000 common shares at an exercise price of $0.06 until January 20, 2025. The options vest in four equal instalments over eighteen months.

In May 2020, the Company granted stock options to consultants to purchase up to 500,000 common shares at an exercise price of $0.055 until May 19, 2025. The options vest in three equal instalments over eighteen months.

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WARRANTS

In June 2018, we issued 3,000,000 warrants to Talaxis on conversion of $300,000 of the convertible note. Each warrant is exercisable until July 30, 2020 at the greater of (i) $0.10 and

(ii) the 10-day value weighted average price of the Company's common shares on the TSX Venture Exchange less 15%.

In August 2019, we issued 6,000,000 warrants in conjunction with the conversion of the balance of Talaxis' convertible note into shares and warrants.

Conflicts of Interest

There are potential conflicts of interest to which our directors and officers will be subject to, 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 us. Conflicts, if any, will be subject to the procedures and remedies under the British Columbia *Business Corporations Act*.

RISK FACTORS

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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 mineral concentrates to the critical separation/refining capability which is found primarily in China, to over 200 international manufacturing companies and their supply networks. We are aware of the following factors associated with developing a vertical and horizontal integration strategy: the successful and timely completion of an 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 whether inside China or otherwise, arranging for the commissioning of the design, build and operation of one or more rare earth separation refineries, 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 us, 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 our financial resources and the availability of additional cash from operations or from financing on reasonable terms or at all, political risks wherever we may conduct business, risks associated with the relationship between us and/or our business partners and local governments wherever we conduct 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.

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 our operations.

Political Risks

We are 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 our operations are conducted. Our operations may be adversely affected by changes in government policies and legislation and other factors which are not within our control.

Mineral Market

The market for minerals, in general, and for rare earth elements in particular is subject to factors beyond our 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 our activities, we 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

We anticipate that we 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 our affairs could materially adversely affect the Company.

Risk of economic dependency

The Company is reliant on one customer for majority of its sales of mineral concentrate. Impairment in the Company's relationship with this customer would have an adverse impact on the Company's business.

Exploration and Mining Risks

Mineral resources exploration and development is speculative and involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge may not be able to avoid. Substantial sums may be required to establish processing facilities at a given site. There is no assurance that mineralization will be discovered by the Company in quantities sufficient to warrant processing operations. The economic life of a mineral deposit depends on a number of factors, some of which relate to the particular characteristics of the deposit, particularly its size and grade. Other factors include the proximity of the deposit to infrastructure, the production capacity of and processing equipment, market fluctuations, possible claims of native peoples and government regulations, including regulations relating to prices, royalties, allowable production, importation and exportation of minerals, environmental protection and the protection of agricultural territory. The effect of these factors cannot be accurately predicted and may prevent the Company from providing an adequate return on investment.

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Risks concerning titles to Properties

Although the Company has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests.

COVID-19 PANDEMIC

The COVID-19 pandemic has prevented traveling to South America and elsewhere which is causing delays in setting up the tailings processing and extraction facility and operations. We expect the impact of COVID-19 on our plan to start operations could be delayed by a minimum of six months. The pandemic is also expected to cause delays in conducting due diligence and raising financings for prospective acquisitions.

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