Canada Rare Earth Corp.

Management's Discussion and Analysis – Quarterly Highlights

For The Nine Months Ended December 31, 2023

Management's discussion and analysis, quarterly highlights ("MD&A") for Canada Rare Earth Corp. ("CREC", "Canada Rare Earth" or the "Company") are intended to provide the reader with a review of the factors that affected our performance during the periods presented, including matters that have affected reported operations, and matters that are reasonably likely based on management's assessment to have a material impact on future operations and results.

The information contained in this MD&A for the nine months ended December 31, 2023 and up to the date of this MD&A should be read in conjunction with our audited consolidated financial statements for the year ended March 31, 2023, and the accompanying unaudited condensed interim consolidated financial statements for the nine months ended December 31, 2023 ("Financial Report"), and the notes thereto, and the accompanying MD&A for the prior fiscal quarter. The information contained within this MD&A is as of February 29, 2024.

All financial information in this MD&A is derived from the Company's Financial Report prepared in accordance with International Financial Reporting Standards and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

BUSINESS OVERVIEW

CREC was incorporated under the laws of British Columbia on July 8, 1987. The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "LL". The corporate office and registered and records office 2110 - 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N8.

As of the date of this MD&A, the Company has two subsidiaries: REM Metals Inc., a wholly owned Ontario corporation; and CREC South American Holdings Corp., a wholly owned British Columbia corporation. The Company also has 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 leased land which contains mineral tailings (the "Bom Futuro Project").

BUSINESS STRATEGY

CREC operates a rapidly growing global essential minerals business built from over a decade of success in rare earth minerals and products. Our strategy leverages near-term positive cash flow opportunities supporting our business growth, including acquiring and developing proprietary projects, resources and processing capabilities and facilities.

More specifically its strategy is to:

1. **Focus on Proprietary Opportunities and Projects with Near-Term Production:** Canada Rare Earth is committed to executing strategic initiatives that capitalize on timely cash flow opportunities by partnering on or acquiring projects with existing or near-term production.
2. **Leverage Our Experience and Rare Earth Market Intelligence:** Canada Rare Earth is selecting projects based on their suitability for key customer requirements and that specifically encompass rare earth and mineral co-products such as tin, titanium, zircon, tungsten, tantalum, and niobium.
3. **Leverage Our Geographic / Relationship Advantages:** Canada Rare Earth strategically selects projects in regions providing a geographic or relationship advantage, building on existing Company resources and capabilities to ensure efficient operations with reduced risk.

The CREC team and its advisors have a global reach and have identified multiple opportunities. To finance the execution of such opportunities, the Company may undertake one or more financings. As the Company grows its revenue sources, it expects to fund future opportunities by cash flow and generate free cashflow to pay dividends.

QUARTERLY HIGHLIGHTS

Corporate Matters:

- On October 16, 2023, the Company appointed Peter Shearing as Chief Executive Officer, Mr. Shearing was previously Chief Operating Officer of CREC.
- On October 30, 2023, the Company appointed Dr. "Jock" Harmer to its Advisory Board.
- On November 7, 2023, the Company announced it had issued 1,680,000 shares at a deemed price of $0.03 per share as payment of $50,400 of fees to Moneta Advisory Partners for the provision of investment banking services.
- On November 7, 2023, the Company appointed Janet Meiklejohn as Chief Financial Officer.
- On January 3, 2024, the Company appointed Donald Anderson as Chief Investment Officer.
- On February 5, 2024, the Company appointed Erin Campbell to its Board of Advisors.

Property Portfolio Development :

- In January 2024, the Company announced it had secured the right to acquire a majority interest in a private company ("Privco") which owns and operates a mining quarry with accessible material containing attractive grades of rare earth and essential minerals for an initial cost of US$400,000. The total acquisition cost is expected to amount to no more than US $1,300,000 over 18 months. The closing is targeted for March 2024.
- The Company is in the process of establishing rare earth supply operations in the Democratic Republic of Congo ("DRC") which will be conducted through Simba Essential Minerals S.A.S,

ESSENTIAL MINERAL INTERESTS

Bom Futuro Project

We are continuing to progress our development of the Bom Futuro Project. The property is known to contain rare earths, cassiterite (tin), zircon, ilmenite and wolframite. Noteworthy advancements, including bulk tests, flow sheet development, equipment selection, financial modeling, and mineral analysis compilation are ongoing. We have secured the right to increase our equity stake in the Bom Futuro Project from 20% to 52% at which time we will become the operator of the project. We are currently exploring financing options to fund the acquisition as well as the installation and commissioning of equipment for near-term production.

Privco

CREC has secured the right to acquire a majority interest in Privco, which owns and operates a mining quarry (the Quarry") with accessible material containing attractive grades of rare earth and essential minerals for an initial cost of US$400,000. The total acquisition cost (inclusive of share purchases and potential Privco liabilities) is expected to amount to no more than US$1,300,000 over 18 months. The closing of the acquisition is targeted for March 2024 with operations planned to commence shortly thereafter. Privco's operations will be managed by a locally based, highly experienced, and successful CEO who will be able to take advantage of the existing workforce for the combined operations.

Canada Rare Earth will, through its interest in Privco, own the mineral rights and mining permits for the mineral concession on which the Quarry operates. The Quarry is presently being mined for aggregates and offers excellent logistics and transportation routes, facilitating efficient and economic transportation of bulk and container shipments. The presence of surface-level friable material with sufficiently high grades of rare earths and essential minerals makes it suitable for direct shipping to a concentrator customer. Bulk samples have been shipped and preliminary negotiations are ongoing for long term off-take agreements.

Development of rare earth mineral operations will occur in two phases: The initial phase will include the extraction and direct shipping of the unconcentrated material; the second phase will include the construction of facilities to concentrate the material to produce higher value mineral products with increased margins.

The Company has completed initial internal testing and evaluation, confirming the presence of attractive levels of rare earth and essential minerals and is currently conducting comprehensive bulk sample testing to ensure efficient mineral recovery. The closing of the acquisition remains subject to completion of satisfactory due diligence and financing.

Simba Essential Minerals

CREC is in the process of establishing a rare earth supply operation in the DRC which will be conducted through Simba Essential Mineral S.A.S.

Key Highlights of Canada Rare Earth's operations in the DRC:

1. Local Leadership: The operations in the DRC are under the expert guidance of Mr. Steve Sadiki, a highly experienced and well-established American-Congolese businessman who ensures a deep understanding of local dynamics and fosters strong community relations.
2. Artisanal Mining Cooperatives: The initial startup supply will be sourced from local artisanal mining cooperatives, promoting responsible sourcing and empowering local miners. These cooperatives are well established and experienced in simple mining techniques thereby ensuring safe and efficient operations.
3. Supply Expansion: Rare earth concentrate supply is expected to ramp up from 100 to 500 tons per month by mid-2024, signifying substantial growth in production capacity.
4. Investment in Technology: Canada Rare Earth will invest in state-of-the-art processing technology and equipment to enhance production efficiency, maintain product quality, and reduce operating costs.
5. Mineral Concessions: The Company is actively exploring mineral concessions for acquisition, intending to secure 2-3 exclusive sources of rare earth concentrate and other minerals for purchase and operation by the end of 2024. These proprietary concessions will significantly boost supply and reduce costs, complementing the artisanal supply chain.

As part of its commitment to sustainable development and corporate responsibility, Canada Rare Earth is dedicated to delivering economic and social benefits to the local community, and a portion of sales revenue will be allocated to fund social development initiatives, fostering positive change in the region.

Essential Mineral Processing

We are continuing to work with a foreign government 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.

TRENDS

The global transition to meet Net-Zero objectives has fueled significant interest in alternative energy technology. As such, we continue to see strong global demand for essential minerals including cassiterite, zircon, ilmenite and rare earths that are critical components of these new technologies.

In addition to our current business of accessing mineral supply from affiliated and third party-party organizations, we are intent on establishing our own mining, concentrating and refinery capabilities. Global inflation and high interest rates may hinder our financing efforts to advance these initiatives in the near term, but we remain hopeful that such funding is available for our projects particularly given the current constraints impacting the rare earth minerals industry. As we develop our tailings property in Brazil and expand our proprietary property portfolio to further augment our sources of supply, we are confident or financial condition will improve.

SELECTIVE 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	Cost of sales and operating expenses	Income (loss) and comprehensive income (loss) for the period	Income (loss) per share
Quarter ended:	$	$	$	$
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
June 30, 2023	761,402	887,941	(126,686)	(0.00)
September 30, 2023	43,022	414,806	(386,865)	(0.00)
December 31, 2023	792,037	7	(42,852)	(0.00)

RESULTS OF OPERATIONS

Overview of three months ended December 31, 2023

We earned revenue from sale of mineral products of $792,037 during the three months ended December 31, 2023 ("Current Period") compared to $2,332,200 revenue during the three months ended December 31, 2022 ("Prior Period"). The decrease in revenue is due to delays in mineral deliveries during the Current Period and lower market prices for mineral commodities.

Total operating expenses including cost of sales for the Current Period were $852,957 compared to $2,227,786 for the Prior Period.

Net and comprehensive loss for the Current Period was $42,852 or $0.00 loss per share compared to a net and comprehensive income of $115,068 or $0.00 earnings per share for the Prior Period.

Overview of nine months ended December 31, 2023

We earned revenue from the sale of mineral products of $1,596,461 during the nine months ended December 31, 2023 ("Current Nine Months Period") compared to a revenue of $4,991,855 during the nine months ended December 31, 2022 ("Prior Nine Months Period). The decrease in revenue is due to unforeseen delays in deliveries of mineral concentrates during the Current Nine Months Period and lower market prices for mineral commodities.

Total cost of sales and operating expenses for the current Nine Months Period were $2,155,703 compared to $4,866,150 for the Prior Nine Months Period. The decrease in operating expenses was primarily attributable to the decrease in purchases and cost of sales in the Current Nine Months Period.

Net and comprehensive loss for the Current Nine Months Period was $556,403 or $0.00 loss per share compared to a net and comprehensive income of $116,229 or $0.00 earnings per share for the Prior Nine Months Period.

Cash flows

During the Current Nine Months Period, we generated cash of $1,163,362 from operating activities compared to $581,380 in the Prior Nine Months Period.

Cash flows used in financing activities were $691,918 for the Current Nine Months Period compared to cash flows generated of $1,296,560 in the Prior Nine Months Period. During the Current Nine Months Period, we received loans of $321,369 (Prior Nine Months Period: $1,580,991) and repaid loans and interest of $954,405 (Prior Nine Months Period: $333,915).

During the Current Nine Months Period, we provided $200,061 (Prior Nine Months Period: $307,114) to our Associated Company for our share of its expenditures.

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 December 31, 2023, we had $2,040,841 of current assets: cash - $492,013; trade and other receivables - $1,210,705 and prepaid expenses and deposits - $338,123. We had $2,615,480 of current liabilities: including deferred revenue $1,593,998; accounts payable and accrued liabilities - $253,824; due to related parties - $312,039; loans payable of $389,805 of which $226,000 was due to related parties; and $65,814 of lease liabilities.

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 $2,102,299 of current liabilities: comprising accounts payable and accrued liabilities - $154,106; $898,749 was due to related parties; loans payable - $991,461, of which $866,461 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

Compensation of key management personnel

Payee	Relationship	Nature of Transaction	December 31, 2023 $	December 31, 2022 $
Peter Shearing (Appointed CEO October 11, 2023)	CEO and Director	Share-based compensation	17,300	24,808
Carberry Consulting Inc.	Company controlled by Peter Shearing	Fees	153,000	153,000
Janet Meiklejohn (Appointed CFO November 7, 2023)	CFO	Fees	34,000	–
Tracy A. Moore (Resigned CEO October 11, 2023)	Director	Share-based compensation	17,300	24,808
Moore Consulting Services Inc.	Company 50% owned by Tracy A. Moore	Fees	107,484	153,000
Mark Peters	Director	Share-based compensation	8,650	7,906

Gordon J. Fretwell	Director	Share-based compensation	8,650	7,906
Anthony Wong (Resigned November 7, 2023)	Former CFO	Fees and Share-based compensation	43,970	36,130

The fees were paid or accrued to management and directors of the Company or to companies controlled by management and directors.

During the nine months ended December 31, 2023, the Company recognized other income of $36,500 (2022 - $36,501) from a Director of the Company for the recovery of office rental costs. The Company has a verbal agreement with the Director to share a percentage of the lease repayments based upon space utilized.

Due to related parties

On December 21, 2023, the Company entered into Payment Plan Agreements with two companies controlled by Directors of the Company pursuant to which the Company agreed to repay amounts owing the related parties in eight instalments commencing April 10, 2025. At December 31, 2023, the Company presented the amounts owing under these Payment Plan Agreements of $881,194 (March 31, 2023 – $nil) as long-term liabilities.

As at December 31, 2023, the Company owes related parties a total of $1,193,233 (March 31, 2023 - $898,749), of which $881,194 (March 31, 2023 – $nil) is due beyond 1 year and have been presented as a long-term liability.

Other than the amounts due under the Payment Plan Agreements, all amounts owing to related parties are unsecured, non-interest bearing and due on demand.

Loans payable – related parties

As at December 31, 2023, the Company owes $125,000 of loan payable (March 31, 2023 - $125,000) to a Director of the Company, which is unsecured, bears interest at 4% per annum and is due in 30 days upon request for repayment.

As at December 31, 2023, the Company owes $101,000 of loans payable (March 31, 2023 - $nil) to a Director of the Company, which are unsecured, non-interest bearing and were due on July 24, 2023.

As at December 31, 2023, accrued interest of $5,000 (March 31, 2023 – $1,233) due to related parties is included in accounts payable and accrued liabilities.

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 ("Bom Futuro Project") 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 RISK MANAGEMENT

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

Credit risk

Credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. Credit risk arises from cash, trade receivables and deposits. While the Company is exposed to credit losses due to the non-performance of its counterparties and there is a significant concentration of credit risk because the trade receivables and deposits are receivable from/held by a single counterparty, management does not consider this to be a material risk.

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

For trade receivables, the simplified approach is applied for determining expected credit losses. This requires the lifetime expected losses to be determined for all trade receivables. The expected lifetime credit loss provision for trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, as required. Since the Company's buyer is considered to have low default risk and the Company's historical default rate and frequency of loss are low, the lifetime expected credit loss allowance for trade receivables is nominal as at December 31, 2023.

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 December 31, 2023, the Company had cash of $492,013 to meet current financial liabilities of $2,615,480.

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk. The Company currently does 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, deposits, accounts payable and accrued liabilities, loans payable, and deferred revenue 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 $28,000 (March 31, 2023 - $70,000).

Financial instruments denominated in foreign currencies are:

At December 31, 2023	US Dollars
Assets	1,114,769
Liabilities	1,328,687
Exchange rate / $1.00 =	0.7561

At March 31, 2023	US Dollars
Assets	137,824
Liabilities	658,691
Exchange rate / $1.00 =	0.7389

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. The Company intends on expanding its customer base as it increases the volume of mineral products which it can supply.

Risk management

The Company's risk management objectives and policies are consistent with those disclosed by the Company in the audited consolidated financial statements for the year ended March 31, 2023.

DISCLOSURE OF 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	211,587,696
Stock options	14,275,000
Share purchase warrants	1,731,166

Share issued for services

During the nine months ended December 31, 2023, the Company issued 1,680,000 common shares with a fair value of $50,400 for consulting services rendered.

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. The numbers of options approved by the shareholders that are reserved for issuance under the plan were 33,880,028.

During the nine months ended December 31, 2023, the Company granted an aggregate of 2,150,000 (2022 – 3,125,000) stock options subject to vesting criteria and expensed $58,835 (2022 - $169,000) as share-based payments expense.

The Company recognizes share-based payments in connection with stock options granted over their respective vesting periods, with stock options typically vesting in various increments and having a maximum term of five years.

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*.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains or incorporates by reference "forward-looking statements" and "forward looking information" as defined under applicable Canadian securities laws ("forward-looking statements"). Forward-looking statements and information can generally be identified by the use of terms such as "may", "will", "should", "expect", "intend", "estimate", "continue", "believe", "plans", "anticipate" or similar terms.

Forward-looking information and statements include, but are not limited to, statements with respect to the activities, events or developments that CREC expects or anticipates will or may occur in the future, including those regarding future growth and ability to create new sources of essential mineral supply, the political stability in jurisdictions that the Company operates, the development and focus of the Company, its acquisition strategy, the proposed advancement and expansion of projects; the ability to sell concentrate to its refiner and the Company's expectations regarding future revenues.

Forward-looking information and statements are based on the then current expectations, beliefs, assumptions, estimates and forecasts about CREC's 's business and the industry and markets in which it operates. Forward-looking information and statements are made based upon numerous assumptions and although the assumptions made by the Company in providing forward-looking information and statements are considered reasonable by management at the time, there can be no assurance that such assumptions will prove to be accurate. Forward-looking information and statements also involve known and unknown risks and uncertainties and other factors, which may cause actual results, performances and achievements of CREC to differ materially from any projections of results, performances and achievements of CREC including, without limitation, the inability of management to execute proposed plans for properties and businesses or to achieve planned development and production estimates and goals, risks related to the projects in which the Company holds interests, including the successful continuation of operations , risks related to , development, permitting, infrastructure, operating or technical difficulties on any projects, risks related to international operations, government relations and environmental regulation, uncertainty relating to the availability and costs of financing needed in the future and the Company's ability to carry out its growth plans as well other related risks and uncertainties. For a discussion of important factors which could cause actual results to differ from forward-looking statements, refer to the audited annual consolidated financial statements for the year ended March 31,2023 and its other publicly filed documents under its profile at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and statements, there are may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information and statements. The Company undertakes no obligation to update or reissue forward-looking information as a result of new information or events except as required by applicable securities laws.

ADDITIONAL INFORMATION

Additional information relating to the Company is available for viewing on SEDAR+ website at www.sedarplus.ca and at the company website www.candarareearth.com.