

CANADA RARE EARTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nine months ended December 31, 2020

CANADA RARE EARTH CORP.

Management's Discussion and Analysis
Nine months ended December 31, 2020

GENERAL

The following is management's discussion and analysis ("MD&A") of Canada Rare Earth Corp. prepared as of February 26, 2020. This MD&A should be read together with the unaudited condensed consolidated interim financial statements for the nine months ended December 31, 2020 and the audited consolidated financial statements for the year ended March 31, 2020 and related notes.

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.

The Company's unaudited condensed consolidated interim financial statements for the nine months ended December 31, 2020 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("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.

The Company has developed an in depth knowledge of the global rare earth supply chain and have learned that the main issue 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.

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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

Though the growth in demand of rare earths is expected to fall in 2020, as a result of COVID19 related disruptions to industrial production, a sharp recovery in demand is expected in 2021, increasing by an estimated 10%. Driving the recovery and subsequent growth is the 'Green Agenda' which is being launched by many governments, corporations, not-for-profits and national and multinational organizations looking to reduce waste and pollution. Rare earth products are used in renewable energy and in zero-low emissions technologies. Further, rare earths are used in other applications such as cellphones, electric vehicles and defense products. These rare-earth elements or compounds 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 expected to grow as a result of the current international trading uncertainties and geo-political tensions.

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 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 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.

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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. The COVID-19 pandemic has impeded traveling to South America and elsewhere, causing delays in the Company setting up its tailings processing and extraction facility and starting operations. The pandemic is also causing delays in conducting due diligence and raising financing for prospective acquisitions. Management is continuing to monitor developments regarding COVID-19 and its impact on the business.

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.

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, continuing to take 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.##

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 which is completed and permitted in the ROW; and several other opportunities involve the Company becoming the lead developer.

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Supply

During the nine months ended December 31, 2020 we generated mineral product sales totaling \$892,642 and to date we have generated mineral product sales of \$4,172,000;

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 from an existing operation, 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 (CAD\$776,698) in January 2020 (paid) and US\$100,000 per month starting September 2020 and continuing through April 1, 2029. The parties continue to be in discussion in regards to the monthly payments. The agreement includes a force majeure clause, which the company believes applies to the ongoing pandemic and is relying upon to defer the monthly payments.

In order to close on the acquisition, the Company arranged with two investors (the "Investors") to provide 80% of the Purchase Price. In return they are to receive an 80% indirect equity interest in this particular property. The Company provided 20% of the Purchase Price to retain a 20% equity interest. The investment structure has as yet not been completed.

As of December 31, 2020, CREC SAH remained a wholly-owned subsidiary of the Company and, as a result, the total acquisition cost continues to be shown as an asset of the Company and the 80% financing provided by the two investors has been shown as a current liability. CanBras may

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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 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.

Board of Director Changes

In January 2021, William Purcell has resigned as a director of the company. Mr. Purcell will however continue to act in an advisory role to the company.

Financial

SELECTED QUARTERLY INFORMATION

During our most recent eight quarters, other than certain corporate finance fees, we have not generated any revenues or incurred any loss from discontinued operations or extraordinary items.

	Revenue	Operating expenses	Income (loss) and comprehensive income (loss) for the period	Income (loss) per share
Quarter ended:	\$	\$	\$	\$
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)
June 30, 2020	187,761	447,923	(125,647)	(0.00)
September 30, 2020	395,941	536,559	(76,334)	(0.00)
December 31, 2020	308,940	570,516	(238,340)	(0.00)

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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 is uncertain.

RESULTS OF OPERATIONS

Overview of three months ended December 31, 2020

We earned revenue from sale of mineral products of \$308,940 during the three months ended December 31, 2020 compared to \$227,095 revenue during the three months ended December 31, 2019.

During the three months ended December 31, 2020, we incurred \$6,906 of royalty payments. This represents 13% of the gross profit for the period, excluding the sale of oxides, amortization of intangible assets and finder's fees. These royalty payments and amortization of \$4,974 related to the expensing of the intangible assets are included in cost of sales.

Total operating expenses for the three months ended December 31, 2020 were \$570,516 compared to \$458,582 for the three months ended December 31, 2019.

The operating expenses were lower in the current period primarily due to higher gross margins associated with the sale of oxides and mineral concentrate products and due to no travel expenses due to travel restrictions caused by the pandemic.

Share-based payments increased to \$135,000 compared to \$7,000 in the three months ended December 31, 2019, due to options being granted and price volatility during the period.

We incurred an unrealized foreign exchange gain during the current period due to the US dollar weakening against the Canadian dollar over the comparative period.

Net loss and comprehensive loss for the three months ended December 31, 2020 were \$238,340 or \$0.00 loss per share compared to a loss and comprehensive loss of \$80,846 or \$0.00 loss per share for the comparative three month period ended December 31, 2019.

Overview of nine months ended December 31, 2020

We earned revenue from sale of mineral products of \$892,642 during the nine months ended December 31, 2020 compared to \$597,189 during the nine months ended December 31, 2019.

During the nine months ended December 31, 2020, we incurred \$19,189 of royalty payments. This represents 13% of the gross profit for the period, excluding the sale of oxides, amortization of intangible assets and finder's fees. These royalty payments and amortization of \$14,922 related to the expensing of the intangible assets are included in cost of sales.

Total operating expenses for the nine months ended December 31, 2020 were \$1,564,630 compared to \$1,091,580 for the nine months ended December 31, 2019, largely due to the increase in cost of sales.

The operating expenses were higher in the current period primarily due to lower gross margin associated with the sale of oxides and mineral concentrate products. Share-based payments increased to \$160,748 compared to \$43,100 in the nine months ended December 31, 2019, due to options being granted and price volatility during the period.

We incurred an unrealized foreign exchange gain during the current period due to the US dollar weakening against the Canadian dollar over the comparative period.

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Net loss and comprehensive loss for the nine months ended December 31, 2020 were \$440,321 or \$0.00 loss per share compared to a loss and comprehensive loss of \$426,900 or \$0.00 loss per share for the comparative nine month period ended December 31, 2019.

CASH FLOWS

We provided cash of \$60,584 in operating activities during the nine months ended December 31, 2020 compared to cash used of \$188,351 during the nine months ended December 31, 2019. The change in cash provided by operating activities was primarily due to lower inflow of cash from accounts receivable collected.

Cash flows used in financing activities were \$27,629 for the nine months ended December 31, 2020 compared to \$39,275 for the nine months ended December 31, 2019. The financing activities exclusively represent the accounting treatment of leases in the both periods.

CHANGES IN FINANCIAL POSITION SINCE MARCH 31, 2020

Changes in our financial position since March 31, 2020 relate to operations in the ordinary course.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2020, we had \$158,392 in cash (March 31, 2020 - \$204,270) and had a working capital deficiency (excluding deposits – equity interests and derivative liabilities) of \$231,030 (working capital excluding deposits – equity interests and derivative liabilities on March 31, 2020 - \$49,802). Within this creditors balance is amounts due to related parties of \$531,340, of which \$3,150 has been repaid post year end.

During nine months ended December 31, 2020, 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, mining and processing 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 expenditures including project expenditures and revise where necessary. Management continues to seek capital required to undertake its mineral processing projects and for working capital to meet project work commitments and trading activities.

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Related Party Transactions

Payee	Relationship	Nature of Transaction	December 31, 2020 \$	December 31, 2019 \$
Tracy A. Moore	President & CEO	Share-based payments	22,072	1,813
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Compensation	153,000	155,250
Peter Shearing	Chief Operating Officer	Share-based payments	22,072	1,813
EchoTrack Inc./Carberry Consulting Inc.	Companies controlled by Peter Shearing	Compensation	153,000	153,000
William Purcell	Director (resigned January, 28 2021)	Share-based payments	3,706	5,179
Mark Peters	Director	Share-based payments	5,178	5,300
Christopher Goodman	Director	Share-based payments	3,706	71,927
Legacy Asset Invest Limited	Company controlled by Christopher Goodman	Compensation	108,215	-
Gordon J. Fretwell	Director	Share-based payments	6,323	13,945
Salil Dhaumya	CFO(resigned September, 14 2020)	Share-based payments	573	3,930
Michael Lee	CFO (appointed September, 14 2020)	Share-based payments	7,357	
Cohesion Consulting	Company that employs Michael Lee	Compensation	10,600	-
Koios Corporate Financial Services Ltd.	Company controlled by Salil Dhaumya	Compensation	20,000	22,500

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 but did not earn the following bonus compensation:

- a performance bonus to a maximum of \$156,000 based on achieving specified annual milestones approved by Board of Directors;

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- a public market performance bonus to a maximum of \$45,000 based on achieving specified levels of market capitalization;
- additional bonuses at the discretion of the Board of Directors.

During the nine months ended December 31, 2020, \$29,371 (December 31, 2019 - \$24,745) of the office rental and related costs have been paid by the officer of the Company as per an agreement to share such expenses equally between the Company and the officer.

The fees charged by the 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 is to receive a fee of US\$2,000 per month. Either party may terminate the SAOC by giving at least 60 days' written notice. The parties to the SAOC agreed to terminate the agreement effective July 31, 2020.

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 is to 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 parties to the BDNCA agreed to terminate the agreement effective July 31, 2020.

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 \$531,340 as at December 31, 2020 (March 31, 2020 - \$393,699). \$125,000 (March 31, 2020 - \$176,000) 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.

Contractual Obligations

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 this 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:

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- 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.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Our financial instruments are exposed to certain risks, including credit risk, foreign exchange 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 December 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.

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 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, receivables and accounts payable and accrued liabilities 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

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approximately \$14,000, while a 10% change in the Brazilian Real will affect profit/loss by approximately \$Nil.

Financial instruments denominated in foreign currencies are:

At December 31, 2020	US Dollars	Brazilian R\$
Assets	108,198	11,254
Liabilities	-	13,931
Exchange rate / \$1.00 =	.7854	4.0799

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

Risk of economic dependency

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 13 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.

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

	As at December 31, 2020		
	Level 1	Level 2	Level 3
	\$	\$	\$
Derivative liability – warrants	-	-	-

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

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

In July 2020, the nine million stock purchase warrants expired unexercised.

OUTSTANDING SHARE DATA

At the date of this MD&A, there are 202,194,532 common shares outstanding and 14,275,000 stock options expiring at various dates between April 2021 and May 2025, exercisable at prices between \$0.05, \$0.06 and \$0.07 per share.

If all of the options were exercised there would be 216,469,532 shares issued and the Company would raise a further \$804,250 of cash.

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 17,600,000 have been granted.

During the year ended March 31, 2020, 1,500,000 stock options were granted to officers, directors and consultants.

In the current year end to December 31, 2020, 4,900,000 options were granted, 2,575,000 options had expired, while 750,000 options had been exercised. Included within this for the current quarter is 4,400,000 stock options granted and 450,000 options exercised.

WARRANTS

In June 2018 the Company issued 3,000,000 warrants to Talaxis in conjunction with a partial conversion of its convertible note and in August 2019, the Company issued a further 6,000,000 warrants in conjunction with the conversion of the remainder of Talaxis' convertible note. In July 2020, these warrants expired.

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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

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 as such 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 at that time.

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

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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, at that time, 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 it 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.

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.