CANADA RARE EARTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended March 31, 2023

GENERAL

The following is management's discussion and analysis ("MD&A") of Canada Rare Earth Corp. prepared as of July 31, 2023. This MD&A should be read together with the audited consolidated financial statements for the year ended March 31, 2023 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, 2023 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. ("CREC", the "Company" or "we") is developing an integrated essential mineral business with a foundation in the global rare earth industry. Our business primarily involves sourcing, adding value to and selling rare earth and other essential minerals and concentrates.

OPERATIONS

OVERVIEW OF THE YEAR ENDED MARCH 2023

For the past year, the Company has been focusing on increasing revenues by sourcing and selling essential minerals, primarily rare earths. In particular, our revenues for the year ended March 31, 2023, totaled $5,375,513, 13 times more than revenues achieved in the previous year ($410,297). This significant improvement was due to our ability to increase product volumes. Our customer base remains solid and willing and capable of purchasing much more.

During the year, operating costs remained relatively consistent with the prior year. As a result, we are pleased to report our first year with positive net income of $171,267. This is a significant achievement and sets us apart from many similar development stage companies.

The Company's operations generated cash $110,784 during the year compared to the Company using $321,945 cash in operations in the prior year.

Increasing Essential Mineral Supply

Our customer base has consistently emphasized its long-term intention to purchase products from us on a preferred basis. Our task is to continue increasing our essential mineral supply to satisfy the requirements of our existing customer base, which will then allow us to better address enquiries from prospective customers.

Property Portfolio Development

We continue to work on the South American essential mineral tailing asset ("Bom Futuro") in our role as project leader. The property is known to contain rare earths, cassiterite (tin), zircon, ilmenite and wolframite.

Activities include bulk tests, flow sheet development, equipment selection, financial modelling and compiling mineral analyses. We are approaching prospective financers for the funding required to acquire, install and commission the equipment for near term production.

We are also in discussions regarding several other properties with the view to acquiring, developing and commencing near-term operations.

Essential Mineral Processing

We continue to work with a government crown corporation to consider jointly developing an in-country rare earth industry. A memorandum of understanding has been signed, the first of five prescribed stages is completed, and we are in discussions regarding the second stage. At the conclusion of each stage a decision will be made whether to proceed to the ensuing stage

COMPANY DESCRIPTION

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 2110 - 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N8.

As of the date of this MD&A, we have two subsidiaries: REM Metals Inc., a wholly owned Ontario corporation; and CREC South American Holdings Corp., a wholly owned British Columbia corporation. During the year, we disposed of CanBras Minerals LTDA, a Brazilian corporation. We also own a 20% equity interest in CREC South American Holdings (BF) Corp. which owns 100% of Canbras Bom Futuro LTDA., ("Associated Company") a Brazilian corporation that owns mineral tailings and leases covering 9,960 hectares of property for 26 years ending 2026.

OUTLOOK

Global growth is slowing with continuing high inflation, higher interest rates, reduced investments, and geo-political tensions including the Russia/Ukraine conflict. These factors may hinder us in the timing of raising financing for our planned business activities although we remain hopeful of raising the necessary funds on acceptable terms. On the positive side, China is "re-opening" post the intense COVID mitigation practices and we anticipate economic activities will gradually return to pre-COVID times.

With our strategy "Speed to Revenues", we focus on generating revenues and positive cash flow by sourcing, adding value and selling essential minerals including rare earths and complementary, valuable minerals and by-products, in all stages and forms. These minerals have a diverse array of growing markets including clean-energy and transportation technologies (such as EVs and wind power turbines), high-technology applications (miniaturization, guidance and control systems, drones, GPS, lasers, fiber optics) and industrial infrastructure (oil refining and pollution control). We believe the underlying demand factors will continue to support the supply of essential minerals. Continuing advances and changes in technology may reduce the amount of essential minerals used in certain applications, overall, however the number of applications is expected to increase.

The global transition to meet Net-Zero objectives has fueled significant interests in alternative energy technology. We continue to see strong global demand for products and technology relying on essential minerals including cassiterite, zircon, ilmenite and rare earths. We are in the process of establishing our own mining, concentrating and refinery capabilities in addition to working with affiliated and third-party organizations.

We believe that by virtue of our commercial activities we can continue to increase revenues and net income as we develop our tailings property in Brazil, and as we expand our proprietary property portfolio to further augment our sources of supply. We are in discussions with a view to purchasing mineral properties in South America and Africa. Our greatest interest is with properties currently generating revenues and cash flows and those that will be accretive to our business operations and income.

CORPORATE DEVELOPMENTS AND HIGHLIGHTS

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

Speed to Revenues/Income - we are focusing on (i) continuing to increase our revenues, (ii) maintaining or exceeding gross profit percentage we have historically achieved and (iii) continuing to generate positive net income.

***Developing Essential Mineral Properties* –** we are continuing to develop Bom Futuro, our essential mineral tailings asset in Brazil. The property is permitted for extraction activities, and we have data regarding the property some of which is available as part of a third party prepared National Instrument 43-101- Standards of Disclosure for Mineral Projects ("NI 43-101") and some information is prepared from internal and other sources.

Expanding Our Essential Minerals Property Portfolio – we are engaged in discussions to acquire substantial or entire interests in multiple properties primarily in South America and Africa. These properties are rich in essential minerals and could be major opportunities for our Company. No binding agreements are currently in place.

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.

Value-Add Processing – we entered a memorandum of understanding with a government crown corporation with the goal of jointly establishing an in-country rare earth industry. The first of five stages has been completed. Decisions will be made at the conclusion of each stage whether to proceed to the following stage.

Supply

We have established a multi-year relationship with an essential mineral concentrate supplier in Africa who has been providing products to us over the past year. We are considering a closer working relationship with this provider.

We purchase products from other suppliers and, for example, after year end, we completed the purchase and sale of rare earth oxide to a European buyer.

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	2023 $	2022 $	2021 $
Revenue	5,375,513	410,297	1,275,733
Interest and investment income	-	-	-
Net Income (Loss) for the year	171,267	(1,029,275)	(667,998)
Income (Loss) per share, basic and diluted	0.001	(0.01)	(0.00)
Total assets	2,274,797	1,195,525	603,108

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:	$	$	$	$
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	-	407,401	(397,424)	(0.00)
June 30, 2022	717,719	807,486	(95,529)	(0.00)
September 30, 2022	1,941,936	1,875,878	96,690	(0.00)
December 31, 2022	2,332,200	2,227,786	115,068	(0.00)
March 31, 2023	383,658	505,195	55,038	(0.00)

RESULTS OF OPERATIONS

Overview of year ended March 31, 2023

We earned revenue from the sale of mineral products of $5,375,513 during the year ended March 31, 2023 ("Current Period") compared to $410,297 revenue during the year ended March 31, 2022 ("Prior Period). The significant increase in revenue is due to increased supply and delivery of mineral products.

During the Current Period, we also earned income of $47,410 from the disposal of a mineral property, and income of $88,537 from the provision of consultancy services.

Total operating expenses for the Current Period were $5,313,105 compared to $1,460,272 for the Prior Period. The increase in operating expenses was primarily attributable to the increase in cost of sales of $3,710,900 in the Current Period as a result of the increased revenues.

Share-based payments were $262,000 in the Current Period compared to $325,000 in the Prior Period-.

Net income and comprehensive income for the Current Period was $171,267 or $0.001 per share compared to a loss and comprehensive loss of $1,029,275 or $0.01 loss per share for the Prior Period. The improvement is due to increased revenues, maintaining margins and keeping most of the other operating costs consistent.

CASH FLOWS

We generated cash of $110,784 from operating activities during the Current Period compared to cash of $321,945 used in operating activities during the Prior Period. The improvement in operating cash flow is due to increased revenue and maintaining the profit margin while keeping fixed operating costs in line with the previous period.

Cash flows provided by financing activities were $410,527 for the Current Period compared to $528,658 for the Prior Period. During the Current Period, we received third party loans totaling $1,646,884, raised $103,870 (March 31, 2022 – Nil) from a private placement and received $2,500 (March 31, 2022 - $59,250) from the exercise of stock options. From this funding, we repaid loans and interest of $1,265,546 in the Current Period. In the Prior Period, we received loans totaling $531,461 and paid interest of $1,904.

Cash flows used in investing activities were $416,467 (March 31, 2022 - $169,881) which were used primarily for funding our operations in Brazil.

CHANGES IN FINANCIAL POSITION SINCE MARCH 31, 2023

Changes in our financial position since March 31, 2022 relate to operations in the ordinary course.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2023, we had $1,259,590 of current assets: comprising cash - $220,630; trade and other receivables - $574,164 and prepaid expenses and deposits - $464,796. We had $1,665,944 of current liabilities: comprising accounts payable and accrued liabilities - $590,322, of which $462,394 was due to related parties, loans payable - $1,017,639, of which $126,233 was due to related parties, and $57,983 of lease liabilities.

In comparison, as at March 31, 2022, we had $478,483 of current assets: cash - $76,982; trade and other receivables - $328,200 and prepaid expenses and deposits - $73,301. We had $1,378,348 of current liabilities: accounts payable and accrued liabilities - $793,229, of which $647,411 was due to related parties, loans payable of $535,684, of which $207,451 was due to related parties, and $49,435 of lease liabilities.

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.

We will also seek funding through raising funds at project levels, generating transaction and consulting fees and to the extent necessary and available, through the issuance of shares from corporate 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, 2023 $	March 31, 2022 $
Tracy A. Moore	President & CEO	Share-based payments	31,002	100,645
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Fees and benefits	208,774	204,000
Peter Shearing	Chief Operating Officer	Share-based payments	31,002	100,645
Carberry Consulting Inc.	Company controlled by Peter Shearing	Fees and benefits	224,153	204,000
Mark Peters	Director	Share-based payments	14,758	7,507
Gordon J. Fretwell	Director	Share-based payments	14,757	7,592
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell	Legal fees and benefits	45,263	34,518
Anthony Wong	CFO	Share-based payments	16,502	19,997
		Fees and benefits	39,500	7,000

The fees and benefits were paid or accrued to management and directors of the Company or to companies controlled by management and directors. During the year, the Company adjusted a previous period accrual pertaining to the compensation of a related party in the amount of $19,794.

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, 2023 and 2022. 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. During the year ended March 31, 2023, a company controlled by a director of the Company paid the Company $ 51,100 (2022 - $50,818) 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 reflected fair market value established and agreed to by the related parties.

The Company owed related parties $1,024,982 as of March 31, 2023 (March 31, 2022 - $979,862). $436,355 (March 31, 2022 - $125,000) of this amount has been presented as noncurrent liabilities and the balance as current accounts payable and accrued liabilities or loans payable. The payment terms are similar to the payment terms of non-related party trade payables.

Contractual Obligations

Pursuant to the Company's contracts for the sale of mineral concentrates, the buyer has the right to seek replacement and appropriate compensation within 12 months after arrival of the goods at destination for products not meeting mutually agreed specifications.

The Company's Associate Company acquired certain exploration and evaluation assets in South America in December 2019 and as part of the agreement, the Company is obligated to make its 20% pro-rata share of the US$100,000 monthly payments until April 2029.

The Company entered a commercial property lease at 650 West Georgia Street, Vancouver, B.C. expiring on June 30, 2026. The annual lease committed payment amounts to $120,000.

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.

a) 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 because the company normally requires this customer to advance deposits to cover sales orders.

b) 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, 2023.

c) Liquidity risk

   Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. At March 31, 2023, the Company had current assets of $1,259,590 including cash of $220,630 to meet current financial liabilities of $1,665,944

d) 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. The Company currently does not have any financial instruments that would be impacted by changes in market prices.

e) Foreign currency exchange rate risk

The Company is exposed to foreign currency fluctuations as it has cash, receivables, trade payables and certain loans are 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 $5,000.

Financial instruments denominated in foreign currencies are:

At March 31 , 2023	US Dollars	Brazilian R$
Assets	137,824	-
Liabilities	658,691	-
Exchange rate / $1.00 =	.7389	3.7481

At March 31, 2022	US Dollars	Brazilian R$
Assets	26,676	152,809
Liabilities	-	37,537
Exchange rate / $1.00 =	.8003	3.7994

f) Risk of economic dependency

The Company is reliant on one customer for most of its sales of mineral concentrate. If the Company's 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	15,300,000
Share warrants	1,731,166

STOCK OPTIONS

We are authorized by our shareholders to grant options to our directors, officers, employees and service providers under our stock option plan.

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 shares. The amendment is subject to application to and approval by the TSX Venture Exchange.

During the year ended March 31, 2023, 50,000 options were exercised for cash consideration of $2,500, and 2,075,000 share options expired.

On May 1, 2023, the Company granted stock options to purchase up to 2,150,000 shares at an exercise price of $0.05 to directors and consultants, of which one-third of the options vested immediately, one-third vest on May 1, 2024, and one-third vest on May 1, 2025.

In June 2023. 150,000 stock options expired.

PRIVATE PLACEMENT

On May 4, 2022, the company completed a private placement offering with 1,731,166 units at a price of $0.06 per unit for cash consideration of $103,870. Each unit entitled the holder to one common share and a share purchase warrant to purchase one common share at $0.08 per share for 24 months from the date of issuance. $1,333 in share issue costs were paid pursuant to the private placement.

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 new Sustainability Disclosure Standards for annual periods beginning on or after January 1, 2024. The Company is currently reviewing the Standards and 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.

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