CANADA RARE EARTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended March 31, 2022

GENERAL

The following is management's discussion and analysis ("MD&A") of Canada Rare Earth Corp. prepared as of July -, 2022. This MD&A should be read together with the audited consolidated financial statements for the year ended March 31, 2022 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 audited consolidated financial statements for year ended March 31, 2022 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. CREC is developing an international supply network based on proprietary, affiliated and third-party mineral sources and existing, developing and planned processing facilities. We are generating revenues and gross profits from the sale of rare earths and connected mineral products.

The Company has developed an in depth knowledge of the global rare earth supply chain and have identified the main issue confronting the industry - the processing of rare earth concentrates. Sourcing concentrates is important but to a lesser extent. 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 is located at 2110 - 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N8.

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. We also have a 20% equity interest in CREC South American Holdings (BF) Corp. which owns CanBras Bom Futuro LTDA.

OUTLOOK

The demand of rare earths continues to rebound strongly in 2022 as the recovery from the pandemic continues with rare earth prices continuing to increase significantly to reflect the markets tight supply/demand balance. Following a near 10 percent drop in global total rare earth consumption in 2020 the market rebounded significantly in 2021 where there was a 20 percent plus increase in the demand. Driving the recovery and the subsequent growth has become to be known as 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.

Trade tensions between the People's Republic of China and many countries including the US, in addition to China's growth and internal demand for rare earth elements, has reintroduced and reemphasized the urgent need for a complete rare earth supply chain. The Russia/Ukraine conflict has, in general further emphasized the importance of secure and reliable supply chains.

In February 2021, the US White House announced its intension to launch a review of critical US supply chains; identifying immediate needs in specific areas, including critical rare earth elements and semiconductors requiring rare earth oxides. The US is moving to reduce dependence on foreign suppliers for technology, raw materials and strategic and critical materials. Of particular interest is the focus on materials or goods originating from nations that could potentially become unfriendly to the US, or which could potentially become geopolitically unstable in future. The Biden administration and Department of Energy have targeted rare earths among domestic supply chain priorities as they outline an ambitious climate and technology policy.

Our corporate development focus has remained steadfast over the past years. We are developing an international integrated business within the global rare earth industry and this focus in turn is opening opportunities to complementary minerals.

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 are also approached by and are in contact with prospective customers.

We continue to see strong global demand particularly for products produced in the rest of the world as alternate supply sources are viewed favorably by the global manufacturing supply chain. The global transition to a lower-carbon future has fueled significant interest in the rare earths industry. Prices for the rare earth elements critical to permanent magnets have seen particularly strong demand and increase in prices.

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.

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) securing multiple sources of concentrates (proprietary, affiliated and third party), (ii) establishing value-add processing facilities, (iii) arranging long-term customers to purchase the output and augmenting sales in spot markets, and (iv) arranging financing for capital expenditures, investments and working capital.

South American Mineral Sand Tailing Source

In December 2019, we along with two partners, 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). The Company purchased and committed to a 20% equity interest in the property. A summary of the purchase arrangement is as follows:

- 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 extract cassiterite from 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. Due to the Covid-19 pandemic, the Company and partners claimed "force majeure" and postponed making monthly payments. In this current period the Company and partners began to make monthly payments and plan to continue making the required payments going forward.

CanBras, an indirect, wholly owned subsidiary of the Company, held the agreement on behalf of the three partners. During the year ended March 31, 2021 the holding was re-arranged to reflect the ownership percentages by (i) incorporating CREC South American Holdings (BF) Corp., an entity of which the Company owns 20%, (ii) forming a wholly owned subsidiary company, Canbras

Bom Futuro LTDA which took assignment of the December 2019 agreement and heavy mineral sands property.

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

Canada

During the period the 15 year Hinton Coal property lease lapsed. At present, we are not active with properties in Canada.

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.

Value-add processing

We are planning for the commencement of processing and extraction of cassiterite, zircon, ilmenite, wolframite and rare earths from the South American tailings.

As noted in previous reports, the Company continues to seek the final operating permit for the refinery in Laos. 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. If permitted we intend to finalize negotiations and raise funds sufficient to acquire a majority interest in the refinery and to operate the refinery.

We continue to investigate opportunities to acquire and/or develop refineries in South America and Southeast Asia.

Supply

During the year ended March 31, 2022 we generated mineral product sales totaling $410,297 and to date we have generated mineral product sales of $5,059,000;

Due, in large part, to the persisting Covid situation for the past two years, our supply has fallen to levels below previous years. Subsequent to year end our purchases and sales activities have increased.

We are continuing to work to increase supply to meet customer demand through developing arrangements with a number of businesses with particular emphasis on tailings from various mining operations and on developing the South American tailings operations;

Our supply chain continues to develop. We are constantly adding and culling third party sources. We expect our supply will increase going forward. We work closely with some suppliers to assist in the optimization of their processing to allow the Company to source higher quality material and larger volumes.

Board of Director and Management

In August 2021, the Company hired Anthony Wong as Chief Financial Officer and Corporate Secretary.

In July 2021, the Company hired Elyse Kohyann as its head of global trading. The company acquired a book of contracts, leads, sources and prospective customers in the rare earth sector and entered into an executive services agreement with Elyse.

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	2022 $	2021 $	2020 $
Revenue	410,297	1,275,733	597,189
Interest and investment income	-	-	-
Loss for the year	(1,029,275)	(667,998)	(674,362)
Loss per share, basic and diluted	(0.00)	(0.00)	(0.00)
Total assets	1,195,525	603,108	1,519,710

SELECTED QUARTERLY INFORMATION

During our most recent eight quarters 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:	$	$	$	$
June 30, 2020	187,761	447,923	(125,647)	(0.00)
September 30, 2020	395,941	546,191	(76,334)	(0.00)
December 31, 2020	308,940	570,516	(238,340)	(0.00)
March 31, 2021	383,091	550,054	(179,137)	(0.00)
June 30, 2021	189,613	391,116	(181,000)	(0.00)
September 30, 2021	94,519	358,415	(248,604)	(0.00)
December 31, 2021	126,165	334,019	(202,247)	(0.00)
March 31, 2022	-	376,722	(397,424)	(0.00)

RESULTS OF OPERATIONS

Overview of year ended March 31, 2022

We earned revenue from sale of mineral products of $410,297 during the year ended March 31, 2022 ("Current Period"), with no revenue recorded in the 4th quarter, compared to $1,275,733 revenue during the year ended March 31, 2021 ("Prior Period).

During the year Current Period, we incurred $14,458 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 are included in cost of sales.

Total operating expenses for the Current Period were $1,460,272 compared to $2,139,421 for the Prior Period.

The main decrease in operating expenses is attributable to a decrease in purchases from $1,023,139 in the Prior Period to $368,222 in the Current Period.

Share-based payments increased to $325,000 in the Current Period compared to $298,748 in the Prior Period, due to more options being granted.

We incurred an unrealized foreign exchange gain during the Current Period due to the US dollar weakening against the Canadian dollar over the Prior Period.

Net loss and comprehensive loss for the Current Period was $1,029,275 or $0.01 loss per share compared to a loss and comprehensive loss of $667,998 or $0.00 loss per share for the Prior Period.

CASH FLOWS

We used cash of $321,994 in operating activities during the Current Period compared to cash used of $74,005 during the Prior Period. The change in cash used by operating activities was primarily due to an increase in accounts receivable.

Cash flows provided in financing activities were $528,657 for the Current Period compared to $6,838 used for the Prior Period.

CHANGES IN FINANCIAL POSITION SINCE MARCH 31, 2021

Changes in our financial position since March 31, 2021 relate to operations in the ordinary course.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2022, the cash balance was $76,982 (March 31, 2021 - $33,837) and total current assets were $478,483 (March 31, 2021 - $362,781). Working capital deficiency at period-end was $899,865 (March 31, 2021 - $298,865). $723,587 of the current liabilities is due to third parties, primarily by way of short term loans, in the normal course of business (March 31, 2021 - $138,729).The majority of the working capital deficiency is caused by the inclusion of $654,761 due to related parties (March 31, 2021 - $522,917).

During the Current Period, we placed deposits for, and purchased and sold mineral concentrate products.

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 revenues of $410,297 during the Current Period compared to $1,275,733 in the prior period through trading activities.

We will also seek funding through 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 for trading activities and 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.

Related Party Transactions

Payee	Relationship	Nature of Transaction	March 31, 2022 $	March 31, 2021 $
Tracy A. Moore	President & CEO	Value of options vested during the period	100,645	63,638
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Compensation (paid and/or accrued)	204,000	204,000
Peter Shearing	Chief Operating Officer	Value of options vested during the period	100,645	63,638
EchoTrack Inc./Carberry Consulting Inc.	Companies controlled by Peter Shearing	Compensation (paid and/or accrued)	204,000	204,000
William Purcell	Director (resigned January 28, 2021)	Value of options vested during the period	-	5,203
Mark Peters	Director	Value of options vested during the period	7,507	7,422
Christopher Goodman	Director (resigned May 12, 2021)	Value of options vested during the period, Compensation (paid and/or accrued)	-	112,654
Gordon J. Fretwell	Director	Value of options vested during the period	7,592	8,568
Gordon J. Fretwell Law Corporation	Company controlled by Gordan Fretwell	Legal fees charged/accrued during the period, news releases	40,220	34,518
Anthony Wong	CFO (appointed August, 2021)	Value of options vested during the period	21,496	-
Anthony Wong	CFO (appointed August, 2021)	Compensation (paid and/or accrued)	7,500	
Salil Dhaumya	CFO (resigned September 14, 2020)	Value of options vested during the period	-	573
Michael Lee	CFO (appointed September 14, 2020. Resigned July 2021)	Value of options vested during the period	2,230	11,098

Koios Corporate Financial Services Ltd.	Company controlled by Salil Dhaumya	Compensation	-	25,000

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, 2022 and 2021. 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 contract.

Pursuant to the ECPs for the years ended March 31, 2022 and 2021, 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;
- a public market performance bonus to a maximum of $48,000 based on achieving specified levels of market capitalization;
- additional bonuses at the discretion of the Board of Directors.

During the year ended March 31, 2022, a Director of the Company paid the Company $50,818 (2021 - $19,575) for office rental and related costs based on an agreement to share costs based on use of floor space.

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.

The Company owes related parties $779,761 as at March 31, 2022 (March 31, 2021 - $647,917). $125,000 (March 31, 2021 - $125,000) 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

In February, 2021, the Company entered into a commercial property lease at 650 West Georgia Street, Vancouver, B.C. expiring April, 2026. The Company currently has a verbal agreement with a related party to sublease a portion of the office space. Charges to the related party are based on amount of office space occupied.

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.

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 March 31, 2022.

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, price risk, competitive risks and other risks. 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 approximately $3,000, while a 10% change in the Brazilian Real will affect profit/loss by approximately $3,000.

Financial instruments denominated in foreign currencies are:

At March 31, 2022	US Dollars	Brazilian R$
Assets	26,276	152,809
Liabilities	-	37,538
Exchange rate / $1.00 =	.8003	3.7994

At March 31, 2021	US Dollars	Brazilian R$
Assets	5,217	106,874
Liabilities	-	63,272
Exchange rate / $1.00 =	.7952	4.5208

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.

OUTSTANDING SHARE DATA

The following table details the share capital structure of the Company as of the date of this MD&A:

	Number
Common shares	209,907,696
Share purchase options	16,556,166

STOCK OPTIONS

We are authorized by our shareholders to grant options to our directors, officers, employees and service providers under our stock option plan. Currently options to purchase 11,750,000 shares are issued and outstanding.

In July 2021, at the Company's Annual General Meeting, the Company's shareholders authorized an amendment to the existing stock option plan allowing an increase in the number of shares reserved for issuance under the plan from 33,880,028 to 40,158,906, being 20% of the Company's then issued and outstanding shares. The amendment is subject to application to and approval by the TSX Venture Exchange.

In the Current Period, 6,956,166 options were granted, 3,850,000 options cancelled, 2,956,998 shares were issued and 2,725,000 options were exercised.

SHARE UNIT PLAN

In July 2021, at the Company's Annual General Meeting, the Company's shareholders authorized the Company to adopt a Share Unit Plan with 15,000,000 Share Units, representing approximately 7.4% of the Company's issued and outstanding shares. The Share Units are to assist the Company in the recruitment and retention of employees, directors and services providers. The Share Unit Plan is subject to application to and approval by the TSX Venture Exchange.

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. The Company is aware of the mandatory ESG reporting coming in 2024, 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 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, processed and/or extracted.

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.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all Company documents filed on SEDAR (www.SEDAR.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

BY ORDER OF THE BOARD

"*Tracy A Moore*"

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Tracy A Moore