CANADA RARE EARTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three months ended June 30, 2023

GENERAL

The following is management's discussion and analysis ("MD&A") of Canada Rare Earth Corp. prepared as of August 29, 2023. This MD&A should be read together with the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2023 and 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 unaudited condensed consolidated interim financial statements for the three months ended June 30, 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 SEDARPLUS atwww.sedarplus.ca.

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 essential minerals.

OVERVIEW OF THE QUARTER ENDED JUNE 2023

The Company is continuing its "Speed to Revenues" strategy by sourcing and selling essential minerals. Our revenues for the quarter ended June 30, 2023, totaled $761,402, over 5% more than the revenues achieved in the quarter ended June 30, 2022, of $717,719.

Our operating costs including cost of sales were $902,080 for the quarter ended June 30, 2023 compared to $824,160 for the quarter ended June 30, 2022. The increase is mainly due to higher cost of sales related to the increased volume of sales for the quarter and also the engagement of professional firms for project development and financing. The engagement of professional firms is a significant endeavor as we are finalizing our operating plan for our South American essential mineral tailings asset ("Bom Futuro") and we are also embarking on a number of undertakings in the area and in other regions.

Property Portfolio Development

We are continuing to work on Bom Futuro in our role as project leader. The property is known to contain rare earths, cassiterite (tin), zircon, ilmenite and wolframite.

Activities in Bom Futuro 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 a view to acquiring, developing and commencing near-term operations.

We have obtained the right to increase our equity stake in Bom Futuro from 20% to 52% and become the operator of the Bom Futuro Project. The right is conditional upon the company providing adequate financing at acceptable terms.

Essential Mineral Processing

We are continuing 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 working together to test logistics and analyze sample materials. 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. 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 land on which the tailings are situated.

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. Recent economic data from China also indicates concerns about the sputtering nature of the post-pandemic recovery.

On the brighter side, 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 cash flow 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 in properties currently generating revenues and cash flows and those that will be accretive to our business operations and income.

CORPORATE DEVELOPMENTS AND HIGHLIGHTS

Speed to Revenues/Income - we are focusing on (i) continuing to increase our revenues, (ii) maintaining or exceeding gross profit percentages we have historically achieved and (iii) generating positive cash flow.

***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. 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 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 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 stage of five is complete. We are planning the second stage including studying logistics and analyzing sample materials. Decisions will be made at the conclusion of each stage whether to proceed to the following stage.

Supply

We entered into a multi-year relationship with an essential mineral concentrate supplier with operations in Africa. The supplier has been providing products to us since 2021. We are considering a closer working relationship with this provider and with others.

We purchase products from time to time from other suppliers on an opportunistic and hedged basis.

Financial

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:	$	$	$	$
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	(97,452)	(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)
June 30, 2023	761,402	902,080	(126,686)	(0.00)

RESULTS OF OPERATIONS

Overview of three months ended June 30, 2023

We earned revenue from sale of mineral products of $761,402 during the three months ended June 30, 2023 ("Current Quarter") compared to $717,719 revenue during the three months ended June 30, 2022 ("Prior Quarter).

Total operating expenses including cost of sales for the Current Quarter were $902,080 compared to $807,486 for the Prior Quarter.

Net loss and comprehensive loss for the Current Quarter was $126,686 or $0.00 loss per share compared to a loss and comprehensive loss of $97,452 or $0.00 loss per share for the Prior Quarter.

CASH FLOWS

During the Current Quarter, we received deposits of $785,849 from customers (Prior quarter - $1,683,356). In total, we generated cash of $1,012,829 in operating activities in the Current Quarter compared to $1,559,213 in the Prior Quarter.

Cash flows used in financing activities were $461,172 for the Current Quarter compared to $115,670 from financing activities in the Prior Quarter. During the Current Quarter, we received loans of $252,590 (Prior Quarter: $133,092) and repaid loans and interests of $694,800 (Prior Quarter: $104,830).

During the Current Quarter, we provided $126,841 (Prior Quarter: $108,368) to our Associated Company for our share of its expenditure.

CHANGES IN FINANCIAL POSITION SINCE MARCH 31, 2023

Changes in our financial position since March 31, 2023 relate primarily to operations in the ordinary course.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2023, we had $1,517,071 of current assets: cash - $684,251; trade and other receivables - $825,681 and prepaid expenses and deposits - $7,139. We had $2,062,403 of current liabilities: deferred revenue $785,849; accounts payable and accrued liabilities - $639,929 of which $513,394 was due to related parties, loans payable of $576,099 of which $228,479 was due to related parties; and $60,526 of lease liabilities. In summary, we had net current assets of $196,542 excluding amounts due to related parties.

In comparison, 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.

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 also augment financial resources through generating gross profits from the sale of mineral products.

We will also seek funding through generating transaction and consulting fees and to the extent necessary and available, raising funds at project levels such as through the issuance of shares from corporate treasury.

In the event future financing(s) cannot be closed to the extent planned, 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	June 30, 2023 $	June 30, 2022 $
Tracy A. Moore	President & CEO	Share-based payments	7,613	14,110
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Fees	51,000	51,000
Peter Shearing	Chief Operating Officer	Share-based payments	7,613	14,110
Carberry Consulting Inc.	Company controlled by Peter Shearing	Fees	51,000	51,000
Mark Peters	Director	Share-based payments	3,807	4,276
Gordon J. Fretwell	Director	Share-based payments	3,807	4,276
Anthony Wong	CFO	Fees	13,500	3,000

(Appointed August 2021)		Share-based payments	3,008	900
Michael Lee	CFO	Share-based payments	-	2,230
(Resigned July 2021)				

The fees 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 ending March 31, 2024, and March 31, 2023. Each ECP has a one-year term, with the follow on ECP usually no less favorable terms than the previous contract.

Pursuant to the ECPs for the years ending March 31, 2024, and year ended March 31, 2022, 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 quarter ended June 30, 2023, a Director of the Company paid the Company $12,126 (Prior Quarter: June 30, 2022 - $12,126) 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 $1,229,228 as at June 30, 2023 (March 31, 2023 - $1,024,982). $487,355 (March 31, 2023 - $436,355) of this amount has been presented as a long-term liability and $228,479 (March 31, 2023- $126,233) as loans payable, and the balance of$513,394 (March 31, 2023 - $462,394) as current accounts payable. The payment terms are similar to the payment terms of non-related party trade payables.

Contractual Obligations

Pursuant to the Company's contract for the sale of concentrate to a rare earth company in Asia, the buyer has the right to seek compensation and replacement of goods within 12 months after arrival of goods at destination if the quality, specification, or quantities are not in conformity with the contract or inspection certificate issued by the relevant government inspection authority.

The Company participated in the acquisition of certain exploration and evaluation assets in December 2019 and as part of the agreement, is obligated to make its pro-rata share of the US$100,000 monthly payments continuing until 2029.

The Company entered into a five-year lease, which continues until June 2026, for a new corporate office and principal place of business.

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 June 30, 2022.

Liquidity Risk

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 June 30, 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 June 30, 2023, the Company had current assets of $1,517,071including cash of $684,251 to meet current financial liabilities of $2,062,403.

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. There are no exchange rate contracts in place. A 10% change in the US dollar will affect profit/loss by approximately $50,000.

Financial instruments denominated in foreign currencies are:

At June 30, 2023	US Dollars
Assets	946,608
Liabilities	239,457
Exchange rate / $1.00 =	.7553

At March 31, 2023	US Dollars
Assets	412,027
Liabilities	640,259
Exchange rate / $1.00 =	.7389

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.

The Company may grant options to the Company's directors, officers, employees and service providers under the Company's stock option plan which allows up to 20% of the Company's outstanding shares to be granted as options, subject to shareholder approval and TSX Venture Exchange approval. The number of options approved for issuance totals 33,880,028. In July 2021, the Company's shareholders authorized an increase to 40,158,906 which increase is subject to application to 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. 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 essential minerals industry.

The global essential mineral industry, including the 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 manufacturing companies and their supply networks and onwards to consumers. 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 essential minerals, transitioning exploration properties into mines, assisting with fund raising to support mining operations, arranging processing of essential minerals including rare earths with refineries whether inside China or otherwise, arranging for the commissioning of the design, build and operation of one or more 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, mandatory sanctions, 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 essential minerals in particular is subject to factors beyond our control, such as market price fluctuation, currency fluctuation and government regulation and intervention. 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 SEDARPLUS (www.sedarplus.ca). 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*"

Tracy A Moore