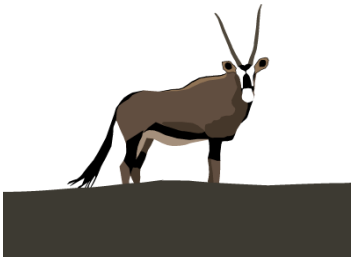
*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), or any state securities laws. Accordingly, these securities may not be offered or sold in the United States of America, its territories, possessions, any state of the United States and the district of Columbia (the "United States") or to, or for the account or benefit of, a person in the United States except in certain transactions exempt from the registration requirements of the 1933 Act and applicable securities laws of any state of the United States. See "Plan of Distribution".*

PROSPECTUS



Initial Public Offering April 7, 2011

NAMIBIA RARE EARTHS INC.

$25,000,000

31,250,000 Shares

This offering is an initial public offering (the "**Offering**") of 31,250,000 common shares (the "**Shares**") of Namibia Rare Earths Inc. (the "**Company**") at a price of $0.80 per Share (the "**Offering Price**").

The Shares are being offered under this prospectus on a best efforts basis in each of the provinces of Canada other than Québec. The Offering Price has been determined by negotiation between the Company and Cormark Securities Inc., Byron Capital Markets Ltd., and CIBC World Markets Inc. (collectively, the "**Agents**").

The Toronto Stock Exchange ("**TSX**") has conditionally approved the listing of the Shares distributed under this prospectus under the symbol "NRE". The listing of the Shares will be subject to the Company fulfilling all of the listing requirements of the TSX on or before June 28, 2011, including distribution of the Shares to a minimum number of public securityholders.

There is currently no market through which the Shares may be sold and purchasers may not be able to resell Shares purchased under this prospectus. This may affect the pricing of the Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. An investment in the Shares is speculative and subject to a number of risks that should be considered by a prospective purchaser. Investors should carefully consider the risk factors described under "*Risk Factors*" before purchasing the Shares.

Price: $0.80 per Share			
	Price to the Public	**Agents' Commission[(1)(4)]**	**Net Proceeds to the Company[(2)]**
Per Share	$0.80	$0.048	$0.75
Total Offering [(3)]	$25,000,000	$1,500,000	$23,500,000

Notes:

(1) Pursuant to the terms of the agency agreement referred to under "*Plan of Distribution*", the Company has agreed to pay to the Agents a cash commission equal to 6% of the gross proceeds of the Offering (the "**Agents' Commission**"). See "*Plan of Distribution*".

(2) Before deducting the Company's expenses of the Offering estimated at $1,000,000, which, together with the Agents' Commission, will be paid by the Company out of the aggregate proceeds of the Offering.

(3) The Company has also granted to the Agents an option (the "**Over-Allotment Option**") exercisable, in whole or in part, at the sole discretion of the Agents, at any time, from time to time, on or before the 30th day following the Closing Date, for the purpose of covering over-allotments, if any, and for market stabilization purposes, to purchase from the Company up to that number of additional Shares (the "**Additional Shares**") equal to 15% of the Shares issued pursuant to the base Offering at the Offering Price. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Agents' Commission" and "Net Proceeds to the Company" before deducting the expenses of the Offering will be $28,750,000, $1,725,000 and $27,025,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the Additional Shares issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Additional Shares forming part of the Agents' over-allocation position acquires such Additional Shares under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

(4) As additional compensation for the Agents' services to the Company in connection with the Offering, the Company has agreed to grant to the Agents broker warrants (the "**Broker Warrants**") to purchase Shares ("**Broker Warrant Shares**") in an amount equal to 6% of the number of Shares sold pursuant to the Offering at $0.80 per Broker Warrant Share. The Company has also agreed to grant to the Agents Broker Warrants in an amount equal to 6% of the number of Additional Shares sold pursuant to the exercise of the Over-Allotment Option. The Broker Warrants may be exercised in whole or in part by the Agents at any time on or before the date that is 24 months from the Closing Date. The distribution of the Broker Warrants is qualified by this prospectus. See "*Plan of Distribution*".

Agents' Position	**Maximum Size or Number of Securities Available**	**Exercise Period**	**Exercise Price**
Over-Allotment Option	4,687,500 Additional Shares	Exercisable for a period of 30 days from the Closing Date	$0.80 per Additional Share
Broker Warrants	1,875,000 Broker Warrant Shares plus up to 281,250 Broker Warrant Shares if the Over-Allotment Option is exercised in full	Exercisable for a period of 24 months from the Closing Date	$0.80 per Broker Warrant Share
Total Securities under option issuable to Agents	Up to 4,687,500 Additional Shares and up to 2,156,250 Broker Warrant Shares		

In connection with this distribution, the Agents have been granted the Over-Allotment Option and may over-allocate or effect transactions which stabilize, maintain or otherwise affect the market price of the Shares at levels other than those which otherwise might prevail on the open market. See *"Plan of Distribution"*.

The Agents conditionally offer the Shares, for sale on a best efforts basis without underwriter liability, qualified under this prospectus, subject to prior sale, if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the Agency Agreement, as defined herein, referred to under *"Plan of Distribution"* and subject to the approval of certain legal matters on behalf of the Company by McInnes Cooper and on behalf of the Agents by Stikeman Elliott LLP. See "*Plan of Distribution*".

Subscriptions will be received subject to rejection or allotment in whole or in part and the Agents reserve the right to close the subscription books at any time without notice. The closing of the Offering ("**Closing**") is expected to occur on or about April 14, 2011 or such later date as the Company and the Agents may agree (the "**Closing Date**"), but in any event not later than April 29, 2011. Other than Shares sold in the United States or to, or for the account or benefit of, persons in the United States, which will be represented by individual certificates, one or more book entry only certificates representing the Shares will be issued in registered form to CDS Clearing and Depositary Services Inc. ("**CDS**"), or its nominee, and will be deposited with CDS on the Closing Date. A purchaser of Shares will receive only a customer confirmation from the registered dealer through which the Shares are purchased, except for purchasers of Shares in the United States who will receive individual certificates. See *"Plan of Distribution"*.

Some or all of the directors of the Company, the Promoter and some or all of the experts named in this prospectus reside outside of Canada. Some or all of the assets of those persons and the Company may be located outside of Canada. Although the Promoter and the directors residing outside of Canada have appointed McInnes Cooper 1300-1969 Upper Water Street, PO Box 730 Halifax, Nova Scotia B3J 2V1, as their agent for service of process in Canada it may not be possible for investors to enforce judgements obtained in Canada against them or the Company.

TABLE OF CONTENTS

NOTICE TO INVESTORS

About This Prospectus

An investor should rely only on the information contained in this prospectus. The Company has not, and the Agents have not, authorized anyone to provide investors with additional or different information. The Company is not, and the Agents are not, offering to sell these securities in any jurisdictions where the Offering or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the Shares. The Company's business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

For investors outside Canada, neither the Company nor any of the Agents have done anything that would permit the Offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, the Offering and the distribution of this prospectus.

Interpretation

Unless the context otherwise requires, all references in this prospectus to the "**Company**" refer to Namibia Rare Earths Inc. as constituted on the Closing Date and, to the extent references in this prospectus are made to matters undertaken by a predecessor in interest to Namibia (Pty) or its subsidiaries, include such predecessor in interest.

The Company presents its consolidated financial statements in Canadian dollars. In this prospectus, references to "**$**" are to Canadian dollars, references to "**N$**" are to Namibian dollars and references to "ZAR" are to South African Rand. Amounts are stated in Canadian dollars unless otherwise indicated.

Certain terms and symbols used in this prospectus are defined under *"Glossary"*.

Unless otherwise indicated, the information in this prospectus assumes that the Agents do not exercise the Over-Allotment Option.

Exchange Rate Data

The Namibian dollar is pegged to the South African Rand at a rate of 1:1. The Bank of Canada does not publish a nominal noon exchange rate for the Namibian dollar. As of April 6, 2011, the nominal noon exchange rate as reported by the Bank of Canada for the conversion of Canadian dollars into South African Rand was $1.00 = ZAR 6.98, at an exchange rate of 6.9784 and the nominal noon exchange rate as reported by the Bank of Canada for the conversion of South African Rand into Canadian Dollars was ZAR 1.00 = $0.14, at an exchange rate of 0.1433.

The following tables sets out: (a) the rate of exchange in Canadian dollars for one South African Rand /one Namibian dollar in effect at the end of each of the periods indicated; (b) the high and low rate of exchange during the relevant periods; and (c) the average rate of exchange for those periods, each based on the noon buying rate as reported by the Bank of Canada in Canadian dollars.

	High ($)	**Low ($)**	**Average ($)**	**End of Period ($)**
Canadian Dollars per one ZAR/N$				
Year Ended				
2010	0.1510	0.1333	0.1409	0.1510
2009	0.1502	0.1195	0.1362	0.1418
2008	0.1514	0.1108	0.1299	0.1311

Market Data

This prospectus contains statistical data, market research and industry forecasts that were obtained from government or independent industry publications and reports or based on estimates derived from the same and management's knowledge of, and experience in, the markets in which the Company and its subsidiaries operate. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Technology Metals Research, LLC has not provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, the Offering. While management believes this data to be reliable, market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this information cannot be guaranteed. None of the Company, its affiliates or the Agents have independently verified any of the data from third party sources referred to in this prospectus or ascertained the underlying assumptions relied upon by such sources.

Forward-Looking Statements

This prospectus contains forward-looking statements that relate to the Company's current expectations and views of future events. The forward-looking statements are contained principally in the sections titled *"Prospectus Summary"*, *"Management's Discussion and Analysis of Financial Condition and Results of Operations"*, *"Use of Proceeds"* and *"Risk Factors"*.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the Company's strategy, growth, development and acquisition opportunities, return on existing assets, operational excellence and financial management;
- the Company's expectations regarding its revenue, expenses and operations;
- the Company's anticipated cash needs and its estimates regarding its capital and operating expenditures;
- capital requirements, needs for additional financing and the Company's ability to raise additional capital;
- the Company's estimates of future cash flows, financial condition and operating performances of the Company and its subsidiaries;
- the estimation of any mineral resources and the realization of mineral reserves based on mineral resource, estimates and estimated future development, if any, and possible variations of ore grade or recovery rates;
- estimated results of planned exploration and development activities;
- the Company's competitive position and its expectations regarding competition from other companies globally;
- the Company's ability to maintain customer and supplier relationships;
- anticipated trends and challenges in the Company's business and the markets in which it operates, including with respect to potential new rare earths projects, supply outlook and growth opportunities;
- limitations of insurance coverage;
- the future price of and future demand for rare earths elements and their derivative products;
- the Company's use of net proceeds of the Offering;
- the Company's anticipated dividend policy;
- economic and financial conditions;

- interest rates and foreign exchange rates;
- performance of counterparties in fulfilling their obligations;
- government regulation of mining operations, accidents, environmental risks, exploration risks, reclamation and rehabilitation expenses;
- title disputes or claims; and
- the timing and possible outcome of pending regulatory and permitting matters.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. These assumptions include continued political stability in Namibia, that permits required for the operations of the Company's subsidiaries will be obtained in a timely basis in order to permit the Company to proceed on schedule with its planned drilling programs, that skilled personnel and contractors will be available as the Company's operations continue to grow, that the price of rare earths will remain at levels that will render the Company's projects economic and that the Company will be able to continue raising the necessary capital to finance its operations. Forward-looking statements involve a variety of known and unknown risks, uncertainties and other factors, including those listed under the heading *"Risk Factors"*, which may cause the Company's actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, a future event or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

An investor should read this prospectus and the documents to which the Company refers in this prospectus completely and with the understanding that the Company's actual future results may be materially different from its expectations.

GLOSSARY

Symbols

"**$**"	Canadian dollar	"**LEDs**"	light-emitting diodes
"**B**"	boron	"**Li**"	lithium
"**C**"	Celsius	"**LREE**"	light rare earths elements
"**CAGR**"	compound annual growth rate	"**LREO**"	light rare earths oxide
"**Ce**"	cerium	"**mm**"	millimetres
"**CFLs**"	compact fluorescent lamps	"**N$**"	Namibian Dollar
"**cm**"	centimetres	"**Ni**"	nickel
"**Co**"	cobalt	"**PMGs**"	permanent-magnet generators
"**DDPMG**"	Direct-drive PMG	"**PMMs**"	permanent-magnet motors
"**EVs**"	electric vehicles	"**pmm**"	part per million
"**FCC'**	fluid cracking catalysts	"**REE**"	rare earths elements
"**Fe**"	iron	"**REO**"	rare earths oxide
"**H**"	hydrogen	"**REPM**"	rare earths permanent-magnet
"**ha**"	hectares	"**Sc**"	scandium
"**HEVs**"	hybrid electric vehicles	"**Th**"	thorium
"**HREE**"	heavy rare earths elements	"**TREE+Y**"	total rare earths plus yttrium

"**HREO**"	heavy rare earths oxide	"**TREO**"	total rare earths oxides
"**ICP-MS**"	inductively coupled plasma mass spectroscopy	"**UV**"	ultraviolet
"**IOCG**"	iron oxide copper gold	"**VTEM**"	versatile time domain electromagnetic
"**kV**"	kilovolts	"**Y**"	yttrium
"**La**"	lanthanum	"**ZAR**"	South African Rand

Conversion Table

Metric Measure	= Imperial Measure	Imperial Measure	= Metric Measure
1 metre	3.2808 feet	1 foot	0.3048 metres
1 kilometre	0.6214 miles	1 mile	1.6093 kilometres
1 hectare	2.4711 acres	1 acre	0.4047 hectares
1 gram	0.0322 troy ounces	1 troy ounce	31.1033 grams
1 kilogram	2.2046 pounds	1 pound	0.4541 kilograms
1 tonne	1.1023 short tons	1 short ton	0.9071 tonnes

Definitions

"**1933 Act**"	United States *Securities Act of 1933*
"**2B zone**"	a zone of carbonatite intrusion and hydrothermal alteration in Area 2B that carries anomalous concentrations of the REE
"**Additional Shares**"	additional Shares purchased pursuant to the Over-Allotment Option
"**Agents**"	collectively, Cormark Securities Inc., Byron Capital Markets Ltd. and CIBC World Markets Inc.
"**Agents' Commission**"	the cash commission payable by the Company to the Agents equal to 6% of the gross proceeds of the Offering
"**Agency Agreement**"	agency agreement between the Company and the Agents dated April 7, 2011
"**allowable capital loss**"	has the meaning ascribed to it in *"Canadian Federal Income Tax Considerations for Canadian Holders of Shares"*
"**Area 2B**"	a priority REE target area in the north-central part of the Lofdal carbonatite complex, containing a wide carbonatite dyke system
"**Authors**"	H. Scott Swinden, PhD, PGeo of SGC ("**Lead Author**") and Peter Siegfried, BSc (Hons), MSc, MAusIMM of GeoAfrica
"**Board**"	the board of directors of the Company
"**Broker Warrants**"	the Agents' option to purchase Shares at the Offering Price, in an amount equal to 6% of the number of Shares sold pursuant to the Offering (including the Additional Shares), as compensation for the Agents' services in connection with the Offering
"**Broker Warrant Shares**"	the Shares issued pursuant to the Broker Warrants
"**CBCA**"	*Canada Business Corporations Act*, as amended
"**CDS**"	CDS Clearing and Depositary Services Inc.
"**CEO**"	chief executive officer
"**Closing**"	the closing of the Offering

"**Closing Date**"	April 14, 2011 or such later date as the Company and the Agents may agree, but in any event not later than April 29, 2011
"**Code of Conduct**"	the Company's Code of Business Conduct and Ethics
"**Company**"	Namibia Rare Earths Inc.
"**Computershare**"	Computershare Investor Services Inc.
"**CRA**"	Canada Revenue Agency
"**DMR**"	Namibian Department of Mineral Resources
"**Eligible Persons**"	directors, officers, employees, consultants, management company employees or any other service providers of the Company or its affiliates
"**Emanya Intrusion**"	a roughly circular (approximately 0.6 square kilometres) intrusion of dominantly brown to reddish brown, fine grained calcitic carbonatite located about 3.8 kilometres southwest of the Main Intrusion, which includes several smaller satellite bodies within a 450 metre radius
"**EPL 3400**"	the Exclusive Prospecting Licence 3400 (Lofdal) issued by the DMR, which covers a total area of 740 square kilometres located approximately 450 kilometres northwest of the capital city of Windhoek and 25 kilometres northwest of the town of Khorixas in the Kunene Region of northwestern Namibia
"**Equity Compensation Plan**"	the Company's equity compensation plan
"**ERI**"	Endeavour Resources Inc., formerly Etruscan Resources Inc., a company existing under the laws of the Cayman Islands
"**Escrow Agreement**"	an agreement entered into among certain principals of the Company, the Company and Computershare, pursuant to which certain Shares, X Warrants and Options will be deposited into escrow with Computershare
"**Escrow Policy**"	National Policy 46-201 - *Escrow for Initial Public Offerings*
"**Escrow Securities**"	the Shares, X Warrants and Options that are deposited into escrow with Computershare
"**Exclusive Prospecting Licence**"	exclusive property licence issued by DMR, valid for three years with two renewals of two years each
"**GeoAfrica**"	GeoAfrica Prospecting Services cc
"**GSN**"	Geological Survey of Namibia
"**Huab Metamorphic Complex**"	a sequence of granitic gneiss, amphibolite, metasedimentary rocks, and related metamorphic rocks, that outcrops throughout the Lofdal Rare Earths Project area and is the crustal basement to the Lofdal carbonatite complex
"**Holder**"	has the meaning ascribed to it in *"Canadian Federal Income Tax Considerations for Canadian Holders of Shares"*
"**IFRS**"	International Financial Reporting Standards
"**Incentive Stock Option Plan**"	the Company's incentive stock option plan
"**Lock-up Agreements**"	the lock-up agreements entered into by the Company, the Agents and all securityholders holding in excess of 5% of the outstanding securities of the Company immediately prior to the Offering
"**Lofdal Rare Earths Project**" or "**Lofdal**"	the Company's Lofdal rare earths element project in Namibia
"**LTIP**"	long-term incentive plan
"**MD&A**"	the Company's management's discussion and analysis

"**Main Intrusion**"	an ovoid-shaped (exposed area of about 1.5 square kilometres) intrusion of coarse grained, white carbonatite in the central part of the Lofdal carbontite complex, the largest carbonatite body in the area
"**Minister**"	Minister of Mines and Energy for Namibia
"**Named Executive Officer**"	each of the following individuals: (i) the CEO of the Company; (ii) the chief financial officer of the Company; (iii) each of the Company's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and chief financial officer, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000 for that financial year; and (iv) each individual who would be a Named Executive Officer under (iii) above but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of the most recently completed financial year-end
"**Namibia (Pty)**"	Namibia Rare Earths (Pty) Ltd. (formerly Etruscan Resources Namibia (Pty) Ltd.), a company formed under the laws of Namibia
"**NI 43-101**"	National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*
"**NI 52-110**"	National Instrument 52-110 - *Audit Committees*
"**NI 58-101**"	National Instrument 58-101 - *Disclosure of Corporate Governance Practices*
"**nominal noon exchange rate**"	as used by the Bank of Canada
"**NP 58-201**" or the "**Corporate Governance Guidelines**"	National Policy 58-201 - *Corporate Governance Guidelines*
"**Offering Price**"	$0.80 per Share
"**Offering**"	the initial public offering of Shares pursuant to this prospectus
"**Options**"	options to purchase Shares
"**Over-Allotment Option**"	the Agents' discretionary option exercisable, in whole or in part, at any time, from time to time, on or before the 30th day following the Closing Date, for the purpose of covering over-allotments, if any, and for market stabilization purposes, to purchase from the Company Additional Shares from the Company equal to 15% of the Shares issued pursuant to the Offering at the Offering Price
"**Periodic Table**"	periodic table of chemical elements
"**Principal Shareholders**"	each person or entity known to own or beneficially hold more than 10% of the outstanding Shares, being ERI and Adrian T. Hickey
"**Promoter**"	has the meaning ascribed to it in *"Promoter"*.
"**Proposals**"	has the meaning ascribed to it in *"Canadian Federal Income Tax Considerations for Canadian Holders of Shares"*
"**QA/QC**"	quality assurance and quality control
"**SEDAR**"	System for Electronic Document Analysis and Retrieval
"**SGC**"	Swinden Geoscience Consultants Ltd.
"**Share**"	common share of the Company
"**SWAPO**"	South-West Africa People's Organization
"**Tax Act**"	*Income Tax Act* (Canada), as amended
"**taxable capital gain**"	has the meaning ascribed to it in *"Canadian Federal Income Tax Considerations for Canadian Holders of Shares"*

"**Technical Report**"	the Amended Technical Report on the Rare Earths Element occurrences in the Lofdal Carbonatite Complex, Kunene Region, Khorixas District, Namibia dated February 18, 2011, amended date April 4, 2011 prepared by SGC in association with GeoAfrica
"**TFSAs**"	has the meaning ascribed to it in "*Eligibility for Investment*"
"**TMR**"	Technology Metals Research, LLC
"**TMR Report**"	the marketing report, entitled "A Summary Overview of the Rare Earths Market" dated February 22, 2011 prepared by TMR
"**TSX**"	Toronto Stock Exchange
"**Unit(s)**"	the units issued by the Company pursuant to a private placement that closed in 3 tranches in 2010, each unit entitling the subscriber to one Share, ½ of one X Warrant and 1/10 of one Y Warrant
"**X Warrant(s)**"	warrants forming part of the Units, which entitle the holders thereof to purchase one Share at $0.75 per Share at any time until July 28, 2012
"**Y Warrant(s)**"	warrants forming part of the Units, which entitled the holders thereof to purchase one Share at $0.0001 per Share if certain conditions were not met by December 31, 2010, and all of which have been exercised

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information, financial data and financial statements contained elsewhere in this prospectus. This summary is qualified in its entirety by the more detailed information contained herein and readers are cautioned to review carefully this prospectus in its entirety.

Issuer

Namibia Rare Earths Inc.

Business of the Company

Namibia Rare Earths Inc. (the "**Company**") is a mineral exploration and development company that is dedicated to the development of its core asset, the Lofdal Rare Earths Project, which is located in north-western Namibia and is held by its wholly-owned subsidiary, Namibia Rare Earths (Pty) Ltd. (formerly Etruscan Resources Namibia (Pty) Ltd.) ("**Namibia (Pty)**"). The Lofdal Rare Earths Project is an early stage, district scale exploration project with a demonstrated potential for the discovery of a world class, heavy rare earths enriched carbonatite deposit. The Company believes that, with the successful delineation of a deposit of suitable size and grade, and given the rare earths distribution, geological setting and favourable location of the Lofdal Rare Earths Project, the Company has the potential to become a significant producer of rare earths. See "*General Development of the Business*".

Corporate Strategy

The Company's corporate strategy is to accelerate the exploration and development of the Lofdal Rare Earths Project in Namibia with the near term objective of making a discovery of an economic heavy rare earths-enriched deposit. The Company will maintain its focus on discovery using its strengths in exploration and resource delineation. Preliminary mineralogical studies will be undertaken; however, the development of the appropriate extractive processes for the Lofdal Rare Earths Project will only be undertaken after discovery.

In accordance with the recommendations in the Technical Report, the Company has targeted the following key milestones to achieve its strategy:

- Undertaking an initial 7,500 metre diamond drilling program. Sufficient work has been completed to identify eight target areas covering an area of 80 square kilometres that warrant drilling to test for the presence of one or more deposits of rare earths minerals, some of which would be expected to be enriched in heavy rare earths.
- Conducting a concurrent program of geological mapping and surface sampling to advance new areas to a drill ready stage.
- Implementing the recommendations provided to develop an inferred resource on the most promising zone(s) by conducting an additional 15,000 metres of focused drilling to develop inferred mineral resources on the property, followed by sufficient drilling to establish a mineral reserve estimate in support of a feasibility study.

The Lofdal Rare Earths Project carbonatite complex covers over 200 square kilometres and significant potential remains to identify additional target areas which will be addressed throughout the development of the property by continuing with low cost geological mapping and surface sampling.

Key Drivers for Success

- *The unique nature of the rare earths mineralization at the Lofdal Rare Earths Project* - Heavy rare earths enrichment in carbonatites and the prolific number of rare earths mineral occurrences on a district scale.
- *The quality of the work conducted at the Lofdal Rare Earths Project and its exceptional database* - All data, historic and recent, has been brought into NI 43-101 compliance and the project will derive long term benefits from the extensive database which comprises geological, geochemical, geophysical and remote sensing data.
- *The potential for multiple discoveries in a variety of geological settings* - Rare earth mineralization has been well documented in dykes, plugs and their associated alteration zones, and field investigations have

suggested the potential for rare earths mineralization in other host rocks including sediments and gneissic rocks.

- *The excellent track record of operational success in Africa in general, and in Namibia in particular* - The management and principal consultants of the Company and its subsidiaries are all familiar with the challenges related to working in the country and have established positive relationships with government officials and agencies.
- *An experienced board of directors* - The Board members have a diversity of experience in key areas related to mineral exploration, mine development, financial management and corporate governance in public companies.
- *Namibia's mining laws are well understood, respected and tested* - Namibia enjoys a vibrant and growing mining industry as the fourth largest uranium producer in the world. Namibia is endowed geologically with a diversity of mineral commodities and offers investors a secure and well structured mineral jurisdiction, with opportunities for the Company to expand its operations and exploration activities concurrently with the development of the Lofdal Rare Earths Project.
- *Qualified management and local service providers* - The Company has access to well qualified and experienced service providers locally and within southern Africa which, together with management's over 15 years of continuous operations in Africa, should allow for well managed and cost effective operations.

The Company believes it can successfully implement its corporate strategy on the basis of the technical merits of the Lofdal Rare Earths Project and the operational experience of management in Africa. The Company will be guided under the direction of an experienced Board. Through discovery, the Company is poised to provide a significant contribution to the issues surrounding global concerns related to China's dominance of the rare earths market. According to the TMR Report, China currently controls 96% of the world's production of rare earths and the Chinese government has placed continued restrictions on export quotas to ensure a chain of supply for its own domestic consumption. Official Chinese agencies have indicated that they expect China to become a net importer of rare earths by 2015. Management believes the Lofdal Rare Earths Project offers the potential for development of a heavy rare earths element mine.

Overview of the Lofdal Rare Earths Project

Background

The Lofdal Rare Earths Project comprises an area of approximately 740 square kilometres in north-western Namibia, approximately 450 kilometres northwest of the capital city of Windhoek. The project represents a district scale, early stage exploration opportunity focused on the discovery of heavy rare earths-enriched mineral deposits. An extensive high quality database provides compelling evidence that the Lofdal Rare Earths Project represents a new rare earths mineral district with a number of well-defined drill targets.

Extensive surface sampling over an area of 80 square kilometres has provided indications that certain areas are highly enriched in heavy rare earths (which includes yttrium). A first trenching and drilling program carried out in late 2010 on one target zone has provided confirmation that the mineralizing systems at the Lofdal Rare Earths Project can be delineated at surface and in the subsurface by geological, geochemical and geophysical methods. The Company intends to conduct an aggressive exploration program in order to delineate NI 43-101 compliant resources and undertake a preliminary economic assessment.

Geology and Exploration History

The Lofdal Rare Earths Project property is underlain by metamorphic rocks of the Huab Metamorphic Complex, which outcrop as an inlier of the Congo Craton surrounded by stratified rocks of the Damaran Orogen. The metamorphic basement was intruded approximately 750 million years ago by alkaline silicate rocks and carbonatites of the Lofdal Rare Earths Project carbonatite complex. The entire carbonatite complex comprises a central intrusive core characterized by a number of plugs of nepheline syenite and carbonatite with associated diatreme breccias, surrounded by a wide area of dyking and associated hydrothermal alteration, in which phonolite and carbonatite dykes related to the intrusive plugs have exploited pre-existing structures in the basement. The carbonatite dykes are widely mineralized with rare earths elements. The total area affected by carbonatitic dykes and associated alteration and mineralization is more than 200 square kilometres.

Historically, mineral exploration activities in the area have focused on copper associated with quartz veins in gneiss, metasedimentary, and metavolcanic rocks of the Huab Metamorphic Complex. The area was prospected for gold by Anglo American Prospecting Services Namibia (Pty) Ltd. between 1987 and 1989 but did not yield any significant concentrations. Although not extensively described in the literature, carbonatite dykes have been known to occur in the area since the early 1980's and were the focus of an exploration program for yttrium and rare earths by Rouna (Pty) Ltd. between 1981 and 1983. There are no analyses of HREE from this phase of exploration. The Namibia Small Miners Assistance Centre was active in the area exploring for precious stones, semi-precious stones, precious metals, base metals and rare metals from 2002 to 2004.

More recently, geological investigations in the area by the Geological Survey of Namibia ("**GSN**") have been ongoing since 2004. GSN`s work in this area has provided significant new information on the unusual heavy rare earths enrichment of certain carbonatite dykes at the Lofdal Rare Earths Project and in 2007 the Main Intrusion was first recognized, followed by the discovery of the Emanya Intrusion in 2008. Namibia (Pty) only began rare earths exploration in 2008 and this work quickly led to the recognition that the Lofdal Rare Earths Project represented an important rare earths mineral district with continued evidence of significant enrichments in heavy rare earths.

Current Status of the Project

The Lofdal Rare Earths Project is an early stage exploration project with no defined mineral resources. Exploration to date has identified a widespread and robust carbonatite complex with early intrusive and related hydrothermal activity that appears to have been mainly enriched in the light rare earths followed by a significant late hydrothermal event that has introduced heavy rare earths-enriched mineralization in the dykes and alteration zones associated with the complex. Regional sampling indicates that this heavy rare earths enrichment was focused along the northwestern side of the complex and near the contact zones with the Main Intrusion. The significant enrichment in heavy rare earths associated with the carbonatites, and the dominance of xenotime as one of the principal rare earths-bearing minerals, indicates a significant potential for the discovery of a heavy rare earths-enriched deposit associated with this intrusive complex.

There exists a very high quality and extensive exploration database over the Lofdal Rare Earths Project comprising geological, geochemical, geophysical and remote sensing data all of which confirms the exploration potential of the property for the discovery of a rare earths deposit. The regional lithogeochemical sampling has to date covered about 40% of the total prospective area and identified a number of areas of anomalous rare earths mineralization for follow up. There is significant potential for the discovery of additional heavy rare earths targets in the remaining 60% of the complex.

The detailed mapping, trenching and drilling in Area 2B has resulted in a much better understanding of the intrusive complex and its associated hydrothermal alteration and mineralization. The mineralized structure in Area 2B is wide, robust, and can be traced laterally and in the subsurface and has consistent geological, geochemical and geophysical signatures. The zones overall are geochemically anomalous in the REE, Y, Th elements and locally contain significant, although to date narrow, zones of high grade HREE mineralization.

The Lofdal Rare Earths Project represents a high quality, exploration stage, rare earths project with particular potential for the discovery of a heavy rare earths-enriched deposit. Although an economic body has not yet been identified, the prolific number of rare earths occurrences in the carbonatites at the Lofdal Rare Earths Project speaks to the potential for one or more discoveries. The Technical Report has recommended a phased approach towards development of the project with $6.4 million directed at continued exploration and delineation of a mineral resource, to be followed by a $7.0 million program to develop NI 43-101 compliant mineral reserves and complete a feasibility study.

Rare Earths Market Overview

Introduction

"Rare earths" is a term commonly used to describe the 15 chemically similar, lanthanide elements which appear together towards the bottom of the Periodic Table. Two other elements, yttrium and scandium, which have similar chemical properties, are often also referred to as rare earths. The oxides produced from processing rare earths are collectively referred to as rare earths oxides.

Although rare earths are relatively common in the earth's crust, they do not often occur in high enough concentrations (or occur along with high levels of radioactive elements) to make their extraction economically feasible. The oxides that are produced from processing the rare earths elements constitute the basic material that can

be sold to the market or further processed into metals or alloys. Rare earths can be divided into light rare earths and heavy rare earths and both are found in varying degrees in all rare earths deposits. Rare earths are therefore recovered together and processed before sequential separation into individual rare earths elements. Prices for individual rare earths in pure oxide form can vary significantly with, generally speaking, the heavy rare earths trading at higher values.

Rare earths possess certain chemical and physical properties which, when synthesized, make them indispensable in many high-tech applications. They are widely recognized as being among the most valuable and strategically important minerals for the continued development of a modern technological society. Among the key properties of rare earths are their high thermal and electrical conductivity, magnetism, luminosity, and catalytic and optical properties. In several industrial sectors, traditional materials are approaching their technological limits and product development engineers are increasingly turning to new materials, such as rare earths, to maintain the current pace of high-tech advancement within increasingly stringent environmental and energy efficiency guidelines. Current rare earths applications include hybrid vehicles, cell phones, personal digital assistant devices, wind turbines, fiber optics, and compact fluorescent lighting.

Market Overview

A detailed overview of the rare earths market prepared by Technology Metals Research, LLC ("**TMR**") is set out in "*The Rare Earths Market*". A summary is provided below.

The rare earths elements ("**REEs**") are a group of 17 elements that exhibit a range of unique electronic, optical and magnetic properties. They are enablers; components manufactured from REE-containing compounds can have a profound effect on the ultimate performance of a range of complex, engineered systems and devices.

The demand for many of the REEs has increased significantly in recent years, due to their use in a wide range of applications that underpin the modern technological age. TMR estimates that the demand for REEs will continue to grow through to 2015, with a potential 48% increase in demand, compared to current levels. In addition to the established drivers associated with general global economic growth, significant additional demand for REEs is expected from the so-called "clean-tech" sector.

The majority of REEs/REOs are used within China, where a downstream industry has been steadily growing, to take advantage of low labour rates in addition to close proximity to the sources of supply. The majority of REEs consumed in the United States of America are LREEs, used in fluid cracking catalysts. Japan and South Korea still have a strong base of manufacturing processes that require REEs, despite the recent trend for Japanese companies to procure more downstream semi-finished or finished products from China.

The TMR Report shows an estimate of the overall supply and demand situation for REEs, looking out to 2015. The TMR Report suggests that in the short term, there are potential short falls of some REEs as global demand increases, and the rest-of-the-world supply sources catch up in terms of being able to match the shortfall. The TMR Report notes that there are projected deficits with respect to certain of the critical REEs including neodymium, europium, terbium and dysprosium to 2015. Rare earth deposits with higher distributions of these rare earth elements are likely to have a meaningful commercial advantage.

THE OFFERING

Total Gross Proceeds: $25,000,000

Offering Price: $0.80 per Share

Shares Offered: 31,250,000 Shares offered on a best efforts basis in each of the provinces of Canada other than Québec.

Shares Outstanding Immediately After the Offering: The Company currently has 41,891,000 issued and outstanding Shares. Upon completion of the offering, the Company will have 73,141,000 issued and outstanding Shares.

Over-Allotment Option: The Agents have been granted an option exercisable, in whole or in part, at the sole discretion of the Agents, at any time, from time to time, on or before the 30th day following the Closing Date, for the purpose of covering the Agents' over-allocation position, if any, and for market stabilization purposes, to purchase from the Company up to that number of Additional Shares equal to 15% of the Shares issued pursuant to the Offering at the Offering Price. See *"Plan of Distribution"*.

Agents' Compensation: The Company has agreed to pay to the Agents a cash commission equal to 6% of the gross proceeds of the Offering (including upon exercise of the Over-Allotment Option). In addition, the Agents will receive broker warrants entitling the Agents to purchase that number of Broker Warrant Shares that is equal to 6% of the number of Shares sold pursuant to the Offering (including pursuant to the exercise of the Over-Allotment Option). Each Broker Warrant entitles its holder to purchase one Broker Warrant Share at a price per Broker Warrant Share equal to the Offering Price for a term of 24 months following the Closing Date. This prospectus also qualifies the issuance of the Broker Warrants. See "*Plan of Distribution*".

Use of Proceeds: It is estimated that the net proceeds to be received by the Company from the Offering will be approximately $22,500,000, after deducting the Agents' Commission (estimated to be $1,500,000) and the expenses of the Offering (estimated to be $1,000,000). The Company intends to use the net proceeds from the Offering to undertake the recommended work programmes to advance the Lofdal Rare Earths Project and the Company's prospective rights portfolio, for general corporate purposes and for working capital requirements. See *"Use of Proceeds"*.

NI 43-101 Proposed Work Program

Phase I	
(Initial drilling, NI 43-101 compliant resource, preliminary economic assessment)	$6,399,250
Phase II	
(NI 43-101 reserves and feasibility study)	6,996,000
Operating Costs	
Company Operating Costs	3,520,000
Unallocated[(1)]	
New prospecting/exploration	200,000
General Working Capital	5,384,750
Total Net Proceeds	**$**22,500,000

Note:

(1) These funds will be available to finance additional activities including, but not limited to, further exploration and resource evaluation work on the Lofdal Rare Earths Project including contiguous Exclusive Prospecting Licences; exploration and evaluation of other Exclusive Prospecting Licences held by

Namibia (Pty) in Namibia; evaluation and acquisition of any new rare earths project opportunities that may be identified; and for general working capital purposes of the Company.

Risk Factors:

An investment in Shares is speculative and involves significant risks which should be carefully considered by prospective investors before investing. The operations of the Company are at an early stage of development and are speculative due to the high-risk nature of its business, which is the exploration and development of rare earths projects. The risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described herein and in forward-looking statements and forward-looking information relating to the Company.

These risk factors include: the exploration for and development of mineral deposits is and will be subject to inherent operational risks and hazards; the development of any of the Company's mineral projects into commercially viable mines cannot be assured; fluctuations in demand for, and prices of, rare earths and rare earths products cannot be accurately predicted and could significantly affect the Company's potential profitability; an increase in the global supply of rare earths products, dumping and predatory pricing by the Company's competitors may materially adversely affect the Company's potential profitability; the Company has limited operating history and financial resources and failure to obtain additional financing when needed will have a material adverse effect on the Company's business; the Company has no assurance that its prospecting rights will not be challenged or impugned; the Company's exploration activities are in Namibia and are subject to the risks of political and economic instability associated with that country; government regulations may have an adverse effect on the Company's exploration and development activities and potential future mining operations; the Company has a limited operating history and has no history of earnings; and there is no prior public market for Shares and there is no assurance that one will develop.

This list of factors is not intended to be a definitive list of all risks associated with an investment in Shares or in connection with the Company's operations. See "*Risk Factors*" and the other information included in this prospectus for a discussion of the risks that an investor should carefully consider before deciding to invest in Shares.

Summary of Financial Information:

The following table sets forth selected financial information for and as at the end of the periods indicated. This financial information is derived from, and should be read in conjunction with, the detailed information contained in the audited annual consolidated financial statements of the Company, and the notes thereto as well as the MD&A appearing elsewhere in this Prospectus. All of the financial information presented herein is prepared in accordance with Canadian generally accepted accounting principles. See "*Appendix F – Financial Statements*" and *"Management's Discussion and Analysis of Financial Condition and Results of Operations"*.

	Year ended November 30, 2010 $	Year ended November 30, 2009 $
Revenue	Nil	Nil
Net Loss	(394,896)	(2,138,037)
Loss per Share – basic and diluted	(0.01)	(0.07)
Cash and cash equivalents	3,664,429	72,322
Current assets	3,808,358	93,371
Total assets	9,763,823	4,120,263
Current liabilities	385,744	6,738
Amounts due to related parties	38,560	6,480,075
Total equity holders interest (deficiency)	9,339,519	(2,366,550)

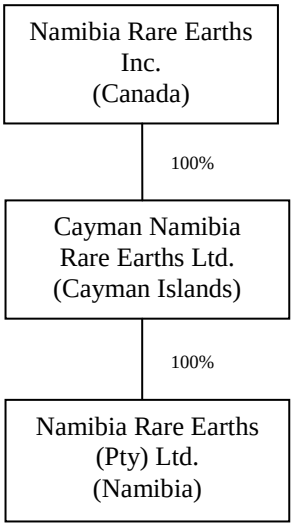
THE COMPANY

Name, Address and Incorporation

Namibia Rare Earths Inc. (the "**Company**") was incorporated under the *Canada Business Corporations Act* ("**CBCA**") on April 26, 2010. The registered office of the Company is Suite 1300, 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7 and the principal business office of the Company is Suite 306, Royal Bank Building, 1597 Bedford Highway, Bedford, Nova Scotia, B4A 1E7.

Intercorporate Relationships

Set out below is the corporate structure of the Company. The Company controls, directly or indirectly, the percentage of the voting shares of all of the entities presented in the chart below:



GENERAL DEVELOPMENT OF THE BUSINESS

Background

The Company was incorporated with the objective of developing a portfolio of mineral exploration projects in Namibia, primarily the Lofdal Rare Earths Project, which are held by Namibia (Pty). Since its incorporation in 2004, Namibia (Pty) has established a presence in Namibia and has applied for and been granted a number of Exclusive Prospecting Licences. Namibia (Pty) explored for copper and gold in north-western and east central Namibia from 2005 to 2007 but did not delineate any IOCG targets from its regional exploration. In 2008, Namibia (Pty) switched its focus to the potential for rare earths element mineralization associated with carbonatites.

From the date of incorporation of Namibia (Pty) to April 30, 2010, Endeavour Resources Inc. ("**ERI**") (formerly Etruscan Resources Inc., a publicly-traded entity, now a wholly-owned subsidiary of Endeavour Mining Corporation), funded, through a wholly-owned subsidiary, the mineral property expenditures and administration costs incurred by Namibia (Pty). The advances were non-interest bearing with no fixed terms of repayment.

In order to facilitate development of Namibia (Pty)'s projects by way of a separate publicly-traded vehicle, on April 30, 2010, the total amount owing to ERI by its subsidiaries with respect to the rare earths assets held by Namibia (Pty) was exchanged for 30,000,000 Shares. A subsequent private placement financing was completed by the Company with third parties in the summer and fall of 2010 and, as a result, ERI's interest in the Company was diluted. As at the date of this prospectus, ERI holds a 71.6% equity interest in the Company.

Since July 28, 2008, Namibia (Pty) has built an extensive, high-quality database to provide for a regional assessment of the rare earths potential at the Lofdal Rare Earths Project. The database comprises regional geophysics, regional

litheogeochemical and geological surveys, remote sensing, mineralogical studies and observations on the distribution of rare earths at the Lofdal Rare Earths Project. In the fall of 2010, the Company completed a first comprehensive trenching and diamond drilling program on the property over a selected carbonatite dyke known as the 2B zone to produce the Technical Report, for which consultants SCG and GeoAfrica were retained. A summary of the Technical Report is contained in this prospectus under "*The Lofdal Rare Earths Project*" and a full copy is available for review on SEDAR at www.sedar.com.

On December 16, 2010, the Company held its first annual general meeting of shareholders and appointed the Board. The Board members have a diversity of experience in key areas related to mineral exploration, mine development, financial management and corporate governance in public companies. The Company has access to well-qualified and experienced service providers locally and within southern Africa which, together with management's over fifteen years of continuous African experience, should allow for a well-managed and cost-effective operation. This experience has also been instrumental to the Company in being able to identify, secure and advance its exploration portfolio.

Lofdal Rare Earths Project Exploration

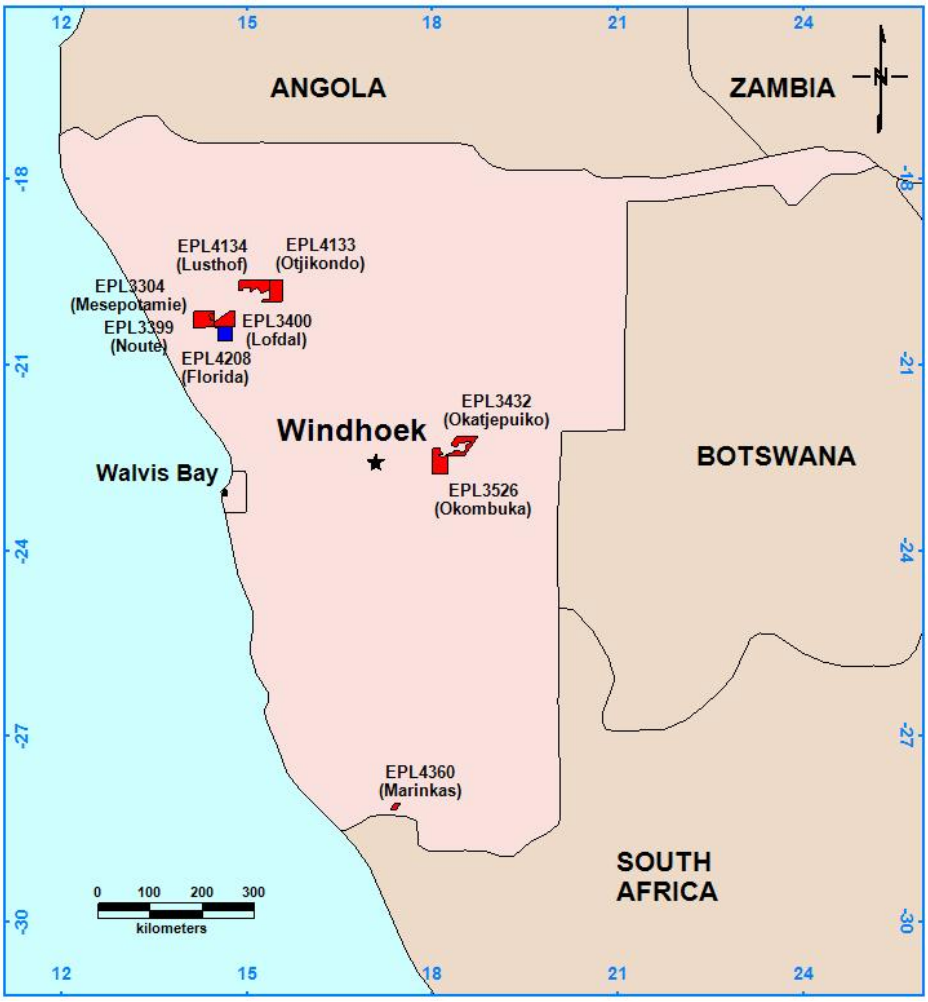
The Lofdal Rare Earths Project comprises an area of approximately 740 square kilometres in north-western Namibia, approximately 450 kilometres northwest of the capital city of Windhoek. The project represents a district scale, early stage exploration opportunity focused on the discovery of heavy rare earths-enriched mineral deposits. An extensive high quality database provides compelling evidence that the Lofdal Rare Earths Project represents a new rare earths mineral district with a number of well-defined drill targets.

Extensive surface sampling over an area of 80 square kilometres has provided indications that certain areas are highly enriched in heavy rare earths (including yttrium). A first trenching and drilling program carried out in late 2010 on one target zone has provided confirmation that the mineralizing systems at the Lofdal Rare Earths Project can be delineated at the surface and in the subsurface by geological, geochemical and geophysical methods. The Company intends to conduct an aggressive exploration program in order to delineate NI 43-101 compliant resources and undertake a preliminary economic assessment.

Other Prospecting Rights

The Company, through Namibia (Pty), holds mineral rights, or has applications pending, on nine Exclusive Prospecting Licences in Namibia (including the EPL 3400). While the Company's focus is on rare earths, certain of these Exclusive Prospecting Licences hold potential for other commodities which will be evaluated in conjunction with the exploration commitments related to these other permits.

THE LOFDAL RARE EARTHS PROJECT



The technical information in this section regarding the Lofdal Rare Earths Project is summarized or extracted from the technical report entitled "Amended Technical Report on the Rare Earths Element Occurrences in the Lofdal Carbonatite Complex, Kunene Region, Khorixas District, Namibia" dated February 18, 2011, amended April 4, 2011 (the "**Technical Report**"), prepared for the Company by Swinden Geoscience Consultants Ltd. ("**SGC**") in association with GeoAfrica Prospecting Services cc ("**GeoAfrica**"). Both H. Scott Swinden, Ph.D. P. Geo of SGC ("**Lead Author**") and Peter Siegfried, BSc (Hons), MSc, MAusIMM of GeoAfrica (together, the "**Authors**") are "qualified persons" and "independent" of the Company, as these terms are defined in NI 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). The following summary does not purport to be a complete summary of the Technical Report. Reference should be made to the full text of the Technical Report which is available for review on SEDAR at www.sedar.com.

The following summary has been prepared with the consent of the Authors and has been reviewed and approved by the Authors, with consideration of the limitations described in this paragraph. Portions of the following information are based on assumptions, qualifications and procedures which are described in the Technical Report but which are not fully described in this prospectus.

The Lofdal Rare Earths Project represents a high quality, exploration stage, rare earths project with particular potential for the discovery of a heavy rare earths-enriched deposit. Although an economic body has not yet been identified, the prolific number of rare earths occurrences in the carbonatites at the Lofdal Rare Earths Project speaks to the potential for one or more discoveries. There exists a very high quality and extensive exploration database over the Lofdal Rare Earths Project comprising geological, geochemical, geophysical and remote sensing data all of which confirms the exploration potential of the property for the discovery a rare earths deposit.

Exploration to date has identified a widespread and robust carbonatite complex at the Lofdal Rare Earths Project. The early intrusive and related hydrothermal activity appears to have been mainly enriched in the light rare earths. However, there is a significant late hydrothermal event that has introduced heavy rare earths-enriched mineralization in the dykes and alteration zones associated with the complex. Regional sampling indicates that this heavy rare earths enrichment was focused along the northwestern side of the complex and near the contact zones with the main intrusion. The significant enrichment in heavy rare earths associated with the carbonatites, and the dominance of xenotime as one of the principal rare earths-bearing minerals indicates a significant potential for the discovery of a heavy rare earths-enriched deposit associated with this intrusive complex.

The regional lithogeochemical sampling has to date covered about 40% of the total prospective area (defined by a regional airborne radiometric anomaly) and identified a number of areas of anomalous rare earths mineralization for follow up. There is significant potential for the discovery of additional heavy rare earths targets in the remaining 60% of the complex.

The detailed mapping, trenching and drilling in Area 2B has resulted in a much better understanding of the intrusive complex and its associated hydrothermal alteration and mineralization. This work has demonstrated that the carbonatite intrusion and alteration is associated with basement structures that have focused the intrusions and related hydrothermal fluids. The mineralized structure in Area 2B is wide, robust, and can be traced laterally and in the subsurface and has consistent geological, geochemical and geophysical signatures. The zones overall are geochemically anomalous in the REE, Y, Th and some associated elements and locally contain significant, although to date narrow, zones of high grade HREE mineralization. It is likely that similar intrusion/alteration zones already identified elsewhere on the property are associated with rare earths mineralizing systems. Such zones of intense hydrothermal alteration with accompanying heavy rare earths mineralization remain the highest priority targets for exploration on the property and there are a large number of such zones on the property that present high quality targets for focused exploration. The primary exploration tools on a go forward basis should be detailed geological mapping in priority areas identified from the existing database, followed by diamond drilling. Deeper drilling to 100 vertical metres should be undertaken in the established mineralized system in the 2B zone. More regional exploration is warranted over the southern portions of the complex. It is recommended that the Company take a staged approached to development of the property as set out below.

Project Description and Location

The Lofdal Rare Earths Project comprises EPL 3400, located approximately 450 kilometres northwest of the capital city of Windhoek, approximately 25 kilometres northwest of the town of Khorixas in the Kunene Region of north-western Namibia. The Lofdal Rare Earths Project property covers a total of 740 square kilometres centred on the Lofdal carbonatite complex. EPL 3400 is held by Namibia (Pty). EPL 3400 was originally granted in 2005. It was renewed by the Government of Namibia in December, 2010 and is in good standing until November, 2012, after which it may be renewed at the discretion of the Minister of Mines for Namibia. The property is subject to a 2% net smelter revenue royalty to Alberto Lobo-Guerrero Sanz, who brought the project to Namibia (Pty).

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The town of Khorixas is a regional administrative centre of approximately 1000 inhabitants connected to the capital city of Windhoek by approximately 450 kilometres of paved road via Otjiwarongo and Outjo. Driving time from Windhoek to Khorixas is about 5 hours. From Khorixas, the Lofdal Rare Earths Project area can be reached via 28 kilometres of secondary all weather gravel road (Figure 1). Bush tracks negotiable by 4WD vehicles provide good access to most parts of the project area. Khorixas is connected to Namibia's land telecommunications grid and there is a Namtelecom office in the town. Khorixas is connected to the national power grid via a 132 kV transmission line that runs east of town and north to Kamenjab. Khorixas and the surrounding area provide a stable pool of workers to assist with exploration.

North-western Namibia is an arid to semi-arid region. Rainfall is largely confined to the summer and averages 350 to 700 mm per year. Average daytime high temperatures range from less than 25^{o}C in June/July to more than 35^{o}C from November to January. Night time lows reach 5^{o}C in winter rising to about 20^{o}C in summer. The hydrological map of Namibia indicates that the project area is an area of moderate to low water availability in bedrock. Information from water boreholes in the area suggests the water table is about 60 metres below surface. Experience to date indicates that wells can supply sufficient water for the needs of exploration without compromising the requirements of local communities.

The project area is characterised by low, gently rolling, and sparsely vegetated hills with peaks ranging up to an altitude of approximately 1030 metres. There is an overall relief throughout the project area of slightly more than 100 metres. There is little soil and outcrop is widespread throughout the area. Vegetative cover includes a ubiquitous cover of native grass, and sparsely spaced coverage by a variety of low shrubs and small trees. Wildlife is relatively sparse but includes springbok, kudu, oryx and gemsbok as well as baboons, elephants and zebras and various small mammals and snakes.

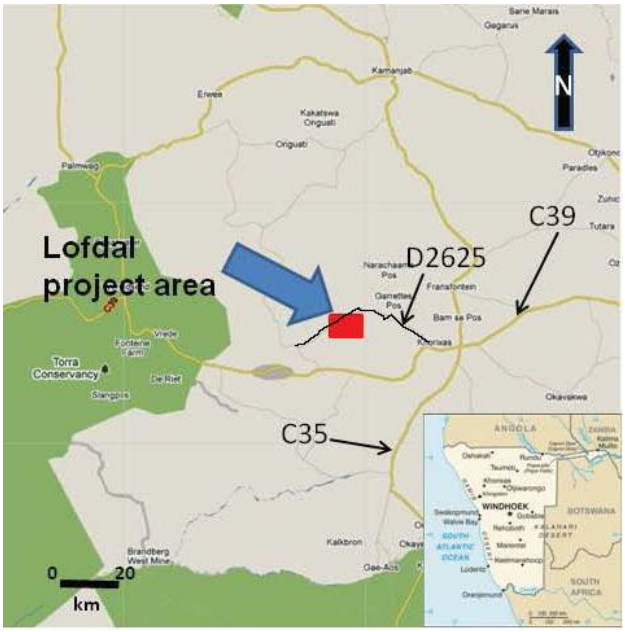


Figure 1 Location and road access to the Lofdal project area.

Geological Setting

The regional bedrock geology of north-western Namibia is characterized by Archean cratons to the north and south, the Congo and Kalahari cratons respectively, separated by a Neoproterozoic orogenic belt of Pan African affinity termed the Damara fold belt or Orogen (Figure 2).

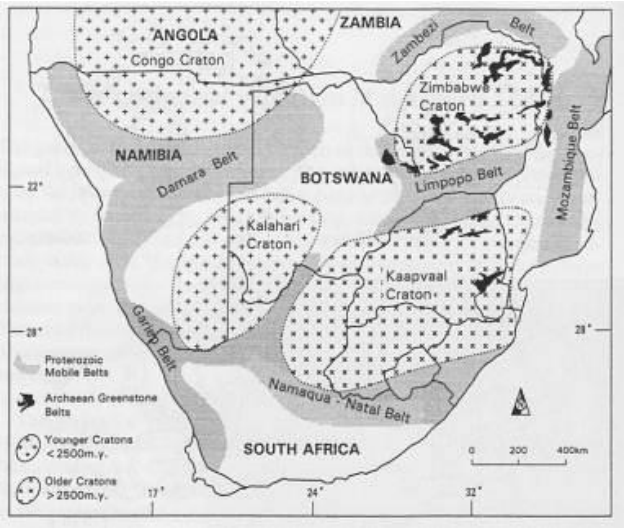


Figure 2 Regional Geology showing cratons and orogenic belts in southern Africa (after Schneider, 2008)

The Lofdal Rare Earths Project is underlain by Paleoproterozoic metamorphic rocks of the Huab Metamorphic Complex (Frets, 1969), which outcrop as an inlier of the Congo Craton surrounded by stratified rocks of the Damaran Orogen. The metamorphic basement was intruded approximately 751 million years ago by alkaline silicate rocks and carbonatites of the Lofdal carbonatite complex. The complex comprises an early silicate intrusive assemblage of dominantly nepheline syenite, and a later carbonatite intrusive assemblage ranging from sovite through dolomitic and ankeritie carbonatite. The entire complex, as it is presently understood, comprises a central intrusive core characterized by a number of plugs of nepheline syenite and carbonatite with associated diatreme breccias, surrounded by a wide area of dyking and associated hydrothermal alteration, in which phonolite and carbonatite dykes related to the intrusive plugs have exploited pre-existing structures in the basement that were re-activated during Neoproterozoic tectonism (Figure 3). The carbonatite dykes are widely mineralized with rare earths elements. The total area affected by carbonatitic dykes and associated alteration and mineralization is more than 200 square kilometres. The dykes typically follow the structural grain of the country rocks, striking in a north-easterly direction and dipping steeply to the south. They exhibit a wide range of lithological characteristics, ranging from less than 10 cm to several 10's of metres wide and a wide range of colour variation, from white and grey, through shades of brown, red and yellow (Figures 4A and 4B). The carbonatite dykes are the youngest intrusive event in the complex. They typically have sharp contacts with the country rocks, but small fracture fills and veinlets in the country rocks near the dykes are commonly observed.

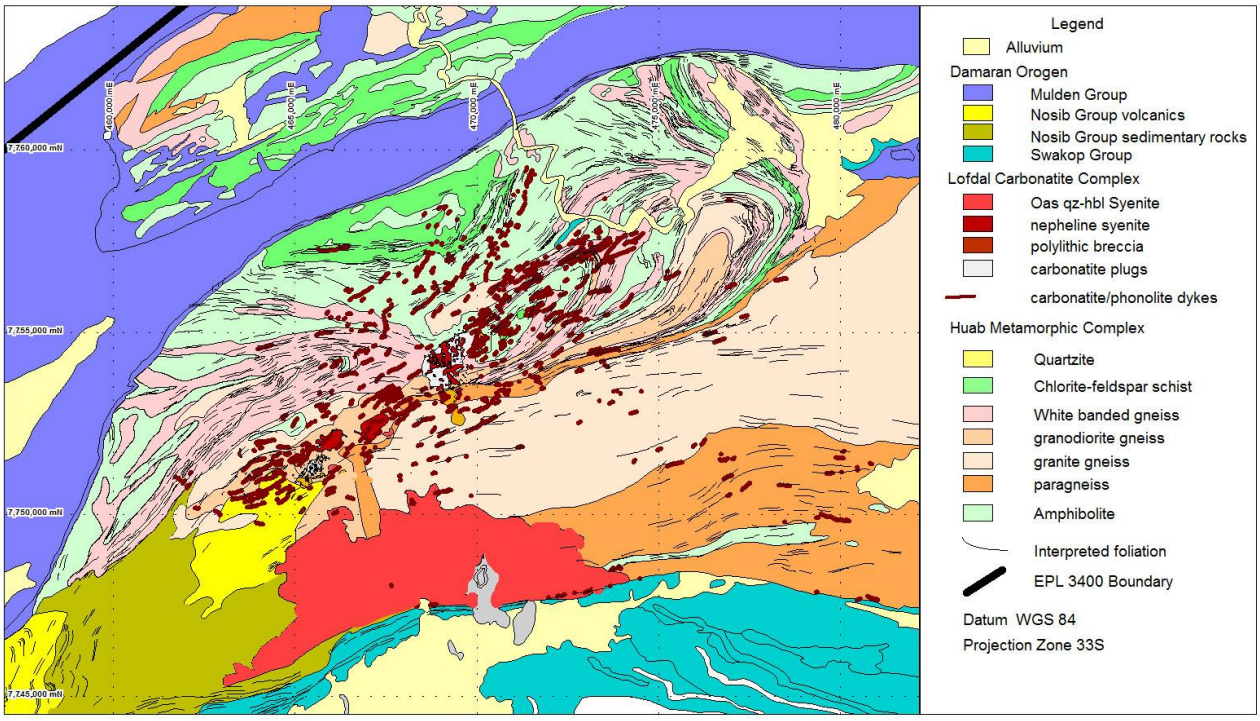


Figure 3 Geology of the Lofdal carbonatite complex and area, modified after Geological Survey of Namibia (2006b)

Figure 4A 10 metre wide massive brown carbonatite dyke.

Figure 4B Laminated red and yellow carbonatite dyke with a band of albitite along the right side (under the hammer head).

The recognition of larger, plug-like carbonatite intrusions (Main Intrusion and the Emanya Intrusion) in the area is relatively recent. The Main Intrusion is the largest carbonatite body found to date in the complex. Its outcrop area is an ovoid with long axis of about 1.8 kilometres and an exposed area of about 1.5 square kilometres. The Main Intrusion carbonatites are dominantly coarse grained white sovite. The carbonatites intrude nepheline syenite, which forms an outcrop carapace on top of the carbonatite at the present level of exposure (Figure 5A). The Main Intrusion is relatively uniform geochemically, with low iron contents and exhibits a LREE-enriched rare earths distribution that is typical of carbonatite magmas but too low in absolute concentration to be of economic interest.

The Emanya Intrusion is located about 3.8 kilometres southwest of the Main Intrusion (Figure 5B). It comprises a main body, roughly circular in outcrop with a diameter of about 350 metres as well as several smaller satellite bodies within a 450 metres radius. The carbonatites in this intrusion are calcitic but contrast with the Main Intrusion in that they are finer grained and dominantly brown to reddish-brown with abundant iron oxide throughout. Fluorite is locally present in veinlets. On average, the Emanya carbonatites contain approximately 8.6 times more LREE and

3.6 times more HREE than the Main Intrusion. The REE in the Emanya Intrusion are fractionated in favour of the LREE compared to the Main Intrusion.

Figure 5A White sovite of the Main Intrusion intrudes a carapace of nepheline syenite (ledge at top of outcrop).

Figure 5B Dark reddish brown carbonatite is characteristic of the Emanya Intrusion.

Mineralization

To date, exploration at the Lofdal Rare Earths Project has demonstrated that there is widespread REE mineralization related to the Lofdal carbonatite intrusions. Regional lithogeochemical sampling carried out by the Company in 2008, 2009 and early 2010 has demonstrated that there are many individual dykes that carry significant enrichments in the REE, and many of these are significantly enriched in HREE. A mineral deposit has not yet been delineated on the property. However, the abundance of carbonatite dykes and widespread REE mineralization are a strong indication of the positive exploration potential.

Systematic traversing and grab sampling of carbonatite dykes in outcrop has been completed over about 80 square kilometres of the complex. Of the total of 3764 samples analysed from the regional sampling, 549 or almost 15% carry greater than 1% TREE+Y (Figure 6). The REE mineralization at the Lofdal Rare Earths Project occurs over an area of at least 200 square kilometres which could be considered to be on a district scale.

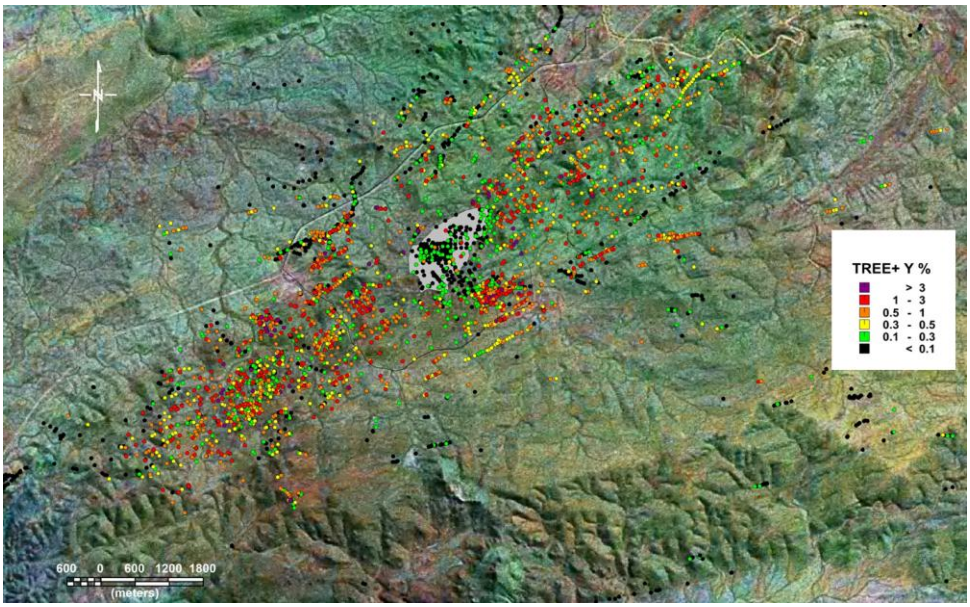


Figure 6 Distribution of lithogeochemical grab samples in the Lofdal area, colour coded for total REE + Y. Base is Landsat Geocover Mosaic. Main Intrusion is shown in grey.

On a regional scale, samples with HREE-enrichment are preferentially concentrated in a 7 kilometre long northeast-trending corridor along the northwest margin of the complex and in two north-northeast-trending corridors that bracket the Main Intrusion (Figure 7). The LREE-rich samples tend to occur in a more or less parallel, adjacent and wider corridor to the south of the HREE-rich corridor, bracketing the Main Intrusion and including the Emanya Intrusion and extending over a strike length of more than 12 kilometres. The overall rare earths distribution in the various rocks is complex.

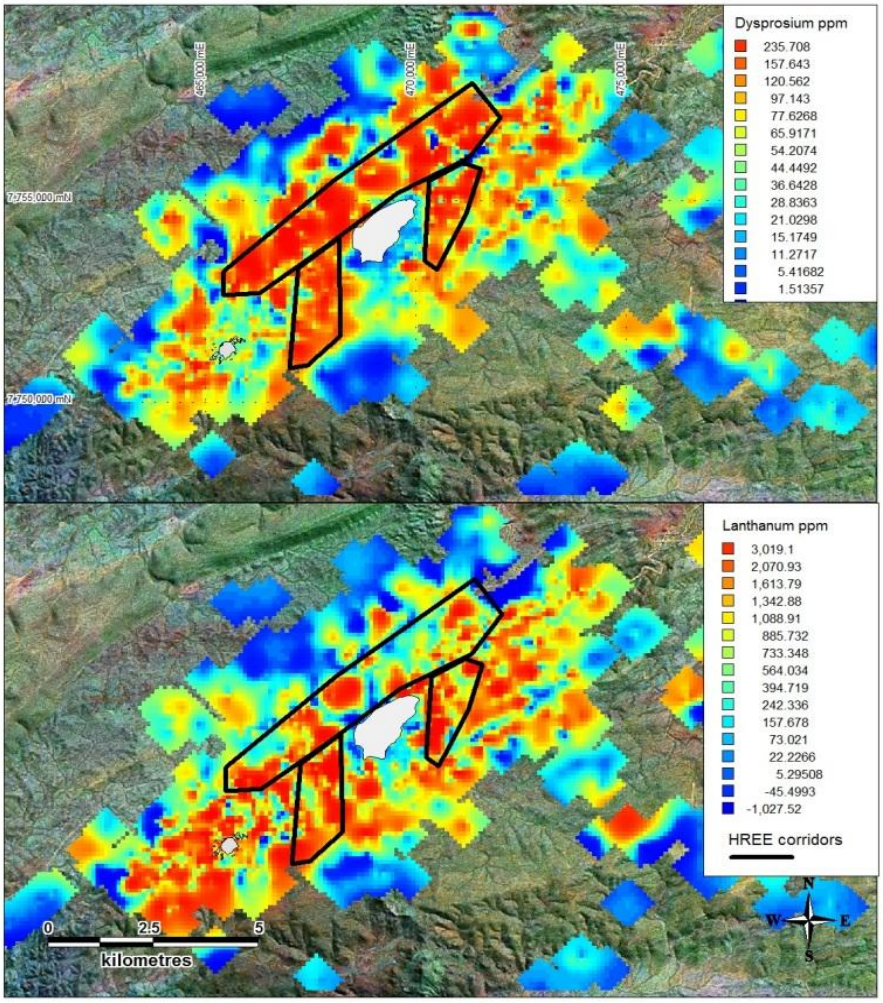


Figure 7 Dysprosium (upper map) and Lanthanum (lower map) concentrations from regional lithogeochemical grab samples, gridded and contoured. Dysprosium shows an enrichment in a 7 km long NE-trending corridor along the NW side of the complex and in two NNE-trending corridors on either side of the Main Intrusion. La tends to be enriched in a 12 km long corridor passing through the Main and Emanya Intrusions.

There exists abundant geochemical data which points towards the presence of both LREE-enriched and HREE-enriched phases at the Lofdal Rare Earths Project (Table 1). The overall rare earths distribution in the various rocks is complex. REE contents in the Main Intrusion are the most consistent are exhibit typical patterns of LREE-enrichment in magmatic carbonatite. The Emanya Intrusion, also exhibits relatively consistent patterns with consistent LREE-enrichment, but absolute concentrations are generally higher than in the Main Intrusion (Figure 8). The carbonatite dykes, in contrast, show substantial variation in their relative REE contents and at least some of this variability may be a consequence of hydrothermal alteration with complex overprinting of REE mineralization of different compositions at different times.

Table 1 Summary analyses of 25 best HREE-rich and LREE-rich samples from regional lithogeochemical sampling

	La (ppm)	Ce (ppm)	Pr (ppm)	Nd (ppm)	Sm (ppm)	Eu (ppm)	Gd (ppm)	Tb (ppm)	Dy (ppm)	Ho (ppm)	Er (ppm)	Tm (ppm)	Yb (ppm)	Lu (ppm)	Y (ppm)	HREE+Y (%)	TREE+Y (%)	% of Total as HREE + Y
Average 25 HREE-rich	2111	3382	358	1222	727	462	1714	409	2529	518	1397	190	1012	136	15034	2.30	3.10	74.9
Best HREE Sample	1390	2300	248	810	911	808	3030	839	5000	1290	3660	464	2380	305	50000	6.78	7.34	92.4
Average 25 LREE-rich	18506	28344	2504	7112	763	173	746	72	285	48	129	13	68	8	1198	0.30	6.00	4.4
Best LREE Sample	22400	44200	4120	11100	1290	328	1500	148.5	567	96.4	272	26.4	136	15.35	2300	0.54	8.85	6.1

Table 2 Average of 13 lithogeochemical samples from the 2B Zone containing HREE >0.1%

	La (ppm)	Ce (ppm)	Pr (ppm)	Nd (ppm)	Sm (ppm)	Eu (ppm)	Gd (ppm)	Tb (ppm)	Dy (ppm)	Ho (ppm)	Er (ppm)	Tm (ppm)	Yb (ppm)	Lu (ppm)	Y (ppm)	HREE+Y (%)	TREE+Y (%)	% of Total as HREE + Y
Average 13 HREE-rich	1911	2838	274	996	563	221	682	110	540	101	245	34	182	26	2495	0.46	1.12	43.1
Best HREE Sample	1630	2560	243	1060	765	320	954	181.5	994	217	544	82.3	417	61.5	4840	0.86	1.49	57.7

Table 3 Summary analyses of the highest HREE-rich and LREE-rich samples from Area 4

	La (ppm)	Ce (ppm)	Pr (ppm)	Nd (ppm)	Sm (ppm)	Eu (ppm)	Gd (ppm)	Tb (ppm)	Dy (ppm)	Ho (ppm)	Er (ppm)	Tm (ppm)	Yb (ppm)	Lu (ppm)	Y (ppm)	HREE+Y (%)	TREE+Y (%)	% of Total as HREE + Y
Average 14 HREE-rich	113	212	28	138	263	217	904	252	1758	391	1172	176	1005	145	11839	1.79	1.86	96.0
Best HREE Sample	378	509	61.5	301	476	443	1915	634	4400	1040	3260	523	2840	450	29700	4.52	4.69	96.3
Average 13 LREE-rich	12299	17069	1366	3903	332	68.3	220.5	22.3	105.4	17.8	46.9	6.3	39.3	5.9	536	0.11	3.60	3.0
Best LREE Sample	19100	28100	2230	6560	543	116	344	38.8	168	25.9	59.5	7.69	46.3	7.01	817	0.16	5.82	2.8

Table 4 Summary analyses of best intercepts from trench samples

Width (m)	La (ppm)	Ce (ppm)	Pr (ppm)	Nd (ppm)	Sm (ppm)	Eu (ppm)	Gd (ppm)	Tb (ppm)	Dy (ppm)	Ho (ppm)	Er (ppm)	Tm (ppm)	Yb (ppm)	Lu (ppm)	Y (ppm)	HREE+Y (%)	TREE+Y (%)	% of Total as HREE + Y
1	569	933	107	509	428	167	622	109	659	124	301	43	228	30	3741	0.60	0.86	70.3
11	817	1230	117	483	268	130	502	93.7	545	96.7	245	32.1	184	25.3	2676	0.45	0.74	60.8
includes 1.0	*1510*	*2240*	*224*	*1050*	*784*	*401*	*1600*	*293*	*1630*	*277*	*685*	*86.2*	*479*	*64.9*	*7568*	*1.31*	*1.88*	*69.7*
16	648	961	93.2	407	236	96	354	59.4	329	56.6	144	19.1	112	16	1595	0.28	0.51	54.3
includes 1.0	*645*	*947*	*100*	*429*	*289*	*161*	*719*	*148*	*925*	*160*	*404*	*49.4*	*267*	*34.5*	*4627*	*0.75*	*0.99*	*75.0*
2	2338	3455	362	1757	1287	472	1573	238	1134	182	382	43.7	244	31.8	4479	0.88	1.8	48.8
2	2409	3357	290	1005	283	106	350	55	272	44.7	113	14.8	94.3	13.7	1199	0.23	0.96	23.6
2	3955	5310	434	1361	234	84	259	38.6	209	36.4	99.9	13.4	83.3	11.8	1030	0.19	1.32	14.2
1.3	5695	7985	661	1935	207	66.7	225	46.1	320	66.6	199	29.8	187	26.5	1787	0.3	1.94	15.2

Table 5 Summary analyses of best intercepts from diamond drilling

Width (m)	La (ppm)	Ce (ppm)	Pr (ppm)	Nd (ppm)	Sm (ppm)	Eu (ppm)	Gd (ppm)	Tb (ppm)	Dy (ppm)	Ho (ppm)	Er (ppm)	Tm (ppm)	Yb (ppm)	Lu (ppm)	Y (ppm)	HREE+Y (%)	TREE+Y (%)	% of Total as HREE + Y
1	829	1390	148	651	526	286	1530	320	2000	347	831	100	567	76.3	9660	1.57	1.93	81.6
9.4	258	375	36.7	143	73.3	34.2	137	31.6	217	45.3	139	20.2	135.4	19.7	1269	0.2	0.29	69.8
includes 1.0	*926*	*1360*	*136*	*573*	*308*	*124*	*453*	*84.8*	*493*	*93.1*	*254*	*31.3*	*179*	*23.6*	*2441*	*0.42*	*0.75*	*55.8*
includes 1.0	*15*	*31*	*4.2*	*23.5*	*40*	*36.7*	*200*	*65*	*510*	*114*	*369*	*57.5*	*401*	*60*	*3249*	*0.51*	*0.52*	*97.8*
1.7	721	976	94.7	328.7	155.3	69.3	292.2	57.9	357	66.8	183	24.9	148.8	21.2	2058	0.33	0.56	59.0
7.8	354	588	55.4	204	79.1	34	120.5	23.5	149	29.2	85.1	12.9	84.4	12.4	936	0.15	0.28	54.0
9.6	617	854	78.7	283.9	115.2	46.5	175.1	32.6	186	37.7	114.8	16.6	100.6	13.6	1093	0.18	0.38	48.2
includes 2.0	*668*	*1008*	*103.8*	*463.5*	*274.5*	*105.8*	*379*	*59.4*	*301*	*56.9*	158	*20.2*	*106.7*	*13.2*	*1629*	*0.28*	*0.53*	*52.9*
includes 1.6	*2568*	*3370*	*289.2*	*898.9*	*231.5*	*91.2*	*329.7*	*58.2*	*304*	*57.6*	167	*23.1*	*140.7*	*19*	*1623*	*0.28*	*1.02*	*27.7*
1	1080	1590	133	461	104	47.8	219	52.2	344	64.7	154	17.4	91.6	11.6	1702	0.27	0.61	44.5
1	1260	1990	239	1180	766	237	653	77.2	272	39.7	109	17.4	131	23.5	900	0.25	0.79	31.2

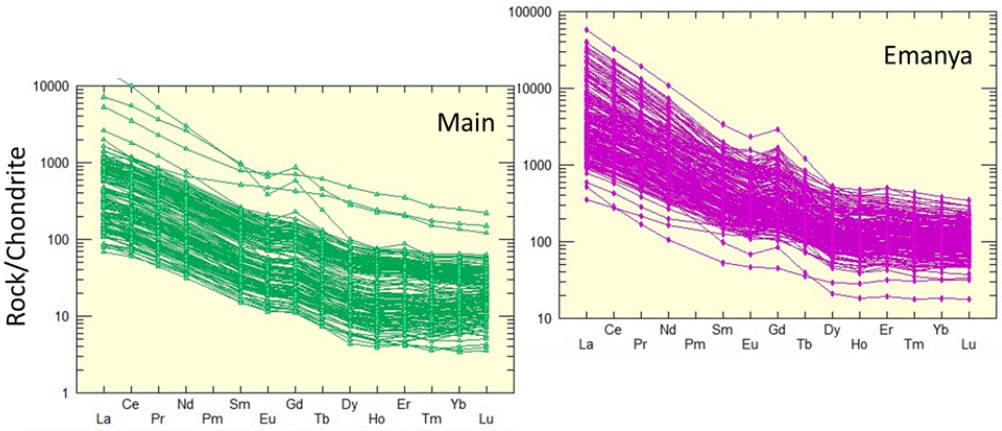


Figure 8 Chondrite normalized REE diagrams for the Main and Emanya Intrusions (offset vertically so scales are equivalent), after Sun and McDonough (1989). Both Are LREE-enriched, but the Emanya Intrusion shows both higher absolute concentrations of the LREE and greater fractionation.

The presence of thorium is an issue in many carbonatite-hosted REE deposits. In common with other areas, carbonatites in the Lofdal Rare Earths Project complex are locally enriched in thorium, and this in part contributes to the regional thorium airborne radiometric anomaly that defines the area of interest. Thorium concentrations are generally very low in the intrusive plugs but higher and more variable in the dykes.

Exploration

Historical mineral exploration activities in the area focused on copper and gold conducted by Messina (Tvl) Development Co. Ltd. from 1974 to 1976 (Davidson, 1977) and for gold, by Anglo American Prospecting Services Namibia (Pty) Ltd. between 1987 and 1989. An exploration program for yttrium and rare earths was conducted by Rouna (Pty) Ltd. between 1981 and 1983 but they did not carry out any analyses for heavy rare earths. More recently the Namibia Small Miners Assistance Centre explored portions of the Lofdal Rare Earths Project for precious stones, semi-precious stones, precious metals, base and rare metals from 2002 to 2004.

The GSN has undertaken government sponsored airborne geophysical surveys since the late 1990s including radiometric and magnetometer surveys, a versatile time domain electromagnetic ("**VTEM**") survey and a hyperspectral survey over the Lofdal Rare Earths Project area. The magnetic and radiometric surveys confirmed a radiometric anomaly in the Lofdal Rare Earths Project area that is interpreted to be related, at least in part, to the Lofdal Rare Earths Project carbonatite complex (Figure 9). Geological investigations in the Lofdal Rare Earths Project area by the GSN have been ongoing since 2004 which have provided significant new information on the unusual HREE enrichment of certain carbonatite dykes at the Lofdal Rare Earths Project and has yielded much detailed information about the mineralogy of the carbonatites and their contained rare earths mineralization.

Namibia (Pty) explored for copper and gold in the area from 2005 to 2007 but did not delineate any IOCG targets from its regional exploration. In 2008, Namibia (Pty) switched its focus to the potential for rare earths element mineralization associated with the carbonatites.

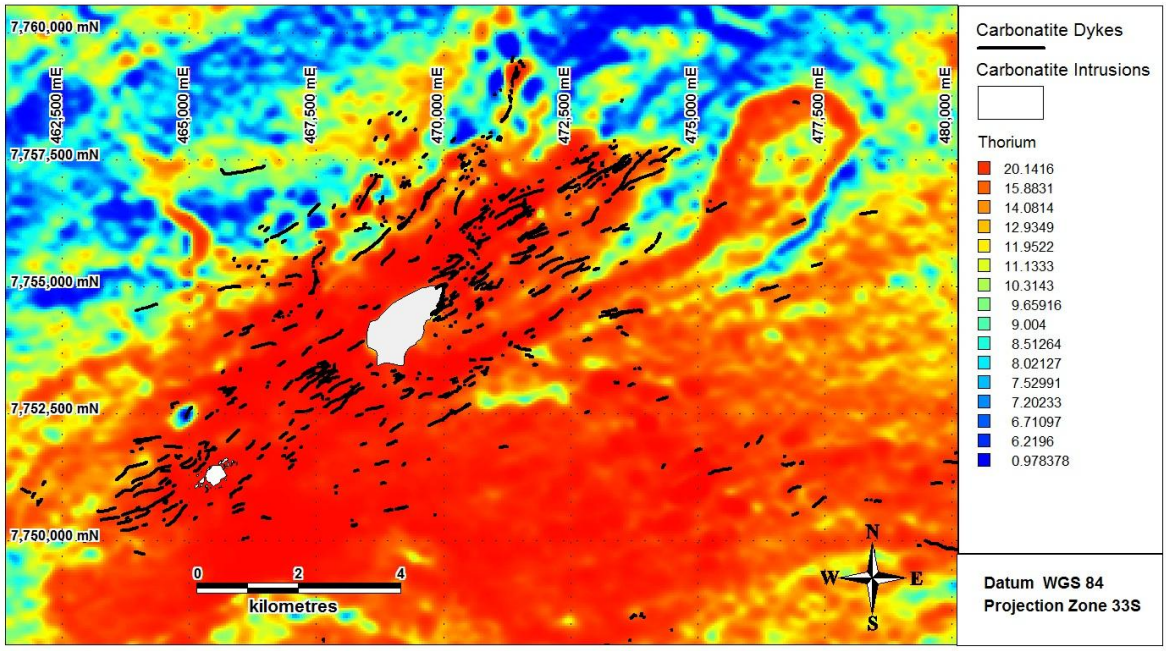


Figure 9 Thorium anomaly in the Lofdal area from the 2006 airborne survey. Mapped carbonatite intrusions (grey) and dykes (black) are shown for location reference.

Regional Assessment of Rare Earths Potential

Since July 2008, Namibia (Pty) has built an extensive, high quality database to provide for a regional assessment of the rare earths potential at the Lofdal Rare Earths Project. The database comprises regional geophysics, regional lithogeochemical and geological surveys, remote sensing, mineralogical studies and observations on the distribution of rare earths at the Lofdal Rare Earths Project which are described in the following sections.

Geological and Lithogeochemical Surveys

Regional lithogeochemical sampling campaigns were carried out by Namibia (Pty) during 2008, 2009 and 2010. About 80 square kilometres were systematically traversed and grab samples were taken from outcrops at 3764 localities, which were assayed for rare earths and other elements. The regional sampling campaign identified a large number of anomalies and mineralized localities for follow up exploration on a district scale (Figure 6). The regional sampling shows that the intrusive core of the complex is dominantly LREE-enriched and that there is a "corridor" of HREE enrichment that is 7 kilometres long and more than 1 kilometres wide along the northwest side of the complex and near the contact margins of the Main Intrusion (Figure 7). The regional sampling also demonstrated that REE concentrations are variable on a fine scale. Samples taken only metres apart on the same dyke system can have widely varying REE concentrations.

Remote Sensing

Namibia (Pty) has made extensive use of remote sensing data in interpreting the geological relationships on the property and identifying priority exploration targets. In conducting this work, a number of airborne and satellite-based systems have been utilized including Landsat, Aster, Quickbird and hyperspectral data. The hyperspectral data has proven particularly useful in imaging the larger carbonatite and phonolite dykes and, coupled with the results of regional lithogeochemical sampling, allowed Namibia (Pty) staff to identify priority areas (Figure 10). The analysis was inconclusive regarding the identification of plugs. The hyperspectral data has contributed significantly to understanding the regional geology and structural interpretations.

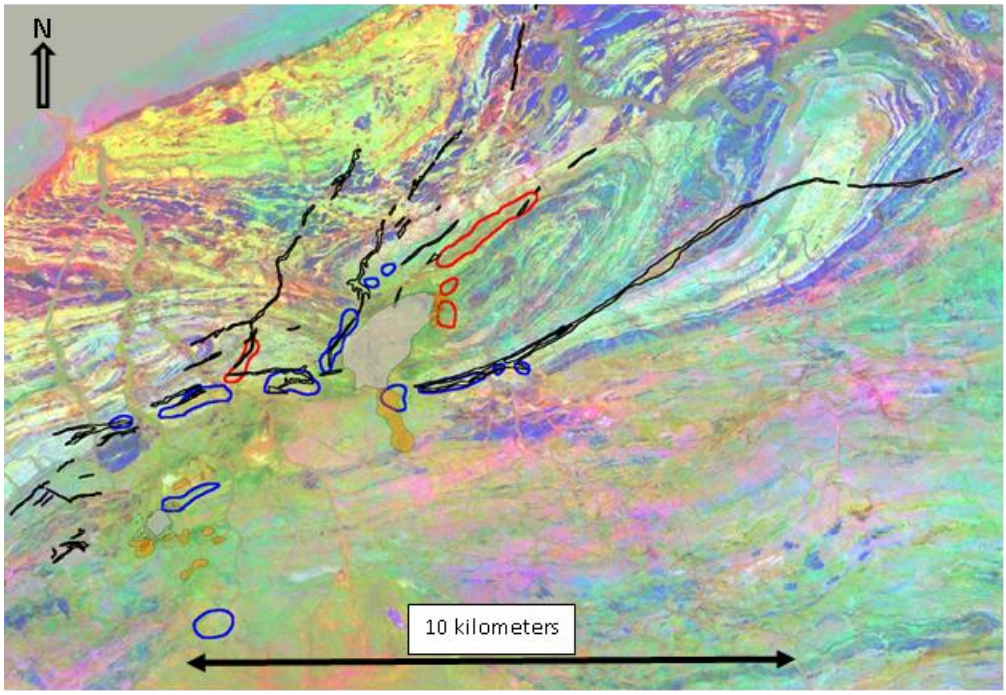


Figure 10 Priority targeting for follow up from NPA Fugro 2010, based on analysis of hyperspectral, landsat, airborne geophysical and lithogeochemical data. Significant structures with spectra indicating presence of carbonatites are shown in black. Primary target areas are in red, secondary target areas in blue. Main and Emanya Intrusions are grey, outcrops of Lofdal breccias in yellow.

Geophysics

In 2010 Namibia (Pty) flew the entire complex with high resolution magnetic and radiometrics (Figure 11). The survey confirmed the contrasting radiometric signatures of the Main and Emanya Intrusions, the correlation of lithogeochemical results with REE-enriched carbonatite dykes and confirmed interpreted structural trends which appear to have served as conduits for carbonatite intrusion and mineralization. A number of detailed ground geophysical surveys have been conducted over priority areas and have proven to be very effective in mapping the carbonatite dykes. These surveys are discussed in detail in the Technical Report.

Mineralogy and Petrography

The project has not yet delineated a resource; however, fundamental mineralogical studies have been initiated and more must be done in this area. Petrographic and scanning electron microscope studies (Schandl, 2010) on samples from the Lofdal Rare Earths Project area have identified a number of REE minerals including the LREE minerals bastnaesite (La), parisite (Ce), synchesite (Ce), and monazite (Ce), and HREE minerals xenotime (Y) and minor aeschynite (Y). Magnetite, apatite, fluorite, strontianite and barite are common accessories. Zircon and pyrochlor are locally present. Xenotime is the principle mineral of interest at the Lofdal Rare Earths Project and the carbonatites are unusual in their widespread enrichment in xenotime.

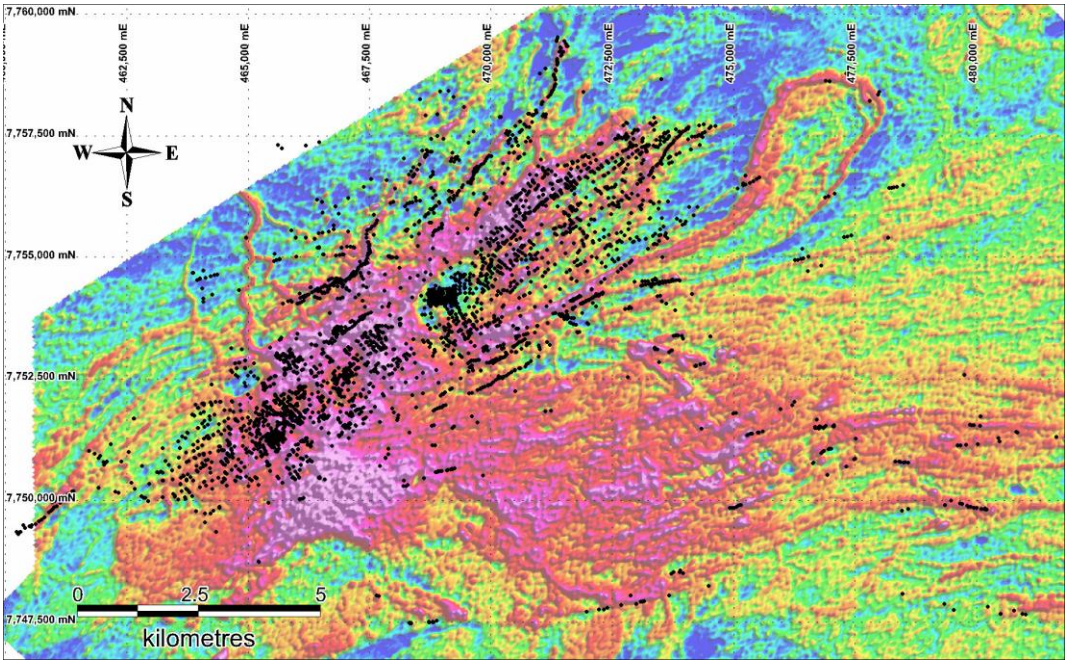


Figure 11 Distribution of regional lithogeochemical samples (grey dots) in the Lofdal area. Background is Th radiometric counts from the 2010 airborne survey, red and purple colours define the extent of the Th anomaly associated with the Lofdal carbonatite complex. Sampling to date has concentrated in the north-western part of the complex.

Summary of Regional Assessment of Rare Earths Potential

The regional exploration carried out to date at the Lofdal Rare Earths Project has identified multiple high quality REE target areas and demonstrated a significant potential for discovery of deposits of rare earths associated with the Lofdal Rare Earths Project carbonatite complex. Key results of the regional exploration carried out to date include:

- recognition of the district scale thorium anomaly which provides a first order regional target for REE exploration in the Lofdal Rare Earths Project area. To date, a substantial part of this anomaly remains to be traversed, mapped and sampled for REE mineralization;
- dramatic expansion of the number and extent of known carbonatite dykes and documentation of their geological characteristics and associated REE mineralization;
- recognition that not only the carbonatite dykes, but also the associated rocks are extensively hydrothermally altered and variably mineralized with rare earths;
- a 7 kilometre long corridor across the northwestern part of the complex appears to be preferentially enriched in HREE minerals;
- geological and geophysical characterization of two intrusive plugs in the centre of the complex;
- high resolution geophysical characterization of the area, interpretation of the regional structural setting of the complex, and recognition of hyperspectral and geophysical signatures that characterize carbonatite dykes and plugs;
- identification of REE minerals and the dominantly hydrothermal nature of the HREE rich mineralization;
- identification of a number of high-priority target areas for detailed exploration with new targets being generated as field work and compilations continue; and
- the sampling, sample preparation, assaying, and security of samples during these campaigns were conducted in an industry acceptable manner, and the data can be relied upon for the purposes to which they are being put – i.e. identification and prioritization of REE exploration targets in the Lofdal area.

Detailed Geological Mapping and Trenching

In the fall of 2010, four areas were chosen for initial follow-up exploration based on the regional lithogeochemical results (Figure 12). Two of these, Area 2 (Figure 13 and Table 2) and Area 4 (Figure 14 and Table 3), have been geologically mapped and in both areas additional wide and laterally extensive carbonatite dykes and related alteration were mapped and sampled with new mineralized samples being located confirming the potential as indicated from the regional sampling.

In addition, one wide carbonatite zone, the 2B zone, was chosen for trenching and drilling, to test the continuity of the zone and its contained mineralization along strike and at depth. Twenty-five trenches were dug across the 2B zone, mapped, channel sampled and geophysically surveyed (Figure 15 and Table 4). The results clearly show that the carbonatite dyking and related alteration can be traced in detail for more than 600 metres along strike, as evidenced by geological, geochemical and radiometric signatures.

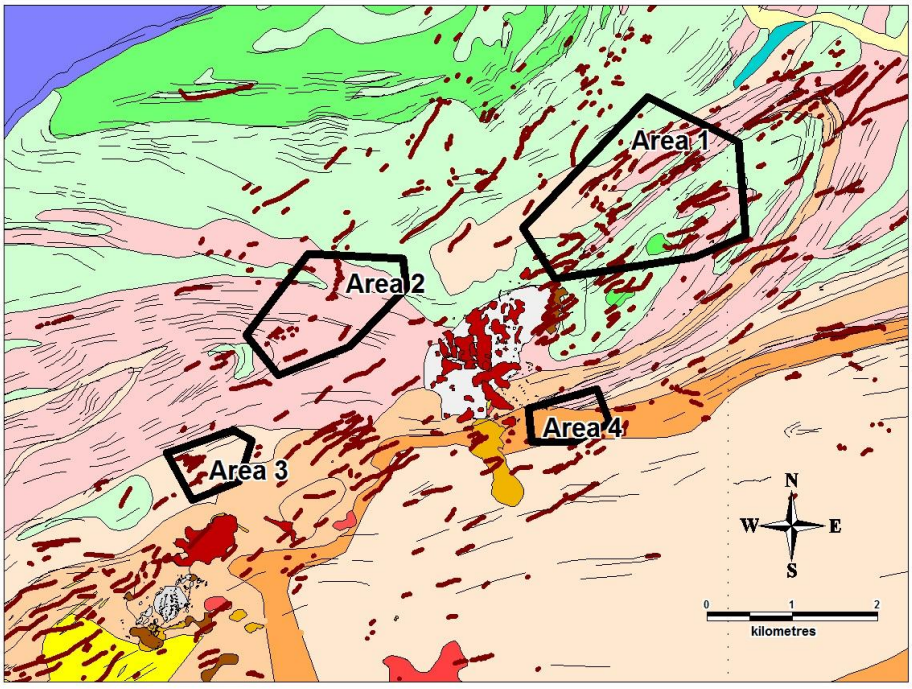


Figure 12 Location of Priority target areas 1, 2, 3 and 4. Legend as for Figure 3.

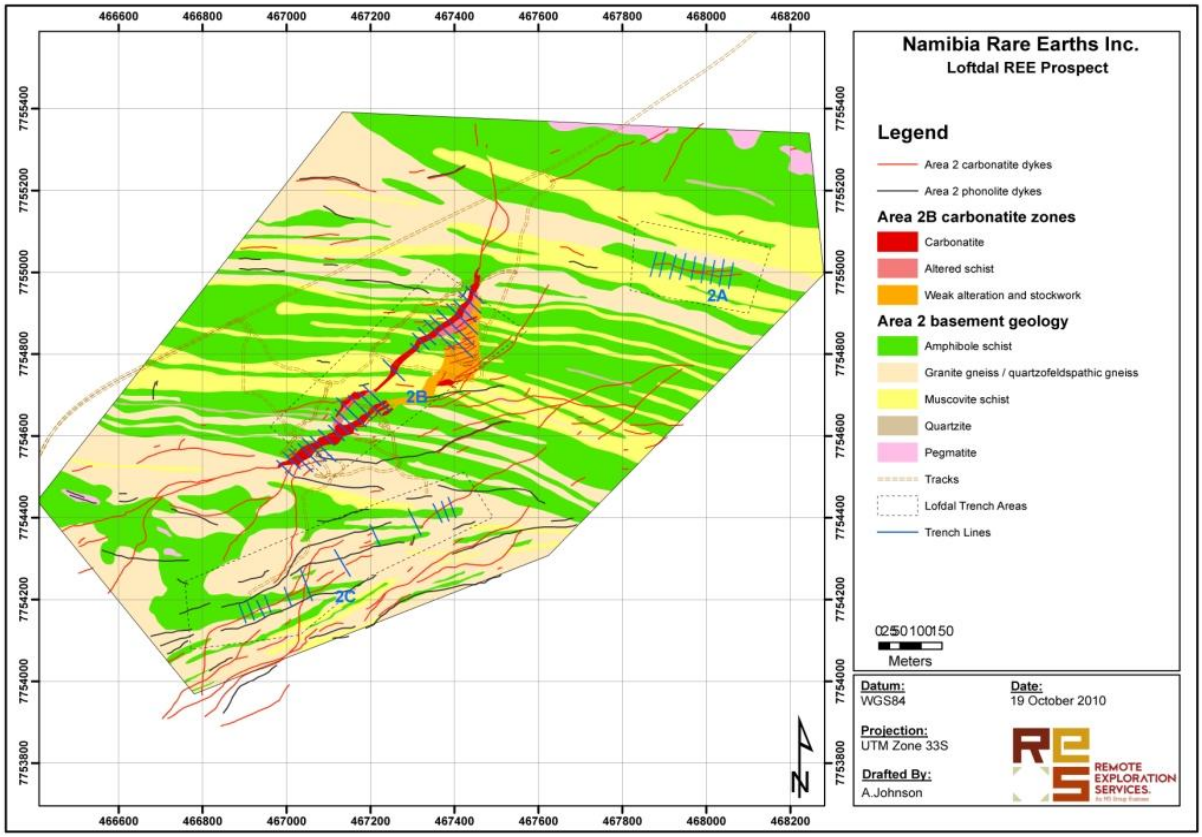


Figure 13 Detailed geological map of Area 2, showing location of the 2A, 2B and 2C mineralized zones.

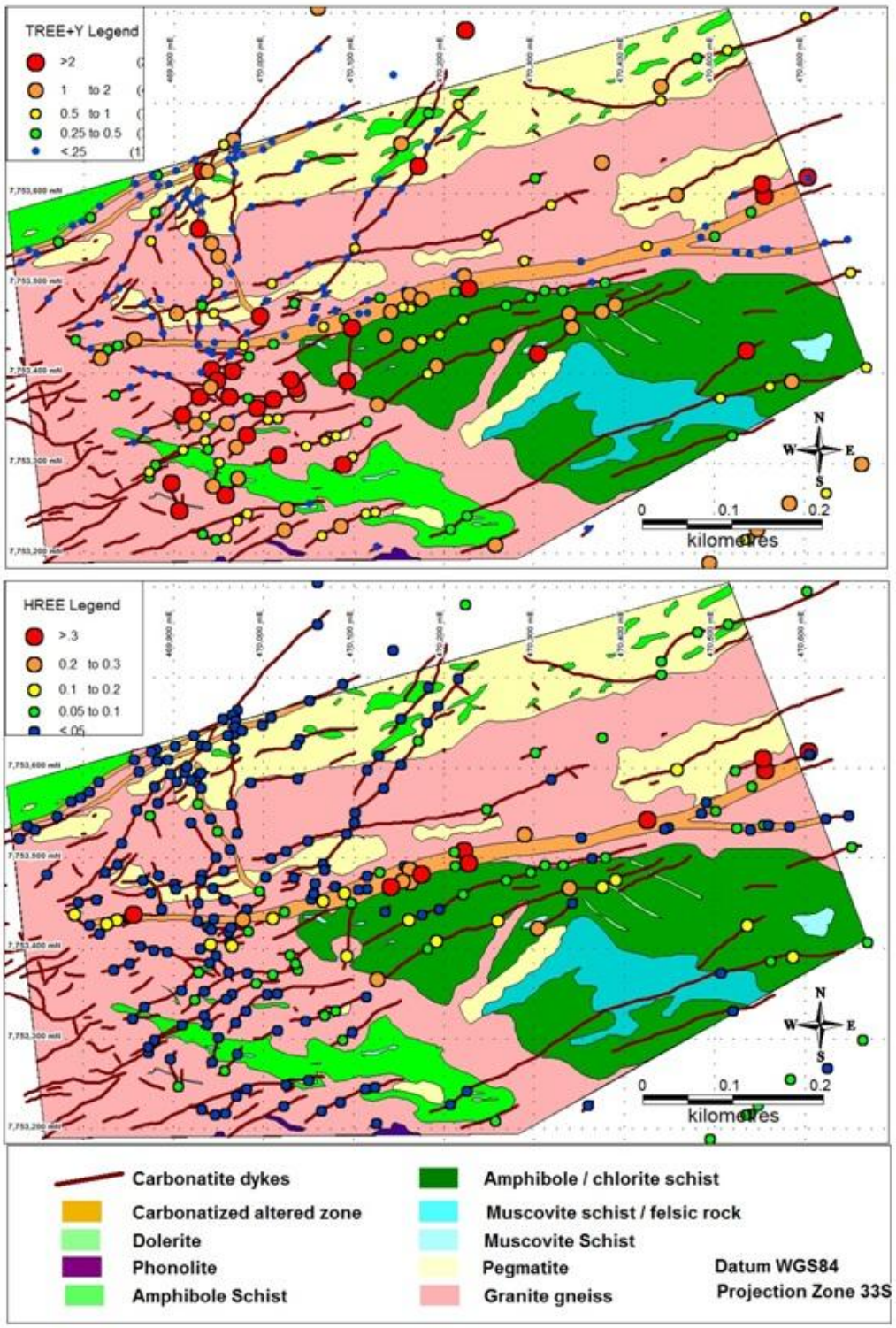


Figure 14 Detailed geological map of Area 4 showing location and TREE+Y contents (upper), and HREE contents (lower) of lithogeochemical samples.

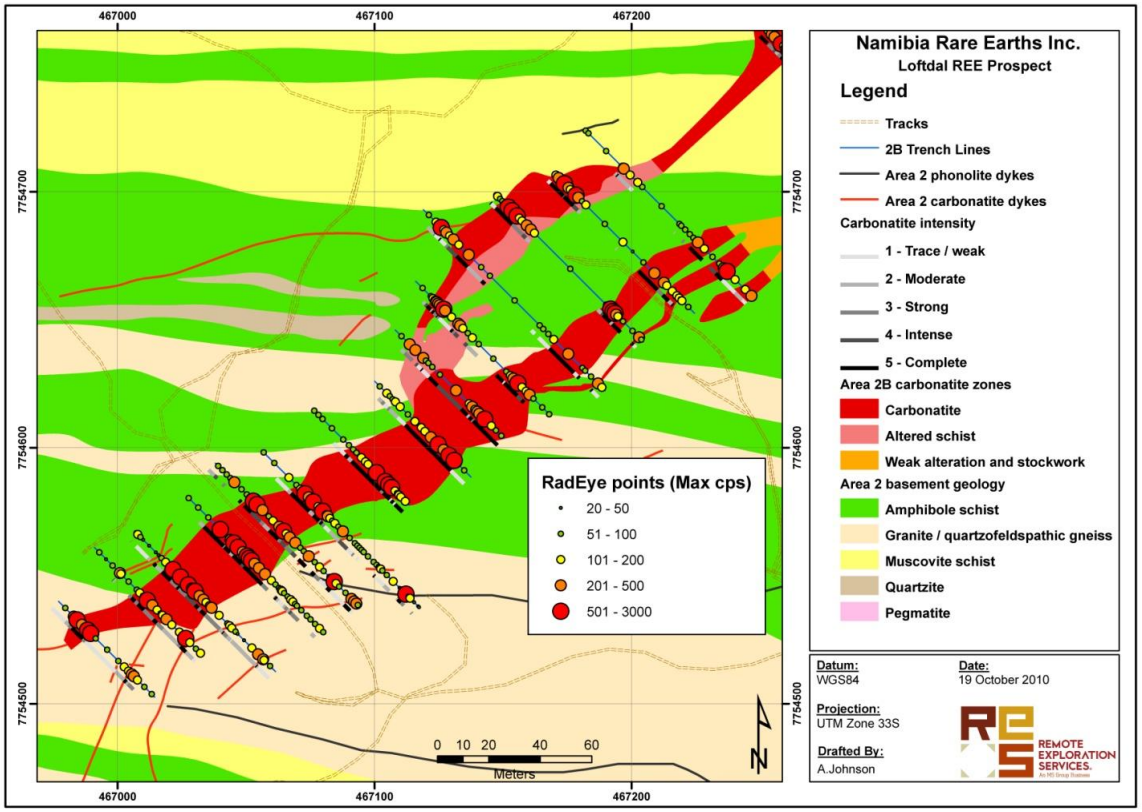


Figure 15 Zone 2B geology showing maximum total count radiometrics taken with a RadEye PRD on trench outcrops. The zone of carbonatization and mineralization is generally characterized by anomalously high readings.

Drilling

Following trenching, six sections were chosen on the 2B zone for testing by diamond drilling (Figure 16). Thirteen holes were drilled in a series of two-hole fences with holes at -50 and -65 degrees. All holes intersected the alteration zones and rare earths mineralization, which was readily traced from hole to hole and correlated with exposures in the trenches on the basis of geological, geochemical and radiometric observations (Figures 17 and 18). Most holes contained carbonatite, but typically less than was mapped at surface. Significant concentrations of rare earths elements were restricted in both trenches and drill holes to widths of 1 to 3 metres (Tables 4 and 5). Previously unrecognized hydrothermal alteration with anomalous concentrations of rare earths was well documented in the drill cores over widths of 10 to 25 metres. A number of holes intersected interesting HREE mineralization as a late hydrothermal phase associated with veining, alteration and anomalous radioactivity.

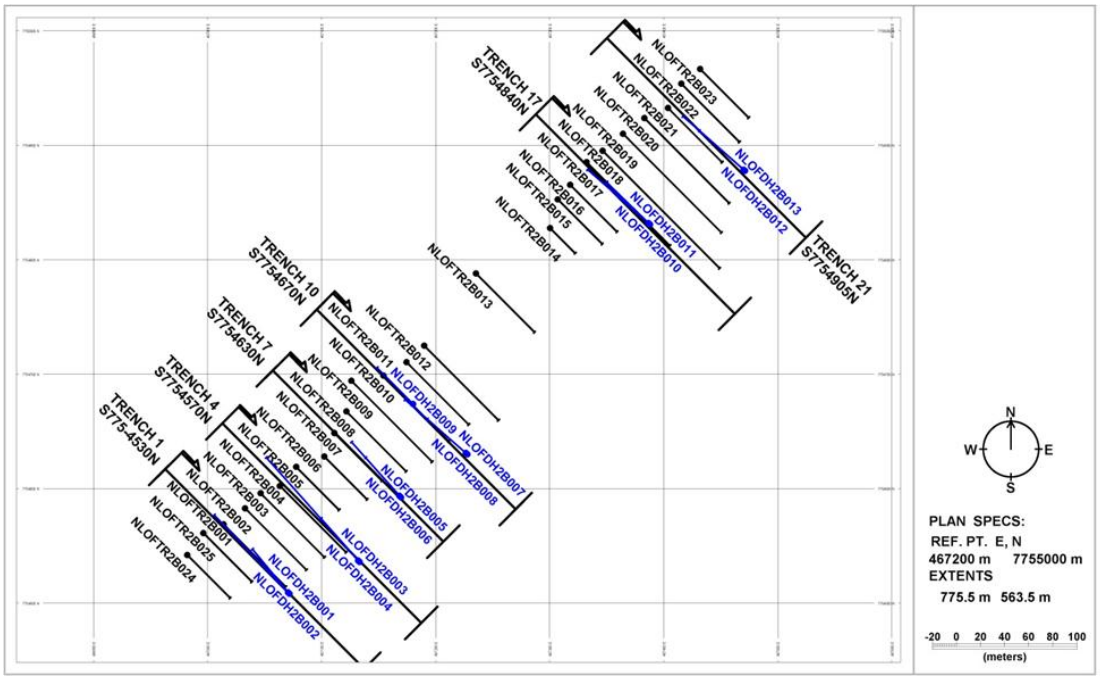


Figure 16 Map showing positions of drill holes and trenches on target Area 2B.

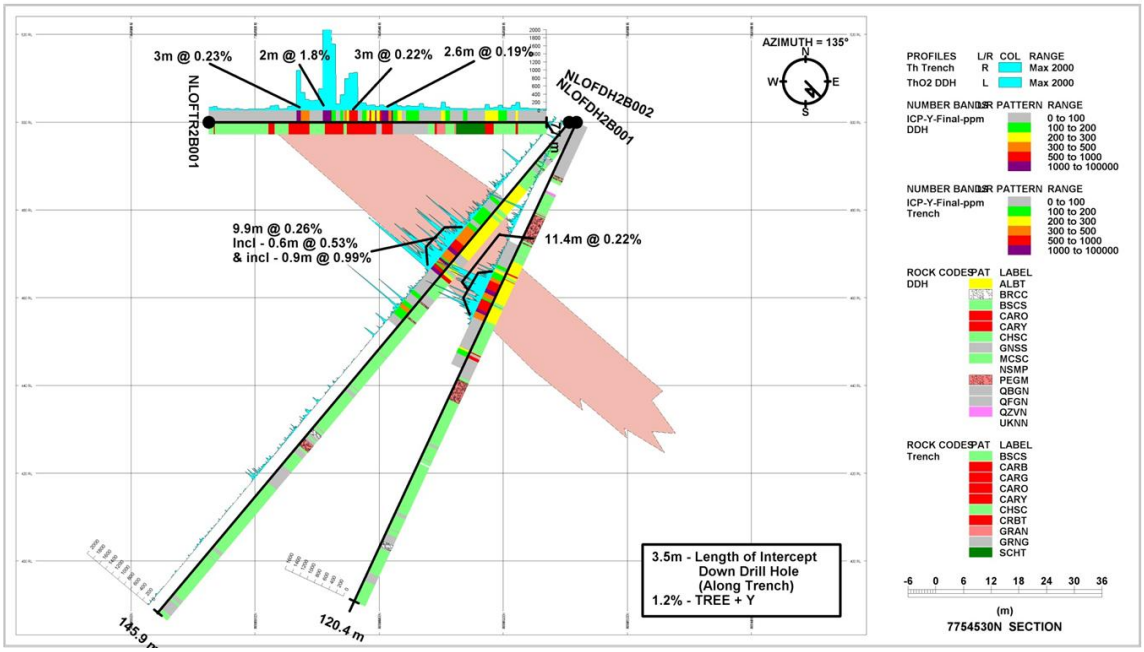


Figure 17 Drill section under Trench 1. Interpreted extent of alteration zone (brown shading) reflects the limits of alteration as mapped in drill core. Number bands show lithology (lower band) and ppm Y (upper). Trench bar graph is total count radiometrics measured with a hand-held spectrometer. Radiometrics in drill holes measured by downhole spectrometer.

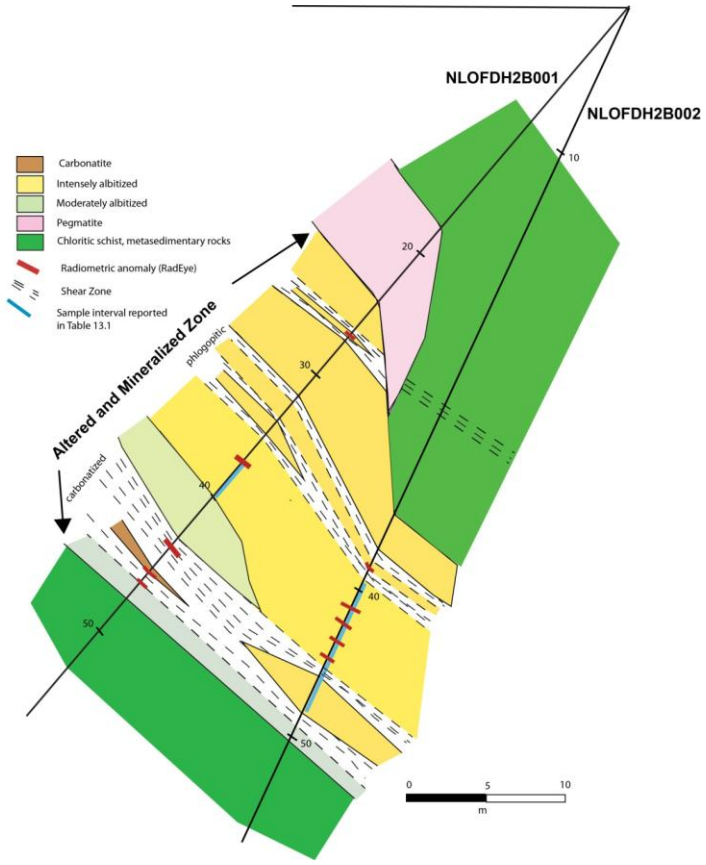


Figure 18 Schematic geological interpretation of drill section of the Trench 1 section (drill holes NLOBDH001 and 002) showing distribution of alteration facies, carbonatite and shear zones. Depth ticks in metres from surface.

Summary of Diamond Drilling Results

The results of the diamond drilling on the 2B zone, coupled with the results of geological mapping and trenching, lead to several significant conclusions with regard to the nature of mineralization and the REE-potential of the Lofdal Rare Earths Project carbonatite complex:

- the 2B zone represents a portion of a rare earths mineralizing system which is in part structurally controlled and has been clearly defined by geological mapping, trenching, diamond drilling and geophysics;
- the alteration zones have a clear geochemical signature;
- the association with Th gives the zones a good radiometric signature and the combination of geological, geochemical and geophysical signatures provide a powerful toolbox for continued exploration;
- the alteration zone appears to be structurally-controlled and is of variable intensity;
- the 2B zone contains a considerable volume of massive brown carbonatite in surface exposures, but considerably less in the subsurface where it is dominated by hydrothermal alteration assemblages;
- although much of the alteration sequence in the 2B zone has been enriched in the REE, mineralization with significant grades appears to be relatively late in the sequence. A late hydrothermal episode is characterized by HREE-enrichment;
- although economic concentrations of REE minerals have not been encountered in this first phase of drilling, the results are very encouraging. The system has been shown to carry rare earths, the REE assemblage has been shown to be HREE enriched, and there are interesting zones both within the 2B zone and several other similar zones on the property (eg. Area 4 and Area 5) that may be associated with economic concentrations of rare earths; and

- the 2B zone remains open along strike and should be further investigated down dip in the areas where the most anomalous concentrations of REE have been intersected to date.

Sampling Methodology, Sample Preparation, Analysis, Quality Assurance and Quality Control

A fundamental objective of the Technical Report was to thoroughly evaluate and validate the various analytical databases including the historic regional lithogeochemical, trenching and diamond drill hole databases. Sampling methods and approaches, sample preparation, analysis and validation of each phase of the exploration program is detailed in the Technical Report. A quality control and quality assurance program was implemented to monitor the accuracy and precision of the analytical results independently from the laboratory and to identify sample batches that might be compromised. These aspects, thoroughly documented in the Technical Report, are summarized here.

Regional Lithogeochemical Sampling

Regional lithogeochemical sampling was carried out in two campaigns (2008, 2308 samples; 2009-2010, 1469 samples). Samples were prepared for analysis at Analytical Laboratory Services in Windhoek and Namibia Custom Smelters in Tsumeb (first campaign) and at ALS Chemex laboratories in Johannesburg (second campaign). Pulps were analyzed at the ALS Chemex laboratory in North Vancouver, Canada, for quantitative REE and trace elements by lithium metaborate fusion followed by acid digestion and ICP-MS finish.

During the first campaign, no QA/QC protocols were in place for sample analysis. During the second campaign, a QA/QC protocol was implemented employing one duplicate, one standard and one blank inserted for every 40 samples. Standards were developed in-house and preferred values determined by a round robin analysis by four different analytical laboratories. The lack of QA/QC during the first campaign was addressed through subsequent re-analysis of 10% of the samples, including insertion of standards, blanks and duplicates per the Company's QA/QC protocol. This reanalysis did not reveal any issues either with the analyzed values for the samples or with the QA/QC analyses.

2010 Geological Mapping and Trenching Program

The entire detailed geological mapping (323 samples) and trenching program (1,104 samples from 2B zone) was managed and carried out under contract by Remote Exploration Services of Cape Town, South Africa.

The trenches were mapped by the project geologist who laid out sample intervals in the trench with aluminum marker tags. Channel samples were then taken using a diamond saw and hammer and chisel. Sampling was carried out at nominal 1 metre intervals in all mineralized sections and in country rock intervals within mineralized sections. Laboratory duplicates, standards and blanks were inserted in every 40 samples according to Namibia (Pty) QA/QC protocols.

Trench samples and lithogeochemical samples collected during detailed mapping were prepared for analysis at the Activation Laboratories Ltd. facility in Windhoek. Pulps were shipped to the Activation Laboratories Ltd.'s analytical facility in Ancaster, Ontario, Canada, where they were analysed for rare earths and other trace elements by lithium metaborate fusion, multi acid digestion, and ICP-MS finish.

Diamond Drilling

All handling and sampling of the drill core was undertaken by GeoAfrica. Carbonatites, alkaline silicates and intensely carbonatized lithologies in drill core were sampled at 1 metre intervals, sometimes overridden by lithological breaks. Sampling was extended from 3 metres above to 3 metres below the carbonatite/ hydrothermal alteration zone contacts in order to completely close off the mineralisation.

Core to be sampled was halved by diamond saw and the reference half retained in the core tray. Sample preparation, analytical methods and QA/QC are the same as given for the 2010 detailed geological mapping and trenching program described previously. Standard and duplicate analyses do not suggest any systematic concerns with data quality. Blank analyses are generally acceptable; however it has been recommended that three samples that returned anomalously high REE values be investigated.

Data Validation

It is the opinion of the Lead Author that in each of the regional lithogeochemical sampling, detailed geological mapping, trenching and diamond drilling, sample collection, handling, and preparation was carried out in a competent and professional manner consistent with current industry practice. It is the Lead Author's opinion that the analytical methods were appropriate for the elements being analysed, that the QA/QC does not suggest any systematic concerns with data precision and accuracy, and that data from both campaigns can be reliably used for their express purpose, to identify anomalous concentrations of the REE and particularly the HREE in the lithogeochemical grab samples and to identify and evaluate mineralized intervals in trenches and in drill core.

Interpretation and Conclusions

The Lofdal Rare Earths Project is a high quality, greenfield exploration project that warrants comprehensive exploration for rare earths elements. The Lofdal Rare Earths Project carbonatite complex is a diverse and robust igneous-hydrothermal system that which from all present data exhibits significant potential to host deposits of rare earths elements. Exploration to date has not defined a mineralized zone of economic size and grade but has identified significant areas of heavy rare earths enrichment and a significant number of high quality targets for further exploration on a district scale.

- The association of rare earths with carbonatites is well known and there are many advanced exploration projects targeting this deposit type. The large majority of these are LREE-enriched, with limited potential for production of HREE. What is unique at the Lofdal Rare Earths Project is the significant enrichment in heavy rare earths associated with the carbonatites, and the dominance of xenotime as one of the principal REE-bearing minerals. This presents a significant opportunity to discover a deposit of economic dimensions.

- The Lofdal Rare Earths Project carbonatite complex is a large intrusive system with a significant component of hydrothermal alteration and mineralization. The intrusive centre for the system seems to be in the area of the Main Intrusion where REE concentrations are sub-economic, however, the Emanya Intrusion has REE concentrations that are significantly higher and although not an initial priority presents a prospective drill target because of the locally high concentrations of LREE and the size of the body.

- The intrusion of the carbonatite dykes was accompanied by significant brecciation and alteration of both pre-existing silicate intrusives and the adjacent metamorphic wall rocks, producing sometimes wide zones of variable carbonatite and silicate intrusion accompanied by carbonatized, altered rocks and breccia. Some of the carbonatites and some of the hydrothermally-altered rocks were mineralized with significant quantities of rare earths. The intrusion and the REE mineralization was accompanied by variable fenetization of the wall rocks now manifested in phlogopite-rich intervals near the margins of the altered zones.

- The carbonatite/carbonatized alteration zones are locally very extensive along strike and can be traced over 100's of metres. The 2B zone, the only zone to date to be investigated in 3 dimensions, is part of a dyke system that can be traced along strike for more than three kilometres. Similar dykes with regional extent are found elsewhere on the property and most have segments where sampling has identified anomalous proportions of HREE-rich samples.

- One very significant outcome of the 2010 diamond drilling program was the recognition and characterization of hydrothermal alteration and structural controls associated with the mineralizing event. All observations and information in the 2B zone drill core suggests that the hydrothermal alteration zones are characterized by both a geochemical signature of elevated REE's, Y, and Th, and by radiometric anomalies. These are attractive exploration targets the authors are aware of ongoing geological mapping and sampling that is confirming this association of discrete carbonatite dykes or dyke swarms with broad alteration haloes in a number of areas on the property.

- HREE-enrichment appears to be controlled by hydrothermal activity related to carbonatite emplacement. This being the case, there would seem to be significant opportunity for HREE mineralization to occur both

in the carbonatites and in the related hydrothermally altered silicate rocks. This has not been tested by sampling on a regional scale.

- The 2B zone remains robust and open at depth and should be further tested below the current level of exploration. There are many other targets of similar potential in the area of the property that have been identified by regional lithogeochemical sampling which have the potential to host significant HREE mineralization. There is also a large area outside of the present target area, but within the regional Th anomaly that defines the prospective area, that has significant potential for further discoveries.

- The corridor between the Main and Emanya Intrusions is about 2.5 kilometres long and characterized by abundant nepheline syenite, which appears to be related to, but earlier than, the carbonatites. Coarse diatreme breccias are widespread and are apparently related to the intrusion of the syenite. The intrusive centre of the complex was a dynamic system and the abundance of breccias suggests that it was also explosive and the widespread hydrothermal alteration indicates that it was volatile rich. The syenites are typically closely associated with the carbonatite intrusions suggesting that they utilized the same pathways during ascent. The corridor between the two intrusions is, therefore, considered to be highly prospective.

- The nature of the HREE-mineralizing event remains elusive and, in particular, its timing with respect to the intrusion of the carbonatite plugs. There remains the possibility of a magmatic episode that is contemporaneous with (and perhaps the source of) the HREE-enriched hydrothermal fluids. Exploration on the property must be carried out with the possibility of a HREE-enriched primary intrusive body in mind.

Recommended Work Programs

Exploration to date at the Lofdal Rare Earths Project has demonstrated the potential of the project to lead to the discovery of an economic rare earths deposit and it is recommended that the Company take a two staged approach to development with provisions at milestone events. Upon achievement of each milestone the following programs and budgets are recommended to further advance the project, ultimately towards mine development:

- Phase I – Property scale exploration directed at an initial drill discovery; delineation of a NI 43-101 compliant inferred mineral resource with accompanying preliminary economic assessment; and continued regional prospecting ($6.4 million)
- Phase II – Delineation of a NI 43-101 compliant mineral reserve and accompanying feasibility study ($7.0 million).

Phase I Program and Budget

Exploration at the Lofdal Rare Earths Project should continue to be directed towards the identification of those areas or dyke segments of sufficient volume, with rare earths concentrations that could constitute an economic deposit. Because of the significantly higher value and demand for certain HREE (europium, dysprosium and terbium) a continued focus on the high potential HREE targets should be maintained, however given the significant price increases for all REE the LREE-rich areas should not be marginalized. Given the prolific number of carbonatite dykes within the carbonatite complex, the potential exists to delineate additional and larger mineralized systems within Areas 1, 2, 4, 5 and 8 as shown on Figure 19.

The recommended approach in these areas is continued geological mapping coupled with selective channel sampling where possible and geophysics to select drill targets. The drill program should cover a multiple number of target zones and a total of 7,500 metres has been budgeted for this purpose. This would include a follow up drilling program in the 2B zone to test the zone to a depth of 100 vertical metres.

There still remains considerable mineralogical work to be done and as favourable zones are confirmed, metallurgical studies should be undertaken. While the elevated levels of thorium provide an excellent guide for exploration and often in pinpointing areas of high HREE potential, it remains to be determined that the association with thorium can be dealt with in terms of extraction. Focused mineralogical studies should be undertaken to not only identify REE-bearing mineral phases but to also characterize the residence of thorium and its physical relationship to the REE mineralization. This component of the program will require the engagement of a qualified person and laboratory with recognized expertise in rare earths deposit mineralogy and extraction methodologies.

A further 15,000 metres of diamond drilling is included in this program to provide for the delineation of a NI 43-101 compliant resource which is anticipated to be an open pittable resource within 200 metres of surface. The program would be designed to deliver a NI 43-101 compliant resource in the inferred and indicated categories together with sufficient metallurgical and baseline studies to support a preliminary economic assessment or "pre-feasibility study".

The recommended budget for Phase I totals $6,399,250. This does not provide for in-country operational costs, exploration programs outside of the Lofdal Rare Earths Project, corporate budgeting or related head office expenditures.

Phase II Program and Budget

Phase II is predicated on the delineation of a NI 43-101 compliant resource with supporting documentation in favour of the economic viability for the development of a rare earths mining operation at the Lofdal Rare Earths Project. As with any mineral deposit, this stage of development would require a comprehensive feasibility study with a compliant mineral reserve. The mineral reserve must be based upon mineral resources in the indicated and measured categories. Under guidelines of NI 43-101, inferred mineral resources (as envisioned in Phase II) cannot be used for purposes of estimating mineral reserves.

The feasibility study must therefore be supported with additional (infill) drilling to move sufficient inferred mineral resource into the higher confidence categories of indicated and measured resource. A further 15,000 metres of drilling is allocated for this purpose. The economic viability of the project must be demonstrated to much higher levels of confidence which would be considered bankable for purposes of project financing. This would encompass a complete evaluation of mining costs, engineering design, concentrating and/or extractive processes, environment impact assessments and construction. While at this point conceptual in nature for the Lofdal Rare Earths Project, the costs associated with feasibility studies and related activities are generally understood within the mining industry for various commodity sectors. The recommended budget for Phase II is $6,996,000. This does not provide for in-country operational costs, exploration programs outside of the Lofdal Rare Earths Project, corporate budgeting or related head office expenditures.

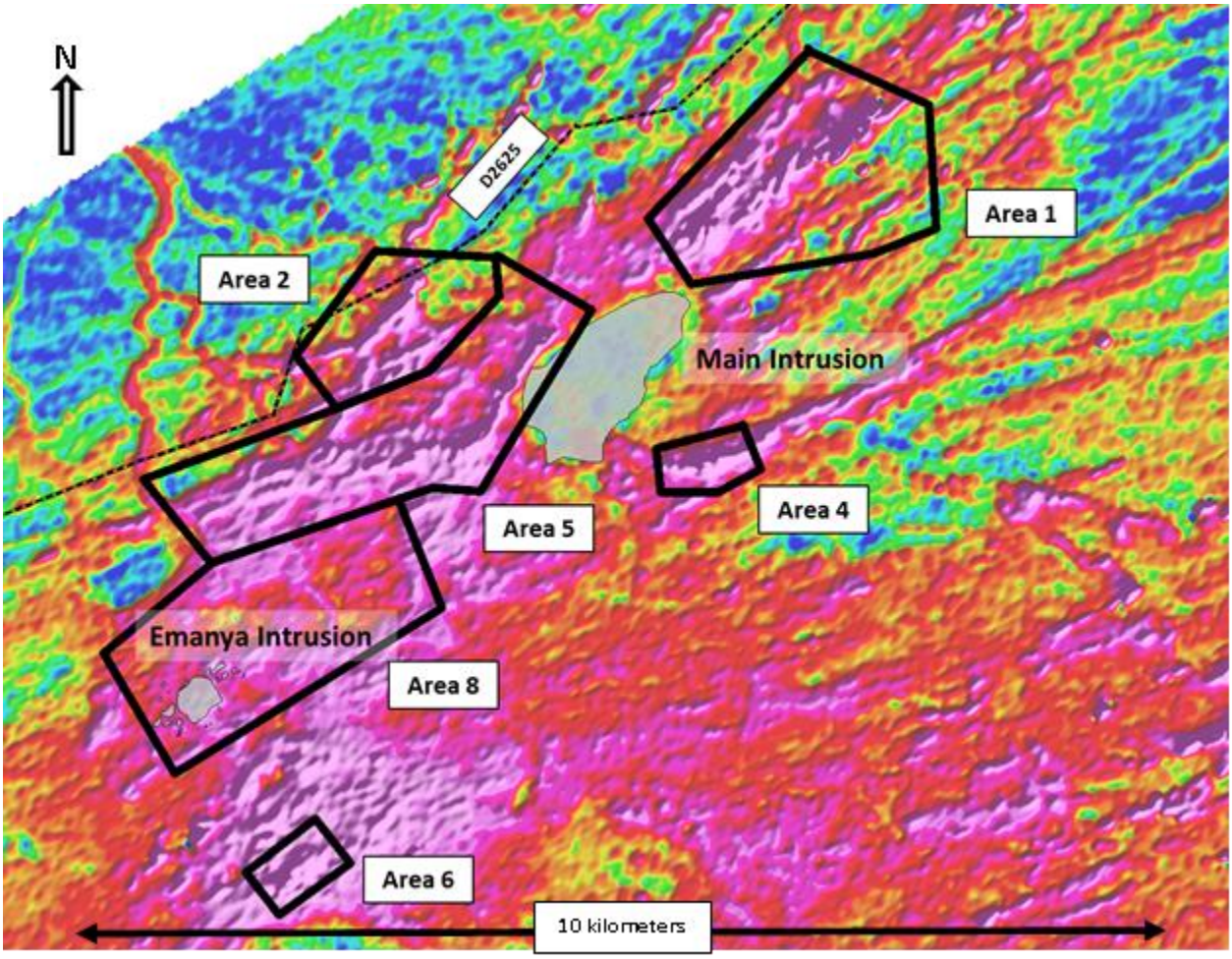


Figure 19 Recommended priority areas for detailed geological mapping. Area 2 and Area 4 already mapped and presented in this report. Coloured grid is shadowed thorium channel from 2010 airborne survey with Main and Emanya Intrusions for reference.

THE RARE EARTHS MARKET

The following summary of the rare earths market has been derived in its entirety from the report (the "**TMR Report**") entitled "A Summary Overview of the Rare Earths Market" dated February 22, 2011 prepared by TMR for the Company for inclusion in this prospectus. All opinions, expectations and estimates contained in the following market summary are solely those of the authors of the TMR Report. See "*Notice to Investors – Forward-Looking Statements*" and "*Risk Factors*".

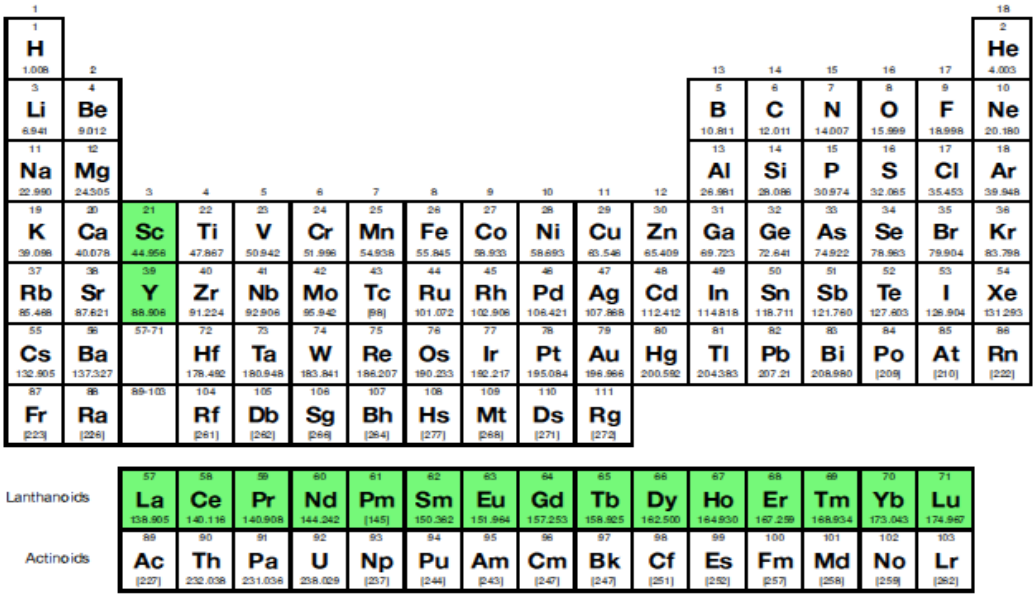
An Introduction to Rare Earths

A Unique Group of Elements

The rare earth elements ("**REEs**") are a group of 17 elements that exhibit a range of unique electronic, optical and magnetic properties. They are enablers; components manufactured from REE-containing compounds, can have a profound effect on the ultimate performance of a range of complex, engineered systems and devices.

The REEs are highlighted in the Periodic Table shown in Table 1. The rare earths comprise primarily of the lanthanoid series of elements (with atomic numbers of 57 through to 71). In addition, because of their similarities to the lanthanoids, scandium ("**Sc**") and yttrium ("**Y**") are considered by most scientists to be REEs too.

Table 1 Periodic table of elements highlighting the rare earth elements



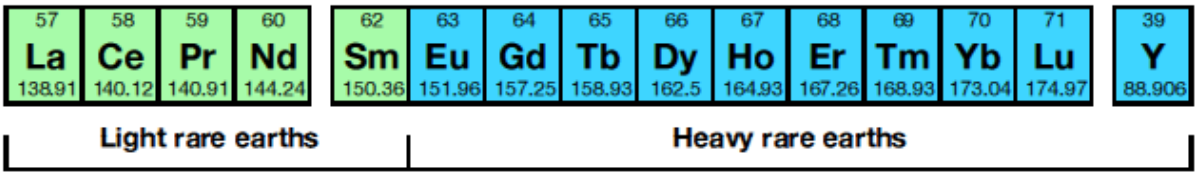
Sources: IUPAC, Technology Metals Research

In practice, while Y frequently occurs with the lanthanoids, Sc is seldom found with these elements. In addition, promethium is a radioactive element and is not usually found in Nature. From the industrial viewpoint then, the REEs usually refer to the remaining 15 elements in the group.

Terms and Definitions

REEs are further grouped into the so-called light REEs ("**LREEs**") and heavy REEs ("**HREEs**"). The distinction between LREEs and HREEs is, strictly speaking, based on the specific configurations of electrons within each REE atom. The REE industry as a whole, however, tends not to use the strict definitions that chemists and geologists would use, designating the first five lanthanoids as LREEs, resulting in the categorization shown in Table 2. Note that Y is typically considered to be a HREE in industry reporting.

Table 2 Sub-groups of the rare earth elements - per industry (not scientific) norms



La - Lanthanum	Eu - Europium	Er - Erbium
Ce - Cerium	Gd - Gadolinium	Tm - Thulium
Pr - Praseodymium	Tb - Terbium	Yb - Ytterbium
Nd - Neodymium	Dy - Dysprosium	Lu - Lutetium
Sm - Samarium	Ho - Holmium	Y - Yttrium

Sources: Technology Metals Research, Industry Sources

REEs are frequently separated and sold in their oxide form and thus it is customary to render mineral deposit data in terms of rare earth oxide ("**REO**") equivalents. The corresponding light rare earth oxide ("**LREO**") and heavy rare earth oxide ("**HREO**") terms are used as appropriate, particularly when assessing the supply and demand characteristics of the overall rare earths market. Exploration-stage projects may report REE concentrations as elemental part per million (ppm) values, which will be slightly lower than their oxide equivalents. Total rare earth oxides ("**TREOs**") refers to the sum total of rare earths present in a deposit.

HREEs vs LREEs

HREEs are generally (though not always) much scarcer than LREEs. The majority of REE-bearing mineral deposits are dominated, in tonnage terms, by the presence of LREEs. So-called HREE mineral deposits are thus generally designated as such on the basis of the potential value of that deposit by virtue of the presence of HREEs, not their overall tonnage, because HREEs tend to be more valuable due to their scarcity, but also occur in lower material grades within the mineral resource.

HREEs frequently occur in minerals that are significantly more challenging to process than the more common LREE-rich minerals, which have a well-established history of such processing.

The distribution or varying proportions of the 15 REEs in any given deposit, has a very significant impact on the valuation of individual REE projects, due to the different market prices for each separated element or oxide.

End Uses of Rare Earths

Categorizing the End Uses of Rare Earths

REEs are used in a variety of chemical forms, and in a wide variety of applications, some more complex than others. These applications can divided into two broad categories:

- uses that enable the processing of engineered or other materials, and
- uses within components, which are themselves used as "building blocks" within engineered products.

Rare Earths as Process Enablers

The first broad group of applications of rare earths are the process enablers - end uses that are used in the lifecycle of other materials and components, where the REEs do not stay with the processed material. In general, the properties of simple REE compounds are utilized, such as REOs.

There are many specific process-enabling applications of REEs; significant examples include:

- **Fluid cracking catalysts (FCCs):** these are materials used in the petroleum refining industry, to convert heavy crude oil into gasoline and other valuable products. La and Ce are added to the catalytic compounds, to take advantage of their ability to interact with the hydrogen (H) atoms found in the long-chain hydrocarbon molecules in the starting raw material. This interaction aids in the transformation of the crude oil into useful petroleum products.

- **Automotive catalytic convertors:** modern vehicles use catalytic convertors to reduce the emission of pollutants that result from the internal combustion process. CeO2 is the primary rare earth compound used in this process (with some La2O3 and Nd2O3), usually in conjunction with platinum-group metals.

- **Polishing media:** significant amounts of CeO2 (with some La2O3 and Nd2O3) are utilized in the polishing of glass, mirrors, TV screens, computer displays and the wafers used to produce silicon chips. When used in a fine-powder form, the REOs react with the surface of the glass to form a softer layer (the so-called Ômechano-chemical' effect), thus making it easier to polish the surface to a high-quality finish.

Rare Earths as Technology Building Blocks

The second group of end uses for rare earths, consists of incorporating various REEs into sometimes-complex alloys and compounds, which are then used in engineered components. These components might then be utilized in sub-assemblies, which in turn might be used to produce a complex engineered product or device. In some cases, relatively small amounts of REEs are used in the overall product, but their presence is critical for the functionality of the ultimate end application.

There are many specific "building-block" applications of REEs; significant examples include:

- **Permanent magnets**: the use of REEs in certain magnetic alloys, has made it possible to produce permanent-magnet materials that generate very strong magnetic fields, while at the same time being able to strongly resist being demagnetized when exposed to other magnetic fields, or to increases in temperature. The REEs present in these alloys, such as Nd, Pr, Sm, Dy and Tb, effectively help to 'channel' the inherent ferromagnetism of transition metals such as iron (Fe) and cobalt (Co).

  These characteristics have revolutionized magnetics design in recent years, most notably in the production of high-performance electric motors, which use convert electricity into mechanical motion, and electric generators, which, operating in reverse, convert mechanical motion into electricity. Permanent-magnet motors ("**PMMs**") and generators ("**PMGs**") are used in, for example, Prius-class hybrid electric vehicles (HEVs), to power the vehicle as well as to re-capture energy associated with braking, respectively. Each Prius HEV requires an estimated 1 kg of Nd + Pr, and perhaps 100-200 g of Dy in the various magnets required for operation. PMGs can be used in megawatt-scale, next-generation wind turbines, as a means of eliminating massive mechanical gearboxes and other components which are subject to reliability issues. The magnets in these large turbines contain an estimated 150 to 200 kg of Nd + Pr and perhaps 20 to 35 kg of Dy, per MW of generating capacity.

  In addition to being able to produce such electrical machines with higher efficiencies and greater performance, rare earth permanent-magnet ("**REPM**") materials have made it possible to miniaturize motors, loudspeakers, hard-disk drives, cordless power tools and other applications that use permanent magnets to operate, while maintaining the same or better output characteristics as other technologies.

  The two most important families of REPM materials are those based on compounds of Sm, Co and other elements, and those based on compounds of Nd, Fe and boron ("**B**"), along with other REEs such as Pr, Dy and Tb. The latter family is the more widely used. The HREEs Dy and Tb are used in Nd-based REPM materials, to increase the ability of the material to resist being demagnetized as a result of elevated temperatures or stray magnetic fields - a characteristic known as coercivity. Increased additions of Dy or Tb to Nd-based materials give them increased coercivity. A wide range of grades or blends of material, tailored to meet particular specifications, are used today.

- **Energy storage:** compounds of La and nickel ("**Ni**") are used to produce battery cells for energy storage. The presence of La enables the absorption of H in the cell, and the ease of reversal of this electrochemical process leads to La-Ni-H compounds being particularly suitable for rechargeable-battery applications.

  Although recent developments in battery cells that utilize lithium ("**Li**") ion technology, are gaining ground in certain applications, batteries based on La-Ni-H are still a very cost-effective and reliable method of storing electricity, for applications including Prius-class HEV battery packs (which use an estimated 2.3 kg of La per vehicle for this application) and others.

- **Phosphors**: phosphor materials emit light after being exposed to electrons or ultraviolet ("**UV**") radiation. Liquid crystal displays and plasma screen displays, light-emitting diodes ("**LEDs**") and compact fluorescent lamps ("**CFLs**") all utilize such materials. Compounds containing Eu, Y and Tb are frequently used to produce phosphors, and are fined-tuned for particular color outputs. Since much more of the electrical energy is converted into light than with conventional light sources, phosphor materials are significantly more energy-efficient that older technologies, requiring a lot less electricity to produce the same outputs.

- **Glass additives:** CeO2 and La2O3 are used as additives in the glass industry for a variety of purposes. They are used to remove undesirable coloration in commercial glass by reducing the effects of the presence of Fe within the material. They are also used to reduce UV light penetration, thus protecting the interiors of vehicles and other materials from degradation over time. They can also be used to increase the refractive index of glass lenses.

Uses by Element

Table 3 shows a number of examples of the end uses of individual REEs, by element.

Table 3 End uses of rare earth elements

Element	Symbol	Main Applications
Lanthanum	La	FCC catalysts, alloys/mischmetal (for NiMH batteries, hydrogen absorption, & creep resistant magnesium), optical glass, additive to produce nodular cast iron, lighter flints, phosphors
Cerium	Ce	Catalytic converters, glass, ceramic & plastic pigments, polishing, deoxidant and desulfurizer in the steel industry, self-cleaning ovens, carbon-arc lighting, mischmetal
Praseodymium	Pr	NdFeB magnet corrosion resistance, high-strength metals, yellow glass and ceramic pigment
Neodymium	Nd	NdFeB magnets, glass and ceramic pigments, autocatalysts, lasers
Samarium	Sm	Magnets, carbon arc lighting, lasers, biofuel catalysts, mischmetal, geological dating, nuclear applications, medical uses, optical glass
Europium	Eu	Phosphors, lighting, neutron absorbers
Gadolinium	Gd	Contrast agents to enhance MRI imaging, GdY garnets, superconductors, phosphors, glass and ceramics
Terbium	Tb	Phosphors, fuel cells, lighting, magnets
Dysprosium	Dy	NdFeB magnets, lasers, chalcogenide sources of infrared radiation, ceramics, nuclear applications, phosphors, lighting, catalysts
Holmium	Ho	Magnets, nuclear (control rods, medical uses), lasers, red & yellow pigments in glass & zirconia, calibration of gamma ray spectrometers
Erbium	Er	Colorant in glassware & ceramics, metal alloys, repeaters in fibre optic cables, nuclear applications (medical)
Thulium	Tm	medical imaging, phosphors, lasers
Ytterbium	Yb	Fibre optics, radiation source for x-ray machines, stress gauges, lasers, doping of stainless steel, doping of optical materials
Lutetium	Lu	Specialist X-ray phosphor, single crystal scintillators (baggage scanners, oil exploration)
Yttrium	Y	Phosphors, stabilized zirconia, metal alloys, garnets, lasers, catalyst for ethylene polymerization, ceramics, radar technology, superconductors

Sources: Roskill, Technology Metals Research

Rare Earth Demand Drivers

Historical Demand for Rare Earths

The demand for many of the REEs has increased significantly in recent years, due to their use in a wide range of applications that underpin the modern technological age. Table 4 shows estimates of the end-use demand for REEs in 2010.

Table 4: Estimated global rare earth demand in 2010 (tonnes of REO ± 15%)

Application	China	Japan & SE Asia	USA	Others	Total	Market Share	Market Value
Permanent Magnets	21,000	3,500	500	1,000	**26,000**	**21%**	**39%**
Catalysts	9,000	3,000	9,000	3,500	**24,500**	**20%**	**16%**
Metal Alloys	15,500	4,500	1,000	1,000	**22,000**	**18%**	**15%**
Polishing Compounds	10,500	6,000	1,000	1,500	**19,000**	**15%**	**10%**
Glass	7,000	1,500	1,000	1,500	**11,000**	**9%**	**4%**
Phosphors	5,500	2,000	500	500	**8,500**	**7%**	**12%**
Ceramics	2,500	2,500	1,500	500	**7,000**	**6%**	**2%**
Other	4,000	2,000	500	500	**7,000**	**6%**	**2%**
Total	**75,000**	**25,000**	**15,000**	**10,000**	**125,000**	**100%**	**100%**
Market Share	**60%**	**20%**	**12%**	**8%**	**100%**	-	-

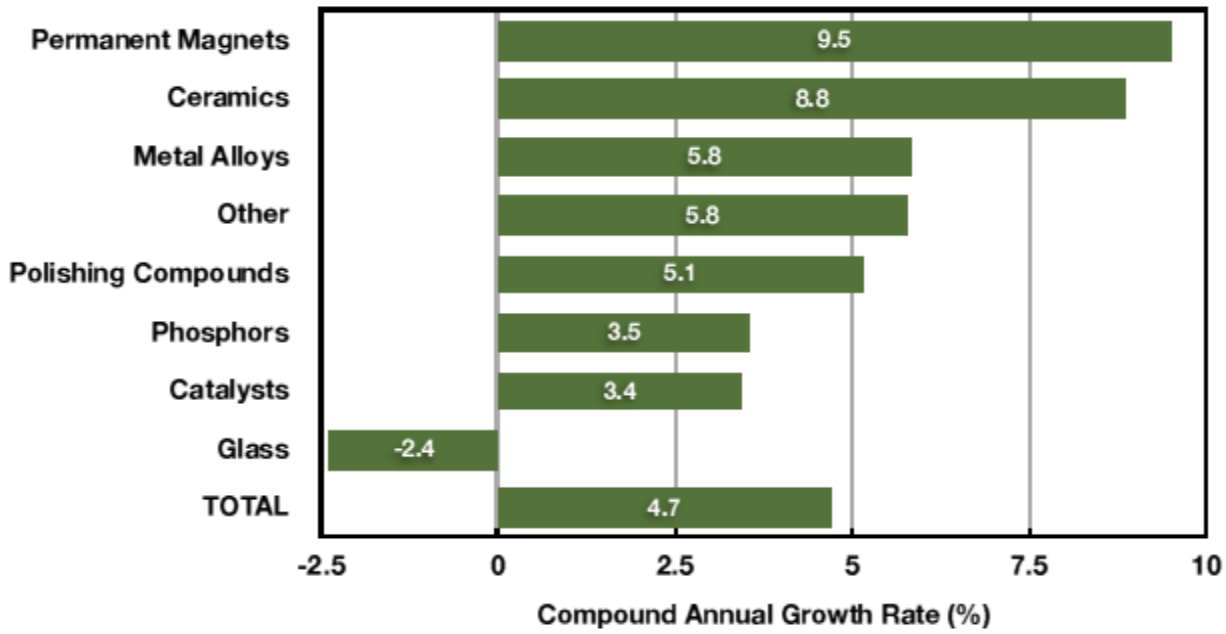
(may not add to 100% due to rounding) **Sources: IMCOA, Technology Metals Research estimates**

The majority of REEs/REOs are used within China, where a downstream industry has been steadily growing, to take advantage of low labor rates in addition to close proximity to the sources of supply. The majority of REEs consumed in the USA are LREEs, used in FCCs. Japan and South Korea still have a strong base of manufacturing processes that require REEs, despite the recent trend for Japanese companies to procure more downstream semi-finished or finished products from China.

Figure 1 shows the compound annual growth rate ("**CAGR**"), for the key end uses of REOs from 2000 to 2010. Most categories have significant CAGRs over this period (despite the recent global recession and the temporary depression in demand for production), a reflection of their use in electronics and consumer goods, labor-saving devices, appliances, vehicles and a wide range of industrial products.

As economies around the world continue to grow, so the demand for REEs grows with it. Demand has been particularly strong over the past decade for REPMs, ceramic materials for capacitors and for the metal alloys used for energy storage. In some cases, relatively small amounts of REEs are used in each device, but with millions of units being sold each year, the overall consumption becomes significant.

Figure 1: Growth in demand for rare earth oxides: 2000-2010



Sources: Roskill, IMCOA, Technology Metals Research

Future Demand for Rare Earths

Table 5 shows the estimated demand for REEs in 2015, suggesting a potential 48% increase in demand, compared to current levels. In addition to the established drivers associated with general global economic growth, significant additional demand for REEs is expected from the so-called "clean-tech" sector. Three specific sub-sectors will likely drive this demand:

- **HEVs and other electric vehicles ("EVs"):** Significant quantities of REEs will be required to meet the demand for battery alloys in HEVs, and for PMMs and PMGs in HEVs and other types of EVs.

  Although there is much interest in the use of Li-ion batteries for various types of EVs, the significant unit costs for such batteries at present, will likely mean a significant demand for HEVs using La-Ni-H batteries) into at least the medium term. Given the superior energy densities of Li-ion batteries, however, if the price of these materials can be reduced, it is likely that in the long term, growth in the use of La-based alloys for energy storage will begin to decline.

  Increasing market penetration of EVs will mean that the demand for Nd-based permanent magnets in motors and generators will remain strong. Such materials will require additions of HREEs such as Dy, to ensure that the machine performance is maintained even at the elevated temperatures frequently found in these "under the hood" applications. A number of initiatives to replace PMMs with induction motors have been announced recently; however, such electrical machines are usually bulkier, less efficient and require additional cooling. It is likely that REE-based PMMs and PMGs will remain the devices of choice for these EV applications.

- **Direct-drive PMG ("DDPMG") wind turbines:** One of the largest potential future uses of REPMs and thus Nd, Dy and Pr, is in 'next-generation' utility-scale wind turbines, which utilize DDPMG systems. Conventional wind turbines utilize sets of electromagnetic coils within the generator, connected to a large mechanical gearbox. This gearbox has historically been a significant source of reliability issues, and by using a PMG in the turbine, the gearbox can be eliminated, thus reducing maintenance issues and potentially reducing the weight at the top of the tower that supports the turbine.

To date, the market penetration of these DDPMG wind turbines has been modest, despite mainstream media reports to the contrary, at levels in the single digit percentages according to some industry insiders. However, more and more wind-turbine manufacturers are introducing DDPMG-based turbines into their product line-ups, and all expectations are that this will be a strong growth area for REPMs and the REEs required to produce them.

- **Energy-efficient devices and appliances:** There is a growing demand for consumer goods and other products that use energy more efficiently in their operation. Already the requirement for improved energy efficiency is being mandated in a number of jurisdictions around the world, as a means of reducing fossil - fuel usage and to reduce the emission of greenhouse gases. Examples include the replacement of incandescent light bulbs with CFLs and LEDs, which use a variety of HREEs. Increasing numbers of electrical appliances such as heating and air-conditioning units, washing machines and driers use REE-based PMMs to meet the demands for greater efficiency.

Table 5 Estimated global rare earth demand in 2015 (tonnes of REO ± 15%)

Application	China	Japan & SE Asia	USA	Others	Total	Market Share	Market Value
Permanent Magnets	37,000	6,000	3,000	2,000	**48,000**	**26%**	**44%**
Catalysts	12,500	3,000	10,000	3,000	**28,500**	**15%**	**12%**
Metal Alloys	25,000	7,000	2,000	1,000	**35,000**	**19%**	**13%**
Polishing Compounds	12,500	10,000	4,000	4,000	**30,500**	**16%**	**10%**
Glass	7,000	2,000	1,000	1,000	**11,000**	**6%**	**3%**
Phosphors	8,000	3,000	1,000	1,000	**13,000**	**7%**	**14%**
Ceramics	3,000	3,000	2,000	1,500	**9,500**	**5%**	**2%**
Other	6,000	2,500	500	500	**9,500**	**5%**	**2%**
Total	**111,000**	**36,500**	**23,500**	**14,000**	**185,000**	**100%**	**100%**
Market Share	**60%**	**20%**	**13%**	**8%**	**100%**	-	-

(may not add to 100% due to rounding) **Sources: IMCOA, Technology Metals Research estimates**

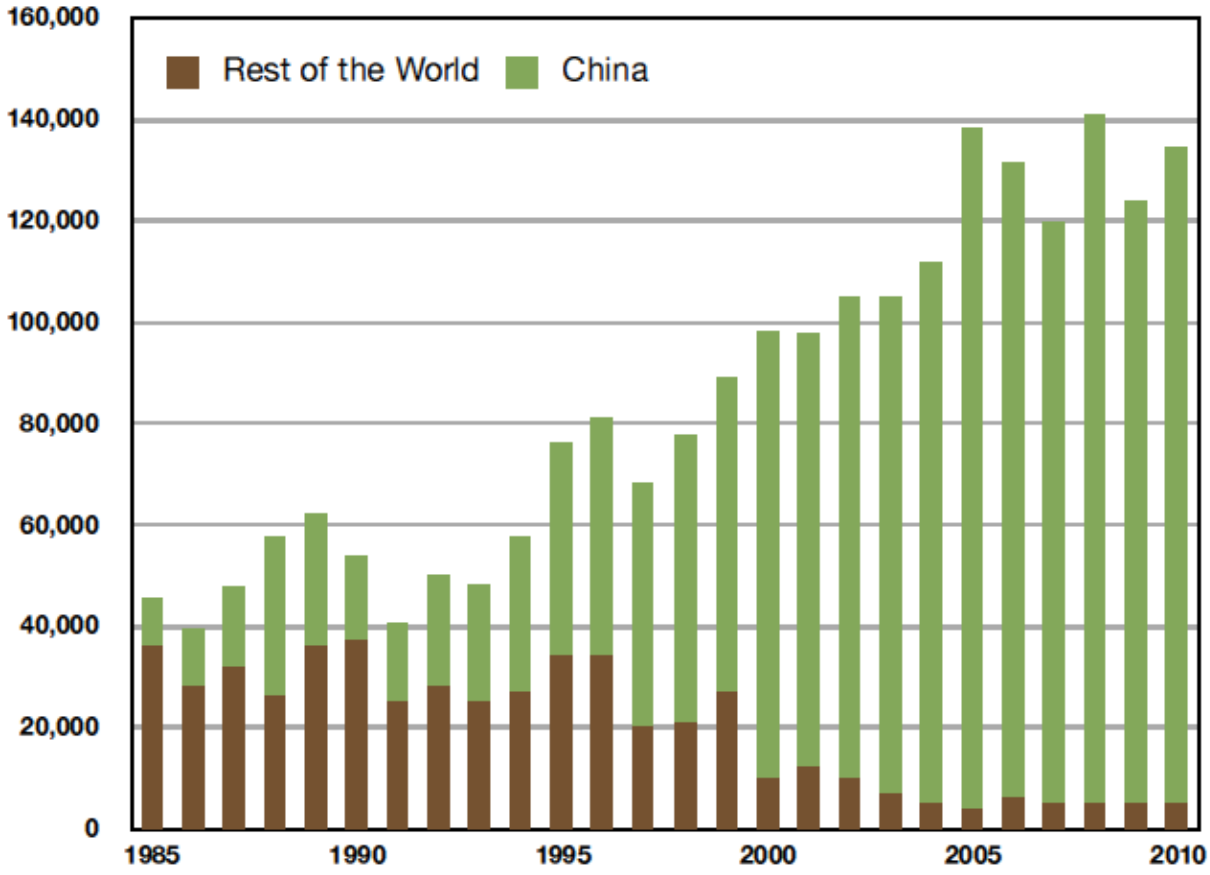
Rare Earth Supply Drivers

Historical Sources of Rare Earth Supply

Until the 1940s, India and Brazil were the principal sources of REEs, producing them in relatively small quantities compared to modern production rates. Australia, Malaysia and South Africa began to supply REEs in the middle part of the 20th Century from monazite placer deposits, and it was at this point that the Mountain Pass bastnaesite mine in California, USA came on stream. The latter quickly became the largest producer of REEs.

In the 1980s, China began to produce REEs from bastnaesite and monazite in ever-increasing quantities, ultimately dominating the market, as can be seen in Figure 2. Current estimates indicate that China accounts for over 96% of global production of all REEs. This is principally from the Bayun Obo region, where LREEs are produced as byproducts of iron-ore operations, contributing to the relatively low cost of these materials. Bastnaesite operations in Nianning and Sichuan provinces also contribute to China's output. As demand for HREEs increase, ion-absorption clays and xenotime were mined in the southern provinces of China from the early 1990s onwards - the only commercially significant producers of HREEs currently in operation.

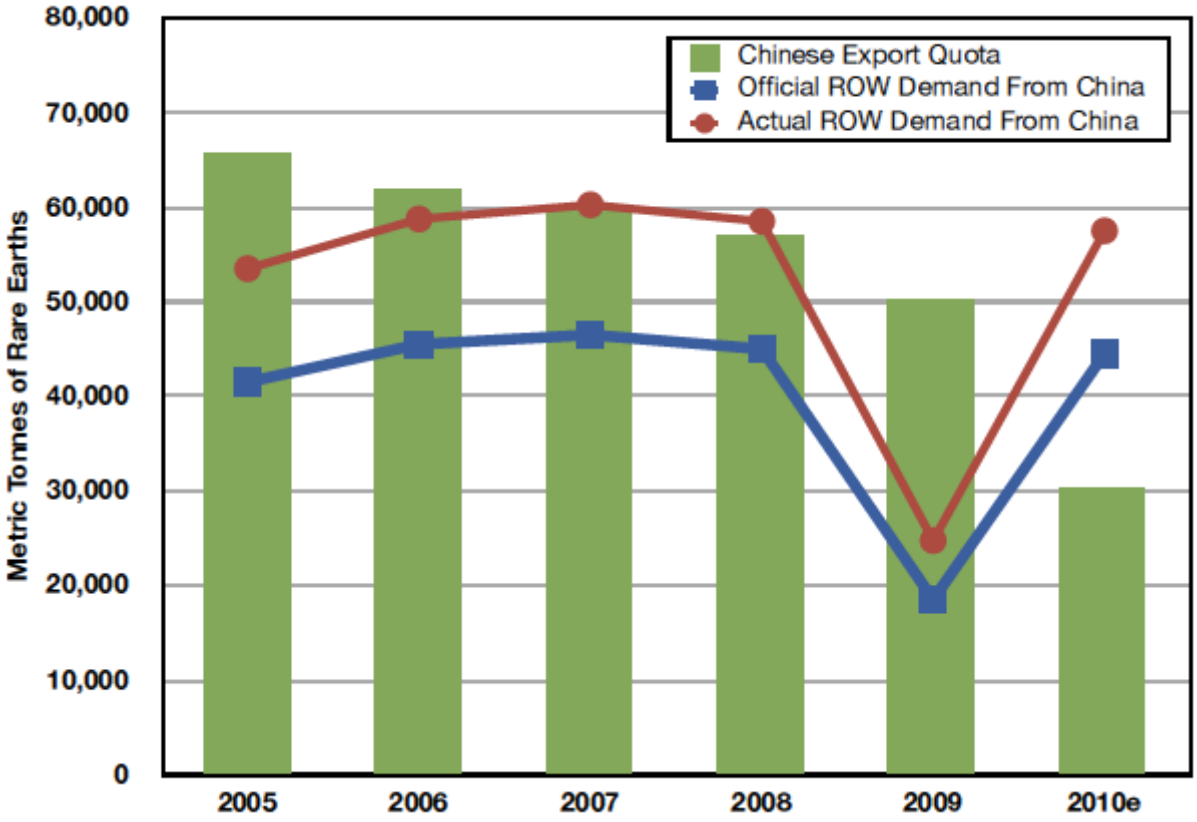
Figure 2: Historical global supply of rare earths oxides (tonnes)



Sources: Roskill, Chinese Society of Rare Earths, Technology Metals Research estimates

The rise of low-cost production in China put significant pressures on the rest of the global producers, and one by one they closed, including the Mountain Pass mine in 2002, leaving only a handful of non-Chinese producers in Estonia, India and elsewhere.

Figure 3: Demand versus supply for Chinese rare earth exports



Sources: IMCOA, Chinese Ministry of Commerce & Technology Metals Research estimates

As the world's largest producer of REEs, China's actions and initiatives tend to have the largest effects on the rare earth sector. In recent years, the authorities there have imposed export quotas on the shipment of REEs out of China, as detailed in Figure 3. A variety of reasons have been suggested for these restrictions, ranging from a desire to encourage downstream industries to migrate to China (bringing jobs and revenues to that country) to recent initiatives relating to the shutdown and closure of inefficient polluting mines in order to allow for environmental remediation. China has also had ongoing issues relating to uncontrolled and illegal operations, which by some estimates supply up to 15 to 20% of the world's REE demand (this is the difference between the two "rest-of-the-world demand" lines in Figure 3). China has made a number of policy decisions relating to cleaning up the negative environmental impact of its unregulated REE mining activities.

Representatives from the Chinese rare earths industry as well as government agencies, have gone on record to say that China wants other countries around the world to "step up" and to produce REEs, in order to take the pressure off China to supply the world's needs. This was inevitable given the ever-growing demand for REEs and other raw materials in China, to meet the needs of its internal markets.

Despite the imposition of export quotas, until recently there have been few real supply issues for REEs because demand was generally matched by supply. Any shortfalls in specific REEs were compensated for by buffer stocks held by significant end users of these materials.

This all changed in July 2010, when the Chinese authorities announced a significant reduction in export quotas for the latter half of 2010 - a maximum of approximately 8,000 t of REOs for export, bringing the total for 2010 to just over 30,000 t. This was a 40% reduction over 2009 and caused considerable consternation in the rare earth industry.

The initial result of this action were very significant price increases for the export of LREEs, in some cases by 1,000 to 1,500% (the pricing characteristics of REEs are discussed in further detail in "*The Rare Earths Market - Rare Earth Pricing*" below). The announcement at the end of December 2010, of a REE export quota of approximately 14,500 t for the first part of 2011, did little to quell concerns.

It should be noted that the Chinese authorities allocate export quotas to individual trading companies in China, some of which are partly foreign-owned. The quotas to date have been monolithic, i.e. there has been no differentiation between specific REEs or REOs within those quotas. Furthermore, the export quotas do NOT apply to semi-finished or finished goods, such as permanent magnets or magnet alloys, produced in China. At present they apply only to the raw material forms of REEs and simple REE-based compounds.

Further pressure on the REE supply chain occurred in the latter part of 2010, in the form of an alleged embargo that China placed on REE shipments to Japan, the largest user of REEs after China, supposedly in retaliation for the arrest of a Chinese fishing-vessel captain. Despite these assertions in the media, there was little evidence to suggest that the supply disruption to Japan was as a result of retaliatory actions on the part of the Chinese authorities. One only has to revisit Figure 3 to see that individual trading companies in China likely started running out of their allocated quotas before the end of the year. Given the demand, and potential profits to be made, illegal smuggling also increased, and only a few such shipments needed to be intercepted for the authorities to decide to clamp down and to do more rigorous inspections of all such goods (leading to delays, and certain shipments being prohibited).

Future Sources of Rare Earth Supply

Regardless of the reality of what happened between Japan and China, there is obviously concern that in the future, China could, for its own reasons, decide to unilaterally restrict the export of REEs to the rest of the world, or could possibly consume all of its available domestic supply. The threats to the supply chain are not only of a geopolitical nature though. A second vulnerability results simply from the geographic 'bottleneck' caused by the concentration of LREE production in the Bayun Obo region of China, and of HREE production in southern China. It would require just one moderate earthquake in one of these regions to cause severe problems for the entire global supply chain for these materials.

There is therefore significant interest in developing sources of REE supply outside of China. At present, two advanced-stage projects of this type are nearing completion. The first is the revival of the Mountain Pass mine in California, USA, owned by Molycorp Inc. The company plans to be producing at a rate of 20,000 tpa of separated oxides by the beginning of 2013, with the possibility of doubling capacity to 40,000 tpa soon afterwards. The other near-term project is a mine at Mount Weld in Western Australia, owned by Lynas Corp, coupled with a concentration facility elsewhere in Australia and a separation facility in Malaysia. The Mount Weld project is scheduled to be producing at a rate of 11,000 tpa of separated oxides by the latter half of 2011, with a future expansion to 22,000 tpa in the cards.

Despite the significant quantities of REEs that will become available outside of China in the near future, very little of this production will consist of HREEs. Although they tend to be used in smaller quantities than LREEs, nevertheless, given the growing demand for specific HREEs such as Dy and Tb, the question of HREE supply outside of China will remain a significant concern for the foreseeable future. Additional projects with some appreciable HREE content are slated to come on stream in 2013 and beyond, but most of these are at fairly early stages of execution and face a variety of developmental challenges. In addition there are numerous exploration projects underway all around the world, to find additional resources, both LREE and HREE, some of which are detailed in "*The Rare Earths Market - New Rare Earths Projects*", below.

Specific Supply and Demand Issues for Rare Earths

The Issue of Balance

As previously stated, REEs are found together in a variety of mineral deposits. The demand profile and end use of the individual REEs, however, does not match the physical distribution of the elements in those deposits. For example, the REE content of high-coercivity Nd-based REPMs may contain ratios of (Nd,Pr):Dy ranging from 6:1 all the way to 2:1 - ratios that are significantly richer in Dy than would typically be found in natural-occurring LREE

mineral deposits such monazite or bastnaesite, where the ratios might range from 20:1 to 200:1 or greater, depending on the particular deposit.

Table 6 Forecasted supply & demand for selected rare earths in 2015 (± 15%)

	Demand (tpa)	Supply (tpa)
Total Rare-Earth Oxides	185,000	208,500
Cerium Oxide	65-70,000	80-85,000
Neodymium Oxide	35-40,000	30-35,000
Europium Oxide	725-775	575-625
Terbium Oxide	450-500	400-450
Dysprosium Oxide	2,500-3,000	1,500-2,000

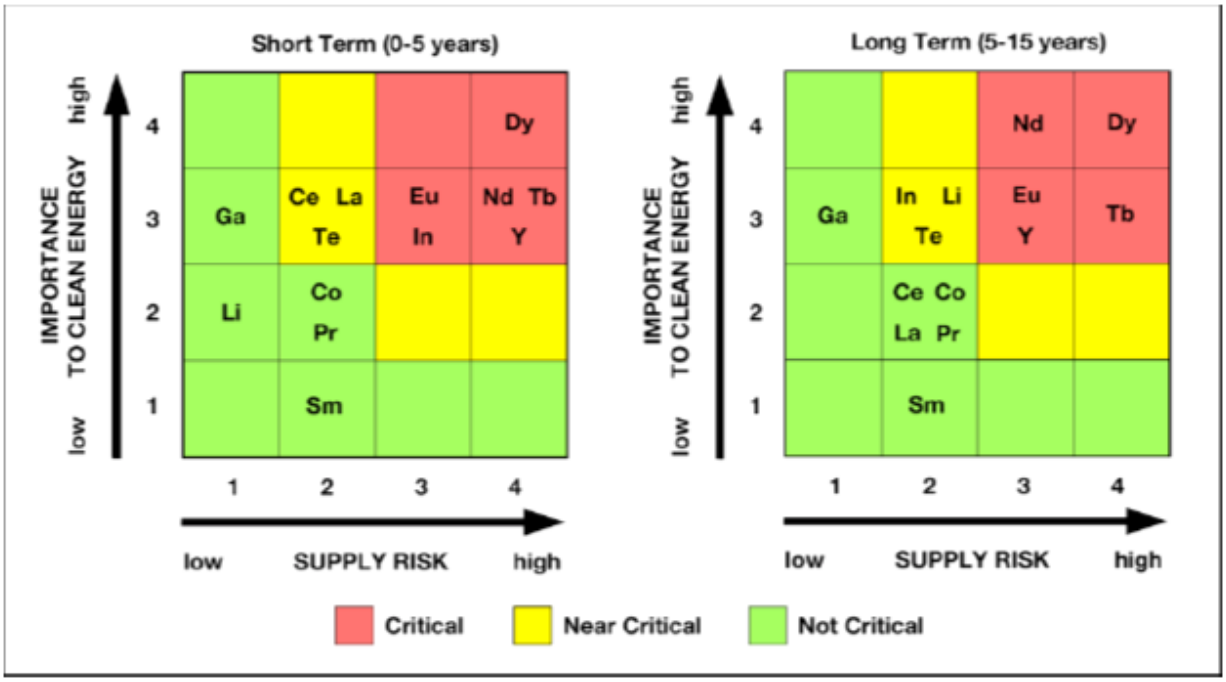
Sources: IMCOA, Technology Metals Research

This means that in order to produce enough of the more scarce (and more valuable) HREEs, in addition to the most important LREE Nd, additional quantities of REE minerals have to be processed. This has the potential to result in surpluses of the more abundant REEs such as La and Ce. Some specific examples are shown in Table 6. For this reason, and because of the inherent potential value of the finished products, REE deposits that are relatively rich in Dy, Tb and other HREEs (as well as Nd) are particularly attractive for exploration and development. The REE industry tends to view deposits with ratios of HREO : (HREO + LREO) of approximately 10% or greater, as being ÔHREE-enriched'. Projects with ratios of less than 10% might also be of interest for their HREE content, but only if the overall REE material grade is significant.

Rare Earths as Critical Elements

The US Department of Energy recently identified six elements as being the most critical in the short term, for "clean-tech" applications such as wind turbines, EVs, photovoltaic cells and fluorescent lighting, as shown in Figure 4. "Criticality" in this context was a measure of the importance of a particular element to the clean-energy sector, combined with the estimated risks of supply disruptions. Five of the six elements were REEs, specifically Nd, Eu, Tb, Dy and Y. In the longer term (i.e. 5 to 15 years out), all five REEs identified remained designated as "critical". Dy was ranked as being at the highest level of criticality in both cases, reflecting its important use in REPM materials.

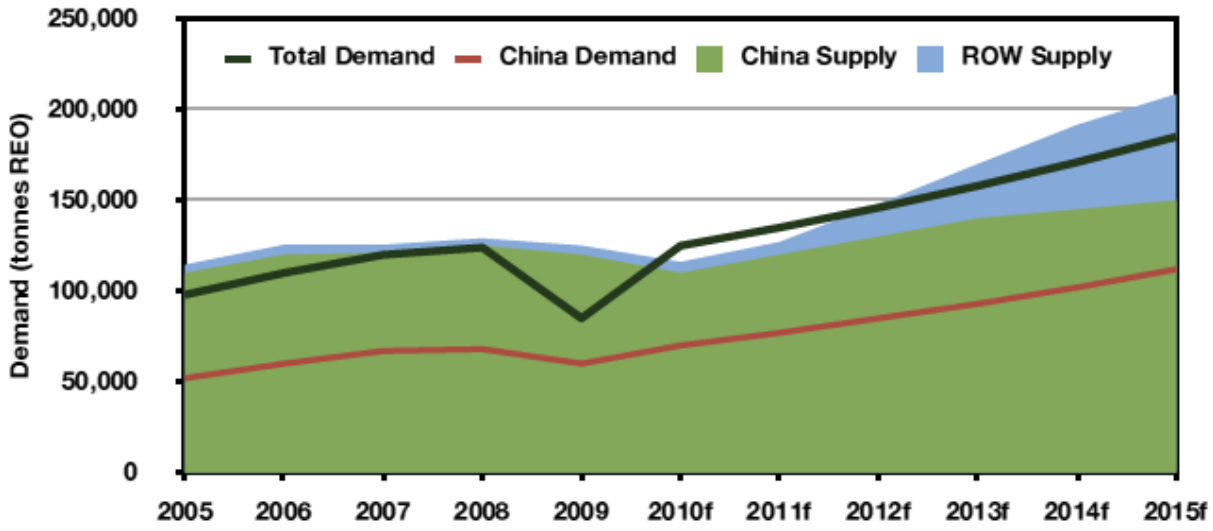
Figure 4: Short- and long-term criticality matrices for selected rare metals



Sources: US Department of Energy, Technology Metals Research

Other government studies in the USA and elsewhere have also identified REEs as being susceptible to supply risk. A recent report by the European Union ranked REEs as being at the highest degree of supply risk out of 41 different materials reviewed. There is also growing concern in the Washington, DC regarding the vulnerability of the defense supply chain to the aforementioned issues. Although defense applications for rare earths do not necessarily require significant quantities of REEs, the components and devices that do use them are critical to the functionality of a wide variety of weapons platforms and other supporting technologies. This has led to significant activity in the US Congress in the past two years, in the form of various pieces of proposed legislation, to create new policies that would reduce dependency on China as a source of supply.

Figure 5: Forecasted global supply & demand for rare earths



Sources: IMCOA, Technology Metals Research

The Overall Outlook for REE Supply and Demand

Figure 5 shows an estimate of the overall supply and demand situation for REEs, looking out to 2015. It would suggest that in the short term, there are potential short falls of some REEs as global demand increases, and the rest-of-the-world supply sources catch up in terms of being able to match the shortfall. However, as previously noted (see Figure 4 and Table 6), there are projected deficits with respect to certain of the critical REEs including Nd, Eu, Tb and Dy to 2015.

Additional uncertainties come in the form of future policies from China relating to export quotas. There have even been suggestions that overall production in China will be significantly lower than previously predicted. In the early part of 2011, a representative of the Chinese Society of Rare Earths went on record to say that by their estimates, China's REE production would be held to approximately 100 ktpa by 2015. This would be in line with existing production quotas that have been put in place in China in the last couple of years. It would mean, however, that China would move from being primarily on the sell side of the industry, to becoming a buyer of materials from outside of China, to meet the growing internal demand for these materials.

It is too early to say if this "sell side to buy side" approach will become the official policy of the authorities in China, but at the very least, it indicates that the data for Chinese supply in Figure 5 is likely to be a best-case scenario only.

Rare Earth Pricing

Historical Pricing of Rare Earth Oxides

Table 7 shows the average annual pricing for a range of REOs from 2002-2009. The price differential between LREOs such as oxides of La, Ce and Nd and those of HREOs such as oxides of Eu, Dy and Tb should be apparent. This is as a result of their scarcity, and the steady increase in demand for these REOs in a range of end-use applications. As the global recession began to affect manufacturing into 2009, the prices for the more valuable REOs saw declines at this time. Note that markets for Ho, Er, Tm, Yb and Lu are not clearly established and prices for these REEs are currently unreliable. Future supply and demand dynamics could establish a more reliable market for these metals.

Table 7 Average annual pricing of select rare earth oxides: 2002-2010 (US$ / kg)

		2002	2003	2004	2005	2006	2007	2008	2009	2010	CAGR
LREOs	La_2O_3	1.85	1.51	1.60	1.57	1.76	3.01	7.95	5.89	19.92	**34.6%**
	CeO_2	2.03	1.68	1.57	1.40	1.49	2.46	4.35	4.16	21.75	**34.5%**
	Pr_6O_{11}	3.87	4.09	7.44	8.29	13.58	26.74	26.92	15.07	42.67	**35.0%**
	Nd_2O_3	4.33	4.26	5.64	7.38	14.79	28.88	27.22	15.29	45.58	**34.2%**
HREOs	Eu_2O_3	-	239.9	292.3	277	239.1	299.6	469.5	463.7	549.2	**12.6%[1]**
	Tb_4O_7	-	170	341	311.4	456.2	553.9	658.8	352.1	526.3	**17.5%[1]**
	Dy_2O_3	19.71	15.55	30.78	41.47	69.38	82.54	112.1	104.7	225.5	**35.6%**
	Y_2O_3	-	-	-	-	4.01	6.87	15.28	13.54	26.8	**60.8%[2]**

For 99% REO content (99.999% for Y2O3) FOB China. 1: CAGR 2003-2010; 2: CAGR 2006-2010.

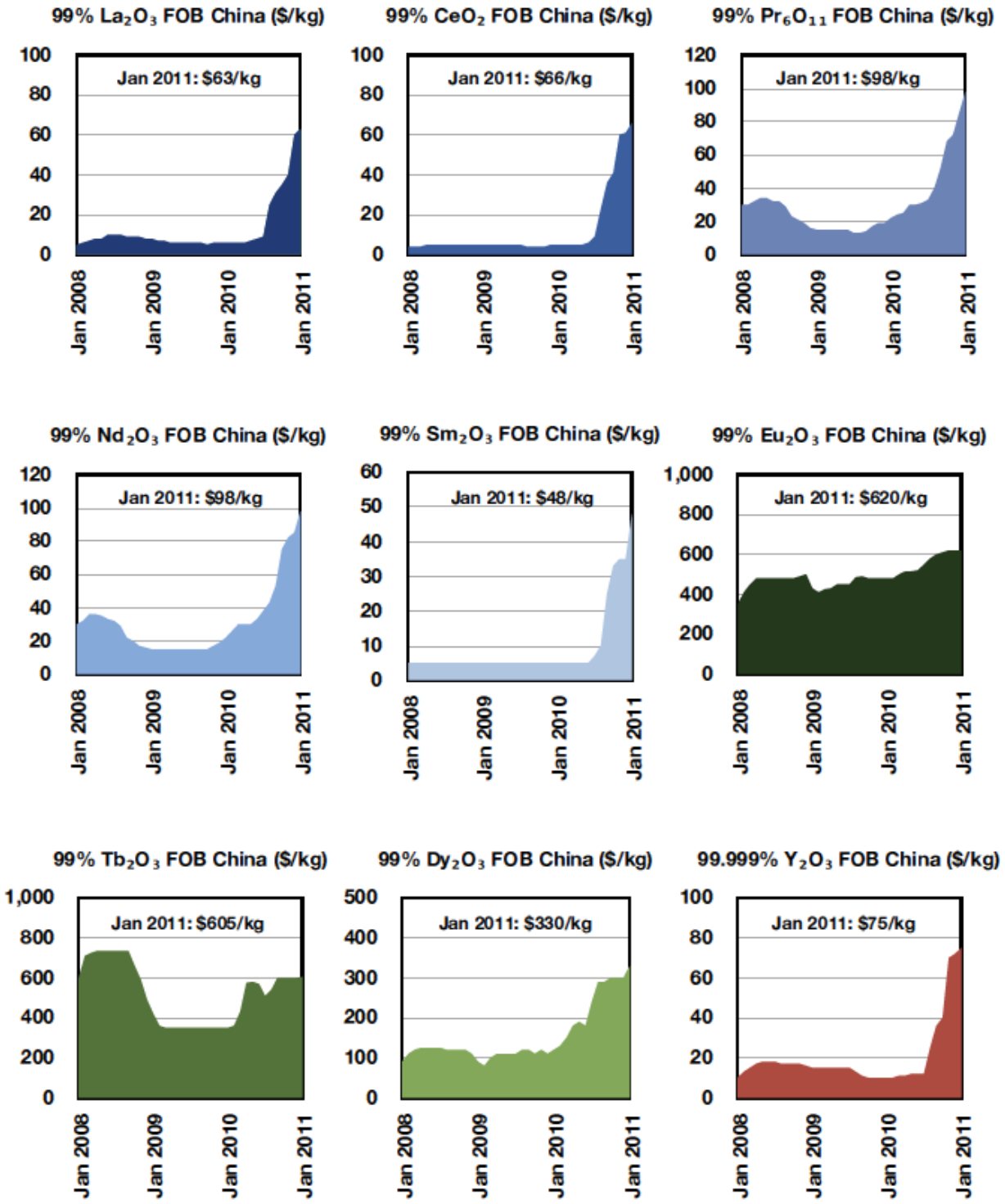
Sources: Roskill, Metal Pages, Technology Metals Research

Recent Price Trends for Rare Earths Oxides

As previously mentioned in "*The Rare Earths Market - Rare Earth Supply Drivers*", above, the imposition of a larger-than-expected reductions in Chinese export quotas in the summer of 2010, saw the beginning of significant price increases for all REOs exported from China. The increases were most notable with the LREOs (in some cases by over 1,000% within six months). LREOs are historically lower-value materials than HREOs, and because of the quota limits, Chinese traders preferred to sell HREOs if they could, in order to maximize profits. The underlying base price for the LREOs actually remained largely unchanged in this period; the traders imposed significant surcharges on top of those prices, resulting in the overall price increases.

The price charts in Figure 6 show the recent prices for nine of the most widely traded REOs. Pricing for these materials is hard to come by, since they are not traded on exchanges, nor do they have official list prices. The data used by services such as Metal Pages and Asian Metal are composites of reported transactions.

Figure 6: Recent pricing data for select rare earth oxides



Sources: Metal Pages, Asian Metal, industry sources, Technology Metals Research

Table 8 Average monthly pricing of select rare earth oxides: 2010-Jan 2011 (US$ / kg)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan [1]
LREOs	La_2O_3	6	6	6	6	7	8	9	25	31	35	40	60	63
	CeO_2	5	5	5	5	5	6	9	23	36	41	60	61	66
	Pr_6O_{11}	22	24	25	30	30	31	33	40	52	68	72	85	98
	Nd_2O_3	22	26	30	30	30	33	38	43	53	75	82	85	98
	Sm_2O_3	5	5	5	5	5	5	7	10	25	33	35	35	48
HREOs	Eu_2O_3	480	480	500	515	515	520	550	580	600	610	620	620	620
	Gd_2O_3	7	8	8	8	8	7	10	28	41	43	44	44	58
	Tb_4O_7	350	360	430	575	580	570	510	540	600	600	600	600	605
	Dy_2O_3	120	130	150	180	190	180	240	290	290	300	300	300	330
	Y_2O_3	10	10	11	11	12	12	12	25	36	40	70	72	75

For 99% REO content (99.999% for Y2O3) FOB China. 1: 2011.

Sources: Metal Pages, Asian Metals, industry sources, Technology Metals Research

Table 8 shows the monthly average price for 2010 and the first month of 2011.

Future Price Trends for Rare Earth Oxides

Given the ongoing tightness in the supply of REEs in the short term, it is likely that prices will continue to increase for most REEs, until additional sources of supply start to come on-stream in 2011 and 2012. Additional price spikes may be caused by new, particularly restrictive export-quota announcements from China in this period.

Once the additional sources of supply come on-stream, it is likely that prices for LREEs such as La and Ce will begin to fall, and to stabilize at a new level. For Nd and Pr, however, given the likely future demand for REPMs, it is entirely possible that prices for these REEs will not fall significantly from the levels that they reach in 2012-13.

For the HREEs such as Dy and Tb, prices are likely to remain significantly higher than recent historical levels, given the fact that few new sources of supply for these materials will be available before 2015.

Due to the sensitivity of REE pricing to geopolitical and other factors, it is entirely possible that unforeseen actions on the part of the Chinese authorities, or other entities, could have a significant effect on future pricing, and until several new sources of supply come on-stream, prices and price trends are likely to remain volatile.

New Rare Earth Projects

Overview of New Rare Earth Projects

Five years ago, there were perhaps 6 to 8 junior exploration and development companies in the REE sector outside of China. At the beginning of 2011, there were almost 200 such companies, working on over 300 rare earths projects at various stages of development, located in over 30 countries of the world outside of China. Many of these projects are at very early stages of development, and given the nature of this sector, the vast majority will not come to fruition. Once a significant mineral resource has been found and defined, it may be 6 to 8 years before the project will come on-stream, assuming it is able to overcome a number of obstacles and challenges along the way.

Projects dominated by LREEs tend to have richer material grades and potentially lower initial processing costs than those with significant HREEs present. Projects dominated by HREEs, if they come to fruition, are likely to produce higher revenues from the separated REOs that they can produce, compared to LREE-dominant projects, because of the higher values of the HREEs present. Costs of production will vary significantly depending on the mineralogy of any given project, the infrastructure and logistics required to potentially process the materials, and a host of other factors.

Leading Rare Earth Exploration and Development Projects

Out of the hundreds of currently active projects, there are a number of that have been under development for some time. Some are primary sources of rare earths, while others, if they come into operation, will produce rare earths either as byproducts of other metals processing, or have other metals of value in their defined resource.

One indication of the maturity of an exploration project is whether or not it has a properly defined mineral resource estimate, which complies with the NI 43-101 guidelines, the Australian Joint Ore Reserves Committee code or other internationally recognized standard. These are instruments that have been put in place to ensure that the quantification of the mineral resources and reserves is completed to a minimum standard.

There are a number of projects that appear to be close to publishing compliant mineral-resource estimates, have already done so, or have gone beyond mineral-resource estimates and have defined mineral reserves. Mineral reserves are estimates that describe those parts of the mineral resource that could be mined economically at the time of the estimate. There are only a couple of projects that have either historically been mined and are close to coming back into production (such as the Mountain Pass mine in California), or are in the process of coming on-stream after conducting initial mining campaigns (such as Mount Weld in Western Australia).

Table 9 lists a selection of the advanced rare earths exploration and development projects, currently underway outside of China. The projects listed here either have compliant mineral-resource estimates, have been mined in the past and for which reliable data is available, or both. All will face their own infrastructure, mining and processing challenges. There are of course no guarantees that any one of them will reach the full development stage, but this list likely contains the new sources of supply that will come on-stream in the next 5 to 10 years.

Table 9 Leading rare earth projects currently underway outside of China

Project	Location	Owner(s)	Resource Estimate	REEs or Polymetallic [1]	Development Stage [2]
Mount Weld	Australia	Lynas Corporation Ltd.	per JORC	REEs	Construction
Mountain Pass	USA	Molycorp, Inc.	per 43-101	REEs	Construction
Dubbo	Australia	Alkane Resources Ltd.	per JORC	Polymetallic	Pilot plant
Nolan's Bore	Australia	Arafura Resources Ltd.	per JORC	Polymetallic	Pilot plant
Nechalacho	Canada	Avalon Rare Metals Inc.	per 43-101	Polymetallic	Pre-feasibility study
Steenkampskraal	South Africa	Great Western Minerals Group Ltd.	Historical	REEs	Pre-feasibility study
Bear Lodge	USA	Rare Element Resources Ltd.	per 43-101	REEs	PEA
Kvanefjeld	Greenland	Greenland Minerals & Energy Ltd.	per 43-101	Polymetallic	PEA
Strange Lake	Canada	Quest Rare Minerals Ltd.	per 43-101	Polymetallic	PEA
Cummins Range	Australia	Navigator Resources Ltd.	per JORC	Polymetallic	Resource defined
Hoidas Lake	Canada	Great Western Minerals Group Ltd.	per 43-101	REEs	Resource defined
Kangankunde	Malawi	Lynas Corporation Ltd.	per JORC	REEs	Resource defined
Kutessay II	Kyrgyzstan	Stans Energy Corp.	Historical	REEs	Resource defined
Norra Karr	Sweden	Tasman Metals Ltd.	per 43-101	Polymetallic	Resource defined
Sarfartoq	Greenland	Hudson Resources Inc.	per 43-101	Polymetallic	Resource defined
Zandkopsdrift	South Africa	Frontier Rare Earths Ltd.	per 43-101	REEs	Resource defined
Zeus	Canada	Matamec Explorations, Inc.	per 43-101	Polymetallic	Resource defined

1: Polymetallic - projects where economics are likely dependent upon recovery of other metals in addition to REEs.
2: Reflects last apparent completed stage. PEA - Preliminary Economic Assessment.

Source: Technology Metals Research, company reports

Table 10 shows the distribution of REOs within each of the advanced rare earths projects outside of China, based on company estimates. It can be seen that the distribution varies widely across the various projects, a reflection of the variety of mineral occurrences, and the distribution of REOs within then. In order to ascertain an in-situ valuation of these deposits however, it is important to know the actual concentrations of each individual REO, and other contained metals of potential economic significance. Table 11 shows the grade of REOs within each of the advanced rare earths projects outside of China.

Based on the industry norm of considering deposits with ratios of HREO: (HREO+LREO) > 10% to be 'HREE-enriched', a number of these projects would be considered to be HREE-enriched, with Norra Karr, Kutessay II and Strange Lake being the most HREE-enriched deposits.

Table 10: Relative distribution (percent) of rare-earth oxides within leading rare-earth projects outside of China

	La_2O_3	CeO_2	Pr_6O_{11}	Nd_2O_3	Sm_2O_3	Eu_2O_3	Gd_2O_3	Tb_4O_7	Dy_2O_3	Ho_2O_3	Er_2O_3	Tm_2O_3	Yb_2O_3	Lu_2O_3	Y_2O_3	TREO
Bear Lodge	31.3	47.2	4.1	11.9	2.3	0.6	1.2	0.2	0.4	0.0	0.1	0.0	0.0	0.0	0.8	100
Cummins Range	26.9	46.8	4.8	15.7	1.9	0.4	1.1	0.0	0.5	0.0	0.0	0.0	0.0	0.0	2.0	100
Dubbo	19.6	36.9	4.0	14.1	2.2	0.1	2.2	0.3	2.0	0.4	1.2	0.2	1.0	0.2	15.8	100
Hoidas Lake	20.4	46.6	6.0	20.6	2.7	0.5	1.2	0.1	0.4	0.0	0.2	0.0	0.1	0.0	1.2	100
Kangankunde	29.8	49.7	4.7	14.0	1.1	0.2	0.4	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	100
Kutessay II	9.4	25.9	3.3	8.8	3.9	2.6	2.8	1.2	6.5	1.2	5.0	0.1	1.8	0.1	27.8	100
Kvanefjeld	27.5	42.0	4.2	12.9	1.6	0.1	1.1	0.2	1.1	0.2	0.6	0.1	0.5	0.2	7.7	100
Mount Weld	25.1	45.0	4.9	17.2	2.4	0.6	1.5	0.2	0.6	0.1	0.2	0.0	0.1	0.0	2.1	100
Mountain Pass	33.2	49.1	4.3	12.0	0.8	0.1	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1	100
Nechalacho	17.1	39.5	4.9	19.2	3.8	0.5	3.1	0.4	1.8	0.3	0.8	0.1	0.6	0.1	7.8	100
Nolans Bore	19.7	47.5	5.8	21.2	2.4	0.4	1.0	0.1	0.3	0.1	0.1	0.0	0.1	0.0	1.3	100
Norra Karr	9.9	21.5	2.8	10.9	2.2	0.4	3.3	0.7	4.8	1.1	3.3	0.6	3.1	0.4	35.0	100
Sarfartoq	21.0	50.0	5.8	19.1	1.9	0.4	1.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.3	100
Steenkampskraal	21.6	46.6	5.0	16.7	2.5	0.1	1.6	0.1	0.7	0.1	0.1	0.1	0.1	0.0	5.0	100
Strange Lake	13.2	27.4	3.0	10.7	2.6	0.2	2.7	0.6	4.1	0.9	2.8	0.5	2.9	0.4	28.1	100
Zandkopsdrift	25.4	44.2	4.6	15.7	2.3	0.6	1.4	0.2	0.8	0.1	0.3	0.0	0.2	0.0	4.1	100
Zeus	14.1	28.8	3.5	13.5	3.1	0.4	3.1	0.4	3.5	0.8	2.7	0.7	2.7	0.4	22.1	100

(may not add to 100% due to rounding)

Sources: Technology Metals Research, company reports

Table 11: Material grades (percent) of rare-earth oxides within leading rare-earth projects outside of China

	La_2O_3	CeO_2	Pr_6O_{11}	Nd_2O_3	Sm_2O_3	Eu_2O_3	Gd_2O_3	Tb_4O_7	Dy_2O_3	Ho_2O_3	Er_2O_3	Tm_2O_3	Yb_2O_3	Lu_2O_3	Y_2O_3	HREO	TREO	H:T [1]
Bear Lodge	1.08	1.83	0.14	0.41	0.08	0.02	0.04	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.03	0.11	3.45	3.3%
Cummins Range	0.46	0.80	0.08	0.27	0.03	0.01	0.02	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.03	0.07	1.72	4.0%
Dubbo	0.17	0.33	0.04	0.13	0.02	0.00	0.02	0.00	0.02	0.00	0.01	0.00	0.01	0.00	0.14	0.21	0.89	23.3%
Hoidas Lake	0.49	1.12	0.14	0.49	0.07	0.01	0.03	0.00	0.01	0.00	0.01	0.00	0.00	0.00	0.03	0.09	2.40	3.7%
Kangankunde	1.26	2.11	0.20	0.59	0.04	0.01	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	4.24	0.7%
Kutessay II	0.03	0.09	0.01	0.03	0.01	0.01	0.01	0.00	0.02	0.00	0.02	0.00	0.01	0.00	0.09	0.17	0.34	48.7%
Kvanefjeld	0.29	0.45	0.05	0.14	0.02	0.00	0.01	0.00	0.01	0.00	0.01	0.00	0.01	0.00	0.08	0.13	1.07	11.8%
Mount Weld	2.03	3.83	0.40	1.39	0.20	0.05	0.12	0.01	0.05	0.01	0.02	0.00	0.01	0.00	0.17	0.43	8.08	5.4%
Mountain Pass	2.18	3.22	0.28	0.79	0.05	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.04	6.57	0.6%
Nechalacho	0.23	0.54	0.07	0.26	0.05	0.01	0.04	0.01	0.02	0.00	0.01	0.00	0.01	0.00	0.11	0.21	1.36	15.5%
Nolans Bore	0.55	1.33	0.16	0.60	0.07	0.01	0.03	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.04	0.09	2.81	3.3%
Norra Karr	0.05	0.12	0.02	0.06	0.01	0.00	0.02	0.00	0.03	0.01	0.02	0.00	0.02	0.00	0.19	0.29	0.54	52.7%
Sarfartoq	0.32	0.76	0.09	0.29	0.03	0.01	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.03	1.51	2.2%
Steenkampskraal	2.52	5.42	0.58	1.94	0.29	0.01	0.18	0.01	0.08	0.01	0.01	0.01	0.01	0.00	0.58	0.89	11.85	7.7%
Strange Lake	0.13	0.27	0.03	0.11	0.03	0.00	0.03	0.01	0.04	0.01	0.03	0.01	0.03	0.00	0.28	0.43	1.00	43.2%
Zandkopsdrift	0.55	0.96	0.10	0.34	0.05	0.01	0.03	0.00	0.02	0.00	0.01	0.00	0.00	0.00	0.09	0.17	2.16	7.8%
Zeus	0.03	0.07	0.01	0.03	0.01	0.00	0.01	0.00	0.01	0.00	0.01	0.00	0.01	0.00	0.05	0.09	0.24	36.9%

1: H:T = ratio of HREO : TREO as a percentage (TREO = LREO + HREO).

Sources: Technology Metals Research, company reports

BACKGROUND INFORMATION ON NAMIBIA

The following is an overview of Namibia and a summary of the Namibian legal and regulatory environment in which the Company operates.

Overview

The Republic of Namibia is a vast, sparsely populated country (population estimated at 2.1 million) situated along the south Atlantic coast of Africa between 17 and 29 degrees south. With its surface area of 824,268 square kilometres, Namibia is the 31st largest country in the world. It stretches for about 1,300 kilometres from south to north and varies from 480 to 930 kilometres in width from west to east. Namibia, previously known as South West Africa, is bordered by South Africa in the south, Angola and Zambia in the north and Botswana and Zimbabwe in the east. The oldest desert in the world, the Namib Desert, stretches along the whole west coast of the country, while the Kalahari Desert runs along its southeastern border with Botswana. The country is demarcated into 13 regions, namely the Caprivi, Kavango, Kunene, Omusati, Ohangwena, Oshana and Oshikoto regions in the north, the Omaheke, Otjozondjupa, Erongo and Khomas Regions in the central areas and the Hardap and Karas regions in the south. The capital city is Windhoek.

Namibia was a German colony from 1884 to 1915 after which it was occupied by South Africa during World War I and administered as a mandate until after World War II, when it annexed the territory. In 1966, the Marxist South-West Africa People's Organization ("**SWAPO**") launched a war of independence (mainly along the Angolan - Namibian border) for the area that became Namibia, but it was not until 1988 that South Africa agreed to end its administration in accordance with a UN peace plan for the entire region. Namibia has been governed by SWAPO as a constitutional democracy since the country won independence in 1990. Hifikepunye Pohamba was elected president in November 2004 in a landslide victory replacing Sam Nujoma who led the country during its first 14 years of self rule. Pohamba was re-elected in November 2009.

Namibian Mining Law

In Namibia, all mineral rights are vested in the state. The *Minerals (Prospecting and Mining) Act* of 1992 regulates the mining industry in the country. Policy has been designed to facilitate and encourage the private sector to evaluate and develop mineral resources. The Mining Rights and Mineral Resources division in the Directorate of Mining is usually the first contact for investors, as it handles all applications for and allocation of mineral rights in Namibia. Several types of mining and prospecting licences exist, each of which is outlined briefly below:

Non Exclusive Prospecting Licences

Valid for 12 months, these licences permit prospecting non-exclusively in any open ground not restricted by other mineral rights. Prospectors must furnish the Mining Commissioner details of all samples removed from a non exclusive prospecting licence area.

Mining Claims

Mining claims, which are reserved for Namibian citizens or entities wholly-owned by Namibian citizens, may be pegged and registered for areas of 300 by 600 metres. Mining claims are granted for a maximum period of three years, but may be renewed. They entitle the holder to conduct mining activities and to sell the minerals won. Mining claims serve the needs of small miners who are Namibian citizens.

Exclusive Reconnaissance Licences

These licences allow the holder an exclusive and preferential right over an area, to a maximum size of two one-by-one degree squares, for six months. Exclusive reconnaissance licences are generally non-renewable and non-transferable, though they may be renewable under special circumstances. Fees are N$500 per quarter degree square or part thereof. The holder is obliged to keep all relevant prescribed records and submit at the end of the term a report setting out an evaluation of the prospects in the area, and other geological data and information, along with expenditures and other financial declarations.

Exclusive Prospecting Licence

Individual Exclusive Prospecting Licences can cover areas not exceeding 1,000 square kilometres (100,000 hectares) and are valid for three years, with two renewals of two years each. No further renewals are possible unless the Minister of Mines and Energy ("**Minister**") deems this desirable in the interests of the

development of the mineral resources of Namibia. See "*Background Information on Namibia - Ordinary Term of and Renewal of Exclusive Property Licence*". Two or more Exclusive Prospecting Licences can be issued for more than one mineral in the same area. A geological evaluation and work plan (including estimated expenditure commitments) along with an environmental impact assessment report are a prerequisite prior to the issuance of the licences. The Exclusive Prospecting Licence holder must submit quarterly and annual reports. Fees are N$1,000 per 10,000 hectares or part thereof, subject to a minimum of N$2,000.

Mineral Deposit Retention Licences

These licences allow successful prospectors to retain rights to mineral deposits which are uneconomical to exploit immediately. Mineral deposit retention licences' are valid up to five years and can be renewed for a period not exceeding two years, subject to limited work and expenditure obligations. Fees are N$5,000 per year.

Mining Licences

Mining Licences can be awarded to Namibian citizens and companies registered in Namibia. They are valid for the life of mine or an initial 25 years, renewable up to 15 years at a time. Applicants must have the financial and technical resources to mine effectively and safely.

Prior to an Exclusive Prospecting Licence being issued, all applicants are required to complete an environmental contract with the Department of Environment and Tourism. Environmental impact assessments and environmental management plans must be prepared and be submitted with respect to air pollution, dust generation, water supply, drainage/waste water disposal, land disturbance and protection of fauna and flora for all mineral licences. In practice, Exclusive Prospecting Licence holders are expected to follow the environmental contract they signed with the government. Namibia (Pty) has an environmental contract for each one of its Exclusive Prospecting Licences, except for the recently granted ones. Namibia (Pty) is in the process of having these environmental contracts executed.

Detailed quarterly and annual reports on all relevant aspects of operations must be submitted. Fees are N$1,000 in respect of a mine earning gross annual revenues of up to N$10 million, and N$5,000 for revenues in excess of N$10 million.

Taxable income derived from mining of a mineral or substance other than diamonds, or from services rendered in connection with such mining on behalf of any person licences to conduct such mining operations, is taxed at a flat rate of 37.5%. Corporate tax of 35% applies to taxable income from non-mining activities. Allowable tax deductions for mining companies are as follows:

- all pre-production exploration expenditures are fully deductible in the first year of production;
- subsequent exploration expenditures are not ring fenced and are fully deductible in the year they occur, so that profits from existing operations can be used to fund exploration in any part of the country;
- initial and subsequent development costs (including start-up capital and loan finance) are fully deductible in equal instalments over three years; and
- contributions to a fund for restoring the environment are fully deductible.

Royalties to the State Revenue Fund are payable on exports of certain rough or semi processed minerals:

- 10% on rough and uncut precious stones;
- 5% on rough or unprocessed dimension stone; and
- royalties currently ranging between 2% to 6% on other minerals.

In December 2009, Namibia established a state-owned mining company, Epangelo Mining Company (Pty) Ltd., to take part in the country's exploration and mining industry, with the intent of looking at all strategic minerals including diamonds, uranium, gold and copper. Initial funding will come from the government but various private and state-owned mining companies have apparently asked to partner with the new organization.

Ordinary Term of and Renewal of Exclusive Prospecting Licences

As noted above, an Exclusive Prospecting Licence may be issued for an original period not exceeding three years, and may subsequently be renewed for not more than two periods of two years each. No further renewals are possible unless the Minister deems this desirable in the interests of the development of the mineral resources of Namibia.

Although it is not known what criteria the Minister applies to decide whether a third or further renewal of an Exclusive Prospecting Licence is in the interests of the development of the mineral resources of Namibia, it is not likely that the Minister would refuse a third renewal of an exclusive prospecting licence if:

(a) the Exclusive Prospecting Licence is in good standing with the Ministry of Mines and Energy in Namibia, specifically in relation to all required filings and returns; and

(b) the licence holder:

  (i) is not in breach of any of the licence conditions and, more specifically, has complied with its obligations under the work programme and incurred all the agreed exploration expenditures on the basis of which the licence (or its respective renewal) was granted;

  (ii) is able to provide reasons why further prospecting operations are necessary;

  (iii) is able to show that it has the technical and financial capabilities and resources to continue the prospecting operations; and

  (iv) the exploration results reported to the Minister are not indicative that there is no substantial mineral resource which may economically be mined in the future.

USE OF PROCEEDS

The net proceeds to be received by the Company from the Offering are estimated to be approximately $22,500,000 after deduction of the Agents' Commission and estimated expenses of the Offering. The Company intends to use approximately $13.4 million of the net proceeds from the Offering to undertake the recommended work programmes to advance the Lofdal Rare Earths Project and the Company's prospecting rights portfolio, including those prospecting rights for which applications have been submitted, and to use the balance for general corporate purposes and working capital requirements. The Company expects to use the net proceeds of the Offering as follows:

NI 43-101 Proposed Work Program	
Phase I	
(Initial drilling, NI 43-101 compliant mineral resource, preliminary economic assessment)	$6,399,250
Phase II	
(NI 43-101 reserves and feasibility study)	6,996,000
Operating Costs	
Company Operating Costs	3,520,000
Unallocated[(1)]	
New prospecting/exploration	200,000
General Working Capital	5,384,750
Total Net Proceeds	$22,500,000

Note:

(1) These funds will be available to finance additional activities including, but not limited to, further exploration and resource evaluation work on the Lofdal Rare Earths Project including contiguous Exclusive Prospecting Licences; exploration and evaluation of other Exclusive Prospecting Licences held by Namibia (Pty) in Namibia; evaluation and acquisition of any new rare earths project opportunities that may be identified; and for general working capital purposes of the Company.

If the Over-Allotment Option is exercised in full, the Company expects to receive total net proceeds of approximately $26,025,000 after deduction of the Agents' Commission of $1,725,000 and the estimated expenses of the Offering of $1,000,000. The additional net proceeds will be allocated in such amounts as may be determined by the Company for additional acquisitions, exploration and development work or general working capital.

The Company intends to use the majority of the net proceeds of the Offering to implement a phased approach towards the development of the Lofdal Rare Earths Project as recommended in the Technical Report. Phase I of the program, with a budget of $6.4 million, is expected to take 12 months and will be directed at continued exploration and delineation of NI 43-101 compliant mineral resources within the priority targets already identified. Based on the successful outcome of Phase I, the Company would move to Phase II, with the objective of delineating a NI 43-101 compliant mineral reserve and completing a feasibility study. Phase II has a budget of $7 million and is expected to take 18 months.

The Company had negative operating cash flow for the period ended November 30, 2010 and expects that it will continue to have negative operating cash flow in the immediate future. The net proceeds raised under the Offering are expected to fund operations for a period of at least 24 months, including the recommended exploration and development programme of the Lofdal Rare Earths Project. See "*The Lofdal Rare Earths Project - Exploration and Development Recommendations*".

While the Company currently anticipates that it will use the net proceeds of the Offering as described above, it may re-allocate the net proceeds from time to time depending upon changes in business conditions prevalent at the time. Pending their application in the manner described above, the Company intends to invest the net proceeds in short-term, interest-bearing securities such as government securities and other highly rated investment grade securities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis ("**MD&A**") of financial conditions and results of operations is current as of the date of this prospectus and provides an analysis of the Company's financial results and progress. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto, which are included in this prospectus.

The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Actual results of the Company could differ materially from those discussed in such forward-looking statements as a result of these risks and uncertainties, including those set forth in this prospectus under the headings *"Risk Factors"* and *"Notice to Investors - Forward-Looking Statements"*.

This MD&A has been prepared in accordance with Canadian generally accepted accounting principles for the years ended November 30, 2009 and 2010.

Overall Performance

The Company is engaged in the exploration for rare earths elements in Namibia through its 100% owned subsidiary, Namibia (Pty). Since incorporation in 2004, Namibia (Pty) has established a presence in Namibia and has applied for and been granted a number of Exclusive Prospecting Licences.

The major focus of the Company's activity has been in relation to the Lofdal Rare Earths Project, which comprises an Exclusive Prospecting Licence ("**EPL 3400**") located approximately 450 kilometres northwest of the capital city of Windhoek and 25 kilometres northwest of the town of Khorixas in the Kunene Region of north-western Namibia. The Lofdal Rare Earths Project property covers a total area of 74,000 ha centered on the Lofdal carbonatite complex, a regional geological feature known to be associated with numerous occurrences of rare earths mineralization hosted by carbonatitic dykes, dyke swarms and to a lesser extent by intrusive plugs. EPL 3400, which provides for mineral rights to base metals, rare metals, precious metals and industrial minerals, was originally granted in November 2005 with a surface area of 99,900 ha and has been renewed twice with a reduction in surface area to 74,000 ha. The current licence is valid until the next scheduled renewal on November 14, 2012. Licence renewals after the first two are subject to ministerial discretion. See "*Background Information on Namibia – Ordinary Term of and Renewal of Exclusive Prospecting Licences*".

Lofdal Rare Earths Project

The first systematic exploration for rare earths over Lofdal was initiated by Namibia (Pty) in 2008 and since that time exploration results have demonstrated the occurrence of rare earths mineralization on a district scale. The project remains in an exploration stage with no identified mineral resources; however, the substantial geological, geochemical and geophysical data collected to date indicate that there is a high potential to discover a potentially

economic rare earths deposit within the 125 square kilometre area that is occupied by the Lofdal carbonatite complex.

In the fall of 2010, the Company completed the first comprehensive trenching and diamond drilling program on the property over a selected carbonatite dyke known as the 2B zone to produce a NI 43-101 compliant report, for which consultants SGC and GeoAfrica were retained. A summary of the Technical Report is contained in this prospectus under *"The Lofdal Rare Earths Project"* and a full copy is available for review on SEDAR at www.sedar.com.

Other Prospecting Rights

The Company, through Namibia (Pty), holds mineral rights, or has applications pending, on nine Exclusive Prospecting Licences in Namibia (including EPL 3400). While the Company's focus is clearly on rare earths, certain of these Exclusive Prospecting Licences hold potential for other commodities which will be evaluated in conjunction with the exploration commitments related to these other permits.

Funding of the Company's Activities

The Company is involved in exploration and evaluation and as such has not generated any revenue in the period under review. Expenditures incurred by the Company have increased significantly as exploration and evaluation at Lofdal has progressed. During the period under review, the Company has financed its activities through advances from related parties and a private placement. On April 30, 2010, the related parties converted their advances to date of $6,949,045 into 30,000,000 Shares. In the summer and fall of 2010, the Company completed a private placement equity financing for gross proceeds of $5,405,000 to fund ongoing exploration and administration costs. Further details on the related party advances and private placement are provided below in the "*Management's Discussion and Analysis of Financial Conditions and Results of Operations -Liquidity*" and " *Management's Discussion and Analysis of Financial Conditions and Results of Operations -Transactions with Related Parties*" sections. These sources of funding have allowed the Company to undertake the necessary work to complete the Technical Report. The expenditures incurred by the Company have increased significantly year-on-year through the period under review as the scale and speed of exploration at Lofdal has progressed. The Board recognizes that the financing requirements for the next stage of development of the Lofdal Rare Earths Project are such that further external sources of capital are required, and it is in that context that the Board has decided that an initial public offering is in the best interests of the Company.

The net proceeds raised under the Offering of $22,500,000 are expected to fund operations for at least 24 months. The principal expenditure will be on the Lofdal Rare Earths Project, based on the work programme recommended in the Technical Report and related project costs, the cost of which is estimated to be $6,399,250 for Phase I and $6,996,000 for Phase II. This will be classified as exploration and development expenditure and is expected to be capitalized. In addition, operating costs for the Company for 2 years are expected to be approximately $3,520,000. The balance of the net proceeds raised of approximately $5,584,750 is currently expected to be applied to other Exclusive Prospecting Licence work programs in Namibia, other opportunities, and to general working capital.

Selected Annual Information

	Years Ended November 30		
	2010 **$**	**2009** **$**	**2008** **$**
Revenue	Nil	Nil	Nil
Net Loss	(394,896)	(2,138,037)	(108,235)
Basic and diluted loss per share	(0.01)	(0.07)	(0.00)
Total deferred exploration expenditures and property costs	5,828,072	3,840,650	4,658,212
Total assets	9,763,823	4,120,263	4,986,596

The increase in total assets from 2009 to 2010 reflects the increased exploration expenditure on the Lofdal Rare Earths Project and the private placement financing completed by the Company in 2010. The decrease in total assets from 2008 to 2009, and the significant net loss in 2009, reflects the write-down of mineral properties for which the Company terminated certain option agreements.

Results of Operations

The Company commenced its exploration activities in 2005 with the application for various prospecting rights in Namibia. As the Company's projects have all been at the exploration and evaluation stage, it generated no revenue from operations during the period under review.

Income Statement

The table below summarises the income statement for periods under review.

Summary of income statement

	Years Ended November 30		
	2010	**2009**	**2008**
	$	**$**	**$**
Revenue	Nil	Nil	Nil
Administration expenses	(396,551)	(23,930)	(39,282)
Foreign exchange gain (loss)	(870)	6,129	(30,582)
Write-down of mineral properties	-	(2,080,036)	(14,258)
Other expenses (net)	2,525	(40,200)	(24,113)
Net loss and comprehensive loss	(394,896)	(2,138,037)	(108,235)

As the Company has capitalized all exploration and development related expenditures during the period under review, the expenses are primarily administrative. The Company also has write-downs of mineral properties, and the Company's net loss of $2,138,037 in 2009 was primarily due to a write-down of mineral properties of $2,080,036. The Company also has foreign exchange gains and losses arising mainly due to variations in the Canadian dollar and the Namibian dollar nominal noon exchange rate during the period, as certain of the Company's expenditures are paid in Namibian dollars, while the Company's functional and reporting currency is the Canadian dollar.

The Company has maintained its operating costs at a low level over the period with the majority of the expenditures incurred in Namibia related to the development of EPL 3400 and therefore capitalized. In 2010, the Company's operating expenses increased as the Company began to put in place internal structures appropriate for a publicly listed entity and incurred expenditures relating to the Company's proposed initial public offering.

See "*The Lofdal Rare Earths Project*" and "*Use of Proceeds*" for a discussion of the Lofdal Rare Earths Project and related budgets.

Balance Sheet

The table below summarizes the Company's balance sheet as at the dates specified below.

Summary of balance sheet

	As at November 30		
	2010	**2009**	**2008**
	$	**$**	**$**
Cash	3,664,429	72,322	20,906
Accounts receivable	142,264	19,411	62,747
Deposits and prepaid expenses	1,665	1,638	-
Property, plant and equipment	127,393	186,242	245,091
Mineral properties and related deferred costs	5,828,072	3,840,650	4,658,213
Accounts payable and accrued liabilities	(385,744)	(6,738)	(32,239)
Amounts due to related parties	(38,560)	(6,480,075)	(5,183,231)
Capital stock	(10,802,985)	(20)	(20)
Warrants	(1,298,000)	-	-
Deficit	2,761,466	2,366,570	228,533

Capitalized expenditures were $1,987,422 in the year ended November 30, 2010 (2009: $1,262,474) and primarily relate to exploration and expenditures on the Lofdal Rare Earths Project.

Intangible mining assets as at November 30, 2010 were $5,828,072 (2009: $3,840,650) and total assets were $9,763,823 (2009: $4,120,263).

Development Strategy

The Company intends to focus the bulk of its activities on accelerating the evaluation and development of the Lofdal Rare Earths Project, with the objective of delineating a mineral resource within the next twelve month period. Provision has been made for the staged development of the project to subsequently complete sufficient work to advance the mineral resource, with a pre-feasibility study or scoping study, to a mineral reserve and to complete a feasibility study. The timing and development of a viable mining operation will be dependent upon the exploration success and achievement of the subsequent milestones.

The outcome of pre-feasibility and feasibility studies and the ultimate prospects for the Company are subject to various risks and uncertainties, including the outcome of further resource development, mineralogical and metallurgical test work, the market price for rare earths elements and the availability of further funding as and when required. See "*Risk Factors*".

Liquidity

The Company's principal asset is at an advanced exploration and evaluation stage and as a result the Company has no current source of operating cash flow. The Company's activities to date have been funded primarily by loans from related parties and partially from proceeds of a private placement financing. The continued exploration and development of the Lofdal Rare Earths Project will depend on the Company's ability to obtain additional financing as and when necessary.

As at November 30, 2010 the Company had cash and cash equivalents of $3,664,429 (2009: $72,322).

Total current assets at November 30, 2010 were $3,808,358 (2009: $93,371).

Total current liabilities at November 30, 2010 were $385,744 (2009: $6,738) excluding advances from related parties of $38,560 (2009: $6,480,075). Advances from related parties were non-interest bearing with no fixed terms of repayment.

The Company had no other contractual obligations at the end of any of the periods under review.

The Company has historically been funded by related parties as required. This expenditure related to the exploration and evaluation of the Lofdal Rare Earths Project and other projects, with the rate of expenditure dictated by the availability of funds. This source of funding has been sufficient historically to meet all working capital requirements and obligations as they came due.

In 2010, the Company completed three tranches of a private placement financing, issuing 10,810,000 Units at a price of $0.50 per Unit, for total gross proceeds of $5,405,000 to fund ongoing exploration and administration costs. See *"Prior Sales"*.

In order to fund the continued development of the Lofdal Rare Earths Project and the business more generally, the Company anticipates completing the Offering by April 14, 2011. The funds expected to be raised as part of the Offering are expected to be sufficient for the working capital requirements of the Company for at least 24 months as set out in this prospectus.

Under the terms of the Agency Agreement, the Company is qualifying the sale of 31,250,000 Shares at the Offering Price. Upon Closing, the net proceeds to the Company are expected to be $22,500,000, after deducting the Company's expenses of the Offering and the Agents' Commission, estimated at $2,500,000. In addition, the Company granted the Agents the Over-Allotment Option, exercisable in whole or in part for 30 days following the Closing, to purchase up to 4,687,500 Additional Shares at the Offering Price. Pursuant to the Agency Agreement, the Company will issue the Broker Warrants, which will entitle the Agents to purchase 6% of the number of Shares sold pursuant to the Offering, exercisable at the Offering Price for a period of 24 months following the Closing.

Capital Resources

The Company's activities to date have been funded by advances from related parties as described in the *"Management's Discussion and Analysis of Financial Conditions and Results of Operations - Overall Performance - Funding of the Company's Activities"* and*" Management's Discussion And Analysis of Financial Conditions and Results Of Operations - Transactions with Related Parties"* sections and by a private placement offering in 2010 as

described in "Prior Sales". In recognition of the increased funding required to develop the Lofdal Rare Earths Project in accordance with the proposed plans, the Board is in the process of preparing for the Offering. The objective of the Offering is to raise the necessary financing to fund the proposed plans for the Lofdal Rare Earths Project and to fund further exploration in the area covered by EPL 3400 and elsewhere.

The Company's financing efforts may be affected by the general economic conditions and volatility in the capital markets. See *"Risk Factors"*.

Off-Balance Sheet Transactions

There are no off-balance sheet transactions.

Transactions with Related Parties

In 2010, the Company paid or accrued $174,805 (2009 and 2008 - $Nil) in salaries and consulting fees to officers, of which $71,453 was charged to loss for the period, $28,900 was charged to share issuance costs, and $74,452 was charged to mineral properties.

From the date of incorporation of Namibia (Pty) to April 30, 2010, ERI funded, through a wholly-owned subsidiary, the mineral property expenditures and administration costs incurred by the Company and its subsidiaries. The advances were non-interest bearing with no fixed terms of repayment.

On April 30, 2010, the total amount owing to ERI by its subsidiaries in regard to rare earths assets of $6,949,045 was exchanged for 30,000,000 Shares. A subsequent private placement financing was completed by the Company with third parties in the summer and fall of 2010 and, as a result, ERI's interest in the Company was diluted. As at November 30, 2010, ERI holds a 73.5% equity interest in the Company.

The Company has a cost sharing arrangement with ERI in which the Company pays a flat fee of $10,000 per month for rent, utilities, personnel and other miscellaneous amounts. From June to November 2010, the Company incurred aggregate fees of $60,000. Prior to June 2010, these costs were absorbed by ERI. In addition, amounts totalling $543,095 for the Company's mineral property expenditures and direct administration costs were advanced by ERI prior to completion of the private placement financing. The advances were non-interest bearing with no fixed terms of repayment. The Company repaid $564,535 of the charges and advances prior to November 30, 2010. The remaining amount of $38,560 was repaid subsequent to year-end.

Subsequent Events

On January 4, 2011, the Company issued an aggregate of 1,081,000 Shares on the exercise of 1,081,000 Y Warrants and on February 28, 2011 issued an aggregate of 2,925,000 Options to be effective as of the Closing exercisable into 2,925,000 Shares at the Offering Price until five years from the Closing Date. The Company has continued to make progress towards the Offering and, subject to overall equity market conditions, the Company expects to complete the Offering by April 14, 2011.

Share Capital

The Company's authorised share capital consists of an unlimited number of Shares without nominal or par value. As of the date of this prospectus, the Company has issued and outstanding 41,891,000 Shares, no Y Warrants and 5,405,000 X Warrants, exercisable into 5,405,000 Shares at $0.75 per Share and expiring July 28, 2012.

On April 26, 2010, the Company adopted the Incentive Stock Option Plan, a copy of which is available on SEDAR at www.sedar.com. As of the date of this prospectus, there are 2,925,000 Options outstanding. See *"Options to Purchase Securities"*.

Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions concerning the future, which, by definition, will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

(a) ***Valuation of mineral properties and related deferred costs***: The value of the Company's mineral properties and related deferred costs is dependent upon the success of the Company in discovering economic and recoverable mineral resources. The estimation of future revenue flows relating to these assets is uncertain and will also be affected by competition, relative exchange rates between the

Canadian dollar and the Namibian dollar and potential new legislation and related environmental requirements.

(b) ***Rehabilitation provisions***: The Company makes estimates of future site restoration costs (rehabilitation provisions) based upon current legislation in Namibia, technical reports and estimates provided by the Company's senior employees and advisors. These estimates will be affected by actual legislation in place, actual mining activity to be performed and actual conditions of the relevant sites when the restoration activity is to be performed in future periods.

(c) ***Impairment testing***: On an annual basis or when impairment indicators arise, the Company evaluates the future recoverability of its mineral property costs. Impairment losses or write downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flows attributable to such assets. Expected future cash flows used to determine the value in use of goodwill, tangible and intangible assets are inherently uncertain and could materially change over time.

(d) ***Useful Life of Property, Plant and Equipment***: The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase recorded operating expenses and decrease non-current assets.

(e) ***Realizable Amount of Deferred Tax Assets***: The Company reviews its deferred tax assets at each balance sheet date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Changes in Accounting Policies

The Company reports under Canadian generally accepted accounting principles. There have been no material changes in accounting policies in the periods under review.

Future Accounting Changes - International financial reporting standards ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will occur for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 for public entities. While IFRS is based on a conceptual framework similar to Canadian GAAP, there are significant differences with respect to recognition, measurement and disclosure which the Company is beginning to assess.

The Company will commence reporting under the new standards for the fiscal year ending November 30, 2012 and the first interim period will be the quarter ending February 28, 2012. The transition will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. The Company's date of transition to IFRS will be December 1, 2010, which is the beginning of the comparative year in the first set of IFRS financial statements.

The conversion project will include four phases: scoping, detailed assessment, implementation and post-implementation. The scoping phase, which is currently underway, includes an initial assessment of the key areas where IFRS transition may have significant impact. The Company will prepare an initial diagnostic of the key areas in which adjustments may be required, recent developments, the transition exceptions and exemptions available under IFRS 1 "First Time Adoption of International Financial Reporting Standards", and the accounting policy choices available to the Company upon adoption.

The detailed assessment phase will involve technical analysis that will result in understanding potential impacts, quantification of alternatives where there are accounting policy choices, detailed analysis and decisions taken regarding IFRS 1 exceptions and exemptions available to the Company and drafting of accounting policies in

accordance with IFRS. This phase will also result in identifying resource and training requirements, processes for preparing financial statements, and identifying financial system requirements.

The implementation phase will involve identifying and carrying out the implementation requirements to effect management's accounting choices, developing sample financial statements, implement business and internal control requirements, calculating the opening balance sheet as at December 1, 2010 and other transitional reconciliations and disclosure requirements.

Post-implementation will involve continuous monitoring of changes in IFRS and continuing to develop and maintain IFRS competencies by addressing training requirements throughout the organization.

Controls and Procedures

The Board has designed or caused to be designed under its supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

Due to the relatively limited number of transactions given the Company's stage of development, the Board relies on senior management for their review and approval and to provide the level of assurance required for financial reporting purposes. The Board will continue to review the Company's controls and procedures to ensure that they are adequate as the Company develops.

There has been no change in the Company's internal control during the period under review.

Financial Instruments and Market Risks

The Company's financial instruments consist principally of cash, amounts receivable, accounts payable and accrued liabilities and advances from related parties. Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The recorded values of all financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The Company may be affected by liquidity risk, exchange rate risks, interest rate risks and commodity price risk. Liquidity risk arises as the Company has historically been funded by related parties and there is no assurance that it can raise the capital required to maintain liquidity. Exchange rate risk arises as the Company's functional currency is the Canadian dollar while the majority of expenditures are denominated in Namibian dollars and its ultimate revenue is likely to be denominated in United States dollars. Interest rate risk is currently not a material risk as the Company does not currently have any interest-bearing liabilities. Commodity price risk arises as the Company's ultimate revenue will be determined by the prices available for the various rare earths when and if the Lofdal Rare Earths Project enters production.

The Company does not undertake any hedging activities to mitigate these risks at this point. The Board will continue to monitor the situation and will consider various options to mitigate these risks as it deems appropriate as the business develops.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS FOR CANADIAN HOLDERS OF SHARES

In the opinion of McInnes Cooper, counsel to the Company, the following is, as of the date of this prospectus, a general summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to an investor who acquires Shares pursuant to the Offering who, for purposes of the Tax Act at all relevant times, is or is deemed to be resident in Canada, will acquire and hold the Shares issued under this prospectus as capital property and deals at arm's length with, and is not affiliated with, the Company (a "**Holder**"). This summary assumes that the Company will, at all relevant times, be resident in Canada for purposes of the Tax Act. Generally, Shares will be considered to be capital property to a Holder provided that the Holder does not hold such Shares in the course of carrying on a business and has not acquired such Shares as an adventure in the nature of trade. Certain Holders whose Shares might not otherwise qualify as capital property may, in certain circumstances, be entitled to have the Shares and all other "Canadian securities", as defined in the Tax Act, owned by such Holders in the taxation year in which the election is made, and in all subsequent taxation years, deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances.

This summary is not applicable to a Holder (i) that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules; (ii) an interest in which would be a "tax shelter investment" as defined in the Tax Act; (iii) that is a "specified financial institution" as defined in the Tax Act; or (iv) that reports its "Canadian tax results" as defined in the Tax Act in a currency other than Canadian currency. **Such Holders should consult their own tax advisors**.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposals**") and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") publicly available prior to the date hereof. No assurance can be given that the Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations. The provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation. This summary assumes that the Shares will be listed or deemed to be listed on a designated stock exchange (which includes the TSX) at all relevant times.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances, including the application and effect of the income and other tax laws of any country, province, territory, state or local tax authority.

Dividends on Shares

A Holder will be required to include in computing its income for a taxation year any taxable dividends received or deemed to be received on the Shares. In the case of a Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends that are designated by the Company as "eligible dividends" in accordance with the rules in the Tax Act. In the case of a Holder that is a corporation, the amount of any such taxable dividend that is included in its income for a taxation year will generally be deductible in computing its taxable income for that taxation year.

A Holder that is a "private corporation" or a "subject corporation" (as defined in the Tax Act) generally will be liable to pay a 33⅓% refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Shares to the extent such dividends are deductible in computing the Holder's taxable income. This tax generally will be refunded to the corporation at the rate of $1 for every $3 of taxable dividends paid while it is a private corporation or a subject corporation.

Taxable dividends received by a Holder who is an individual (other than certain trusts) may result in such holder being liable for alternative minimum tax under the Tax Act.

Dispositions of Shares

A Holder who disposes of or is deemed to dispose of Shares will generally realize a capital gain (or a capital loss) to the extent that the Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Shares to the Holder immediately before the disposition. Each Share issued by the Company to a Holder should have a cost to that Holder equal to the subscription price of such share. The adjusted cost base to a Holder of each Share held by the Holder at any particular time is calculated as the average cost (as adjusted) to the Holder of all common shares of the Company owned by such Holder at that time.

Generally, one-half of any capital gain (the "**taxable capital gain**") realized by a Holder must be included in the Holder's income for the taxation year of disposition. One-half of any capital loss realized (the "**allowable capital loss**") generally must be deducted by the Holder against taxable capital gains realized by the Holder for the taxation year of disposition to the extent and in the circumstances specified in the Tax Act. Any excess of allowable capital losses over taxable capital gains for the taxation year of disposition generally may be carried back up to three

taxation years or forward indefinitely and deducted against net taxable capital gains in those other years to the extent and in the circumstances specified in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Shares by a Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such Shares or shares substituted for such Shares to the extent and in the circumstances specified in the Tax Act. Similar rules may apply where a Holder that is a corporation is a member of a partnership or beneficiary of a trust that owns Shares.

Capital gains realized by a Holder that is an individual or trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act. Holders that are individuals should consult their own tax advisors in this regard.

Additional Refundable Tax

A Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6 2/3% on its "aggregate investment income" (as defined in the Tax Act) for the year, including taxable capital gains realized on the disposition of Shares as well as dividends received or deemed to have been received on Shares (other than dividends that are deductible in computing such Holder's taxable income).

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information regarding the Company's current directors and executive officers.

NAME, PROVINCE or STATE and COUNTRY OF RESIDENCE	POSITION/ TITLE	APPOINTED/ ELECTED	PRINCIPAL OCCUPATION	SECURITY-HOLDINGS
Teri L. Anderson Nova Scotia, Canada	Chief Financial Officer	October 25, 2010	President, T.L. Anderson Inc., a financial advisory company	100,000 Options
Donald M. Burton[7] Nova Scotia, Canada	President and Corporate Secretary	September 1, 2010	President and Corporate Secretary of the Company	400,000 Options[1]
Adrian T. Hickey[2] Gauteng, South Africa	Director	December 16, 2010	Private Developer and Project Financier	6,257,900 Shares 2,844,500 X Warrants 300,000 Options
Douglas J. Jackson[3] Utah, United States of America	Director	December 16, 2010	VP Business Development, Molycorp Inc., a rare earths company	300,000 Options
Gregory S. Johnson[3] Washington, United States of America	Director	December 16, 2010	President and CEO of South America Silver Corp., a mineral exploration company	220,000 Shares 100,000 X Warrants 300,000 Options
Bill Koutsouras Monte Carlo, Monaco	Director	December 16, 2010	Corporate Director	300,000 Options[5]
Kalidas V. Madhavpeddi[2][3][4] Arizona, United States of America	Director	December 16, 2010	President, Azteca Consulting LLC, an advisory firm to the metals and mining sector	22,000 Shares[6] 10,000 X Warrants[6] 300,000 Options
Gerald J. McConnell[7] Nova Scotia, Canada	Chief Executive Officer and Director	December 16, 2010	CEO of the Company	1,300,000 Shares 600,000 X Warrants 500,000 Options
Glenn R. Williams[2] Nova Scotia, Canada	Director	December 16, 2010	Retired Partner, Grant Thornton, LLP, Chartered Accountants	300,000 Options

Notes:

(1) Mr. Burton's spouse owns 55,000 Shares and 25,000 X Warrants.

(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.
(4) Chair of the Board.
(5) From June 2002 until March 31, 2011, Mr. Koutsouras was the Executive Vice President and Chief Financial Officer of Endeavour Mining Corporation, which indirectly owns 100% of Endeavour Resources Inc., which holds 30,000,000 (71.6%) of the outstanding Shares.
(6) Registered in the name of Azteca Consulting LLC, a company controlled by Mr. Madhavpeddi.
(7) Member of the Disclosure Policy Committee.

Namibia's directors and executive officers, as a group, beneficially own, control or direct, directly or indirectly, 7,779,900 (18.6%) Shares. In addition, Endeavour Mining Corporation beneficially owns, controls or directs, directly or indirectly, a total of 30,000,000 Shares, representing 71.6% of the issued and outstanding Shares prior to the Offering and 41% of the issued and outstanding Shares after the Closing of the Offering (37.5% if the Over-Allotment Option and Broker Warrants are exercised). The principal business office of the Company's directors and executive officers is Suite 306, Royal Bank Building, 1597 Bedford Highway, Bedford, Nova Scotia, B4A 1E7.

Biographical information for each member of the Board, the executive officers and certain other persons of the Company, including their principal occupations for the last five years, is set out below.

Teri L. Anderson, age 45 - Ms. Anderson is a Chartered Accountant and has been providing contract services to both public and private companies since 1999. She currently serves as Chief Financial Officer for Mountain Lake Resources Inc. (TSX.V) and Buchans Minerals Corporation (TSX.V). From 1994 to 1999, she held several management positions in the corporate finance group of Nova Scotia Power (now Emera Inc.), a TSX-listed energy company, including corporate accounting, budgeting, and investor relations. From 1989 to 1994, she practiced public accounting with Ernst & Young LLP. Ms. Anderson received her B.Sc. Biology from Acadia University in 1986, her Chartered Accountant designation in 1991, and her Masters of Business Administration from Dalhousie University in 1994.

Donald M. Burton, age 57 - Mr. Burton is a Professional Geologist with over 25 years of international experience in exploration. Over the past 15 years he was responsible for the development of all of the exploration projects of ERI, in Niger, Burkina Faso, Mali, Ghana, Cote d'Ivoire and Namibia. During this period, two projects evolved into operating gold mines and a third project is at the feasibility stage. He served ERI as Vice President Exploration and later as Vice President Corporate Development and monitored much of ERI's social initiatives in Africa. He initiated ERI's entry into Namibia in 2005 and has overseen the development of the Lofdal Rare Earths Project. Prior to his dedicated time in Africa, Mr. Burton was Exploration Manager and later Vice President Exploration with NovaGold Resources Inc. from 1987 to 1998. Prior to this, he had worked throughout northern Canada in gold, uranium and base metal exploration and as a Research Scientist for the Province of New Brunswick. Mr. Burton holds a B.Sc. (Honours) in Earth Sciences from the University of Waterloo (1978) and a M.Sc. in Geology from the University of New Brunswick (1984) and is a Fellow of the Geological Association of Canada.

Adrian T. Hickey, age 58 - Since 2009, Mr. Hickey has been a private developer and financier of projects, focussing on early stage greenfield mining prospects throughout Sub Saharan Africa. From 2006 to 2009, Mr. Hickey was Chairman and Chief Executive Officer of Minas de Revuboe Limitada, a private company that he co-founded and then managed through the development of a greenfield coal project in Mozambique and on to a feasibility study and final sale. From 2001 to 2006, he was managing director of NAB Mining Group Africa (Pty) Ltd, a mining, exploration and development company that he founded, which partnered with Nippon Steel of Japan and developed greenfield coal deposits in South Africa. From 1996 to 2001, he was a manager of Baan, which was the vendor of enterprise resource planning software. From 1986 to 1994, he was the founder and managing director of Swiss Chrome International AG, which developed a greenfields chrome project that is now owned by Mitsubishi Corporation and is presently the fourth-largest ferrochrome producer globally. From 1977 to 1985, Mr. Hickey held a number of positions with various companies providing geophysical technical services in connection with a number of mining projects worldwide.

Douglas J. Jackson, age 50 - Mr. Jackson has been the VP Business Development of Molycorp Inc. since 2010. From 2002 to 2010 he was a private investor and in 2010 founded and is the principal of Optimal Solutions SV LLC, a management consulting company. From 1998 to 2002, he was with Dyno Nobel, Inc, ("**Dyno**"), the largest operating subsidiary of Dyno Nobel ASA, a global commercial explosives supplier. While with Dyno, he held a variety of positions, including serving as President and CEO where he had responsibility for operations in North and South America, Dyno's largest market, while establishing new operations in the high growth markets of Latin America. Mr. Jackson started his career with Union Oil Company of California, where his roles included Engineer - Chemical Sales/Service and District Sales Manager - Industrial Chemical Marketing. Mr. Jackson received his B.S.

Engineering from Washington State University in 1983 and his Masters of Business Administration from California State University in 1988.

Gregory S. Johnson, age 45 - Mr. Johnson, an exploration geologist with more than 20 years' experience in the mining industry, has considerable corporate finance, project development and exploration experience. He has been the President and Chief Executive Officer of South American Silver Corp. (TSX) since April 2010 and a director thereof since May 2009. Mr. Johnson served as the Vice-President, Strategic Development of NovaGold Resources Inc. (TSX; NYSE-AMEX) from 1998 to 2010. While at NovaGold Resources Inc., Mr. Johnson was a co-winner of the respected Thayler Lindsley International Discovery Award for his role in the discovery and advancement of the 40-million-ounce Donlin Creek gold deposit in Alaska. Mr. Johnson began his career with Placer Dome Inc., where he worked in the United States and international exploration groups with responsibilities for several projects from early-stage discovery to development and operations. He graduated from Western Washington University in 1989, with a B.Sc. (Geology).

Bill Koutsouras, age 38 - Mr. Koutsouras is currently a corporate director and was the Executive Vice President and Chief Financial Officer of Endeavour Mining Corporation and its subsidiaries from June 2002 until March 31, 2011. In this capacity, he was primarily responsible for overseeing financial advisory mandates, investment related services and the financial operations and management of the Endeavour group of companies. Mr. Koutsouras resigned as an officer and director of Endeavour effective March 31, 2011. Mr. Koutsouras is a Chartered Accountant and Chartered Financial Analyst and is a member of the Canadian Institute of Chartered Accountants and the CFA Institute.

Kalidas V. Madhavpeddi, age 55 - Mr. Madhavpeddi has been President of Azteca Consulting LLC, an advisory firm to the metals and mining sector, since November 2006. He is also President of Aurizon Resources Ltd., a subsidiary of China Molybdenum Co. (a Hong Kong listed company), which he advises on overseas growth strategy. His extensive career in the mining industry spans 30 years. He was employed by Phelps Dodge Corp. from 1980 to 2006, starting as a Systems Engineer at the Phelps Dodge Morenci operations and ultimately becoming Senior Vice President for the Phelps Dodge parent company responsible for the company's global business development, acquisitions and divestments, including joint ventures, as well as its global exploration programs. He was contemporaneously also President of Phelps Dodge Wire and Cable, an international copper and aluminum cable manufacturer with international operations in over ten countries, including Brazil and China. While with Phelps Dodge Corporation, he was responsible for establishing joint ventures in Chile, Peru, Africa and Asia and led the team that acquired Tenke Fungurume in the Democratic Republic of the Congo and established a joint venture in Peru for Minera Cerro Verde with a Japanese mining company. He is presently a member of the Board of Directors and sits on the Audit, Governance and the Environmental/ Health/ Sustainability/ Safety Committees of NovaGold Resources Inc (TSX; NYSE-AMEX). Mr. Madhavpeddi has a Bachelors degree in Engineering from the Indian Institute of Technology, Madras, a Masters degree in Industrial Management from the University of Iowa and is an alumnus of the Harvard Business School having completed the Advanced Management Program.

Gerald J. McConnell, age 66 - Mr. McConnell was the President and Chief Executive Officer of Etruscan Resources Inc. (now ERI), (formerly TSX-listed Etruscan Resources Inc. and now a wholly owned subsidiary of Endeavour Mining Corporation), from June 1990 to February 28, 2010, and was also a director and chairman of the board of ERI from June 1990 until September 2010, when it became a wholly owned subsidiary of Endeavour Mining Corporation (formerly known as Endeavour Financial Corporation). Mr. McConnell has been a director of NovaGold Resources Inc. (TSX; NYSE-AMEX) since 1984, the president of NovaGold Resources Inc. from December 1984 to January 1998 and was appointed chair in September, 2010. Mr. McConnell was called to the Bar of Nova Scotia in 1971 and was an associate and partner with the law firm, Patterson Palmer, in Halifax, Nova Scotia from 1971 to 1987. He received his Queen's Counsel designation in 1986. In 2003, Mr. McConnell received the Paul Harris Award from Rotary International in recognition of ERI's humanitarian contributions to health and education initiatives in Africa.

Glenn R. Williams, age 67 - Mr. Williams was the regional managing partner for Grant Thornton LLP, with specific responsibilities for Atlantic Canada, Toronto and Southern Ontario before he retired in December of 2007. From May 2008 to December 2010, Mr. Williams worked part time as a retired partner providing client advisory services for Grant Thornton LLP. While at Grant Thornton LLP, in addition to Mr. Williams' firm-wide management and client responsibilities, Mr. Williams was professional standards partner in the firm's national office with responsibility for firm-wide consulting on technical auditing and accounting matters for a term of four years. Mr. Williams has played an active role in the Canadian Institute of Chartered Accountants, accounting and auditing

standards deciding process, having served as chairman of the accounting standards committee, a member of the auditing committee and chairman of the task force on related party transactions. Mr. Williams is also a Fellow of the Institute of Chartered Accountants of Nova Scotia and has been a director of Acadian Mining Corporation (TSX) since June 2008.

Term of Office of Directors and Executive Officers

All directors have been elected to serve until the next annual meeting of shareholders of the Company, subject to earlier resignation or removal. The term of office of each officer expires at the discretion of the Board.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the Company's directors or executive officers is, as at the date of this prospectus, or has been within the ten years before the date of this prospectus, a director, chief executive officer or chief financial officer of any company (including the Company) that was subject to one of the following orders, that was in effect for a period of more than 30 consecutive days:

(a) a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was issued while the director, chief executive officer or chief financial officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as set forth below, none of the Company's directors or executive officers, or shareholders holding a sufficient number of securities to materially affect control of the Company:

(a) is, as at the date of this prospectus, or has been within the ten years before the date of this prospectus, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(b) has, within the ten years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or the shareholder; or

(c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mr. Glenn Williams was a director of Acadian Mining Corporation in December 2008 when ScoZinc Limited ("**ScoZinc**"), a wholly-owned subsidiary of Acadian Mining Corporation, was granted an order by the Supreme Court of Nova Scotia under the *Companies Creditors' Arrangement Act* protecting it from its creditors. The creditors of ScoZinc accepted the plan of arrangement ("**Plan**") ScoZinc presented to them at a meeting held on May 21, 2009, and the Plan was ratified by the Nova Scotia Supreme Court on May 29, 2009. The Plan was implemented and all affected creditors were paid in accordance with the terms of the Plan. The implementation of the Plan has been discharged.

Conflicts of Interest

To the Company's knowledge, there are no existing or potential material conflicts of interest between the Company or a subsidiary of the Company and any director or officer of the Company or of a subsidiary of the Company.

Indebtedness of Directors and Officers

None of the directors, executive officers or employees of the Company or any of its subsidiaries and former directors, executive officers and employees of the Company or any of its subsidiaries had any indebtedness outstanding to the Company or any of its subsidiaries as at the date hereof. In addition, no indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding of the Company or any of its subsidiaries.

Indemnification and Insurance

Following the completion of the Offering, the Company intends to enter into a $10 million director and officer insurance programme. In addition, the Company has entered into indemnification agreements with each of its directors and officers. The indemnification agreements generally require that the Company indemnify and hold the named indemnitee harmless to the greatest extent permitted by law for liabilities arising out of the indemnitee's service to the Company as a director and/or officer; however, the indemnitee must have acted honestly, in good faith, and in a manner the indemnitee reasonably believed to be in or not opposed to the Company's best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitee must have had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the named indemnitee by the Company.

EXECUTIVE COMPENSATION

The Compensation Committee will make recommendations to the Board from time to time regarding compensation for executive officers and directors of the Company and, in doing so, may receive input from the Chairman and the CEO of the Company in respect of all executive officers other than the CEO. Compensation of all executive officers is based on the underlying philosophy that such compensation should be competitive with other relevant companies of similar size in the mining sector and should be reflective of the requirements, experience, performance and contribution of the individuals involved and the overall performance of the Company.

The Company's executive compensation programme is available as appropriate to the Named Executive Officers of the Company which is defined by the securities legislation to mean each of the following individuals, namely: (i) the CEO of the Company; (ii) the chief financial officer of the Company; (iii) each of the Company's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and chief financial officer, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000 for that financial year; and (iv) each individual who would be a Named Executive Officer under (iii) above but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of the most recently completed financial year-end (each, a "**Named Executive Officer**").

The objectives of the Company's executive compensation programme are twofold, namely: (i) to enable the Company to attract, retain and reward appropriately qualified and experienced individuals to serve as executives of the Company; and (ii) to align the compensation levels available to the executives to the successful implementation of the Company's corporate and strategic plans. Each element of the Company's executive compensation programme is intended to contribute to an overall total compensation package which is designed to provide both short-term and long-term financial incentives to Company's executives. The Compensation Committee will annually assess how each element fits into the overall compensation package and will make recommendations to the Board relating thereto from time to time.

Following the Offering, the Company intends to retain a qualified firm of independent compensation consultants to benchmark the compensation levels for the Company's executives and, if appropriate, recommend changes to the Company's executive compensation programme. The compensation arrangements proposed to be entered into with the Chief Executive Officer and the President of the Company upon Closing are expected to be based upon the independent advice received.

Components of Compensation

The Company's executive compensation programme consists of a combination of the following principal elements, namely: base salary, the payment of bonuses (where appropriate) and participation in the Company's equity compensation plan (the "**Equity Compensation Plan**"). These elements contain both short-term incentives,

comprised of cash payments, being those provided by way of base salaries and bonuses, as well as long-term incentives, comprised of equity-based incentives, being those provided under the Equity Compensation Plan. Extended health care, dental and insurance benefits will be provided to employees, including the Named Executive Officers, as appropriate.

The process for determining perquisites and the approval of benefits for the Named Executive Officers is to implement basic perquisites and benefits which are comparable to those usually offered by other companies comparable to the Company. The level of perquisites and benefits are expected to be such so that they will not impact upon the Company's decisions on any other element of compensation. The Company chooses to pay each element of its executive compensation programme in order to maintain its competitive position in the marketplace and also to reflect the circumstances and outlook for the Company from time to time. The amount for each element of the Company's executive compensation programme is principally based upon compensation levels of the Company's competitors and sector peers, as well as upon the discretion of the Board, where applicable, as described below.

Base Salary

Base salaries for the Named Executive Officers are to be reviewed annually and set to be competitive with industry levels. In addition, in its annual review of base salaries, the Compensation Committee will have regard to the contributions made by the respective Named Executive Officers, how their compensation levels relate to compensation packages that would be available to such officers from other employment opportunities, commercially available salary survey data and information publicly disclosed by some of the Company's competitors and sector peers. This process enables the Company to establish base salaries which attract and retain highly qualified and experienced individuals. Other than as set out herein, the base salaries of the Named Executive Officers are not determined based on benchmarks, performance goals or specific formulae.

Bonus Plan

The Company has not yet adopted a formal bonus plan although it is anticipated that a bonus plan may be implemented during the current financial year. The Board exercises its discretion regarding the payment of bonuses based upon employee merit and corporate performance and the payment thereof, if any, is determined by the Board, taking into consideration the recommendations of the Compensation Committee.

In making its recommendations to the Board, the Compensation Committee will recognize the efforts that were made in enhancing the value of the Company's asset base and any superior performance and success that has been achieved in implementing the Company's business plans, including achieving project milestones, new project development and resource and/or reserve additions. Other than the foregoing, recommendations with respect to the payment of bonuses are based on overall contribution and effort and are not based on specific formulae or other guidelines.

Long-Term Incentive Plan

A long-term incentive plan ("**LTIP**") is any plan providing compensation intended to motivate performance over a period longer than one financial year whether performance is measured by reference to the financial performance of the Company or an affiliate or the price of the Shares, but does not include option or stock appreciation right plans or plans for compensation through Shares or Shares that are subject to restrictions on resale. The Company does not currently have, nor did it have during its most recently completed financial year, any LTIPs.

Pension Plan Benefits

The Company does not currently have a pension plan or any other plan that provides for payments or benefits at, following or in connection with retirement. The Company may facilitate certain employees who wish to establish a personal pension plan(s) and direct all or part of their compensation to such plan.

Deferred Compensation Plan

The Company does not have a deferred compensation plan.

Summary Compensation Table

The following table details the compensation information for the financial year ended November 30, 2010 for the Named Executive Officers.

Name and Principal Position	Year	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)		Pension Value ($)	All other Compen-sation ($)	Total Compen-sation ($)
					Annual incentive plans	Long-term incentive plans			
Teri L. Anderson, Chief Financial Officer	2010	Nil	Nil	Nil	Nil	Nil	N/A	Nil	Nil
Donald M. Burton, President	2010	$124,805[(1)]	Nil	Nil	Nil	Nil	N/A	Nil	$124,805
Gerald J. McConnell, Chief Executive Officer	2010	$50,000	Nil	Nil	Nil	Nil	N/A	Nil	$50,000

Notes:

(1) Mr. Burton provides services to the Company through Burton Geological Exploration Inc., a company owned by Mr. Burton.

Incentive Plan Awards

The were no outstanding share-based or option-based awards held by any Named Executive as at the financial year ended November 30, 2010. For more information on the Plan, see "*Executive Compensation - Stock Option Plans*".

Employment, Termination and Change of Control Arrangements

Gerald J. McConnell, CEO - Mr. McConnell has been an employee of the Company since September 15, 2010 and receives compensation of $20,000 per month. Mr. McConnell was also granted 500,000 Options to be effective on the Closing exercisable into 500,000 Shares at the Offering Price for 5 years from the Closing Date. Following the Closing, the Compensation Committee intends to retain an independent compensation consulting company to provide advice regarding the compensation of the Company's executives and to make recommendations to the Board. Following receipt of this advice, the Compensation Committee intends to make a recommendation to the Board regarding the compensation package for Mr. McConnell and it is anticipated that, thereafter, the Company will enter into a written employment agreement with Mr. McConnell. It is anticipated that the employment agreement will contain change of control provisions which will entitle Mr. McConnell to elect that a change of control constitutes termination of employment by the Company, which shall be deemed to be termination of employment without cause and, in such circumstances, Mr. McConnell will be entitled to receive a lump sum payment. It is also anticipated that Mr. McConnell's employment agreement will contain both non-disclosure and non-competition clauses.

Donald M. Burton, President and Corporate Secretary - On August 4, 2010, the Company entered into a management consulting agreement with Burton Geological Exploration Inc. ("**BGE**"), a company controlled by Donald Burton, President of the Company, for the services of Mr. Burton to provide technical oversight of the Company's projects in Namibia and to make recommendations for other project opportunities consistent with the Company's corporate objectives. BGE receives compensation at a daily rate of $900 per day. Mr. Burton was also granted 400,000 Options to be effective on the Closing exercisable into 400,000 Shares at the Offering Price for 5 years from the Closing Date. Following the Closing, the Compensation Committee intends to retain an independent compensation consulting company to provide advice regarding the compensation of the Company's executives and to make recommendations to the Board. Following receipt of this advice, the Compensation Committee intends to make a recommendation to the Board regarding the compensation package for BGE and it is anticipated that, thereafter, the Company will enter into an amendment to the management consulting agreement with BGE. It is anticipated that the amending agreement will contain change of control provisions which will entitle BGE to elect that a change of control constitutes termination of the agreement with BGE by the Company, which shall be deemed to be termination of agreement without cause and, in such circumstances, BGE will be entitled to receive a lump sum payment. It is also anticipated that amended agreement will contain both non-disclosure and non-competition clauses binding on BGE and Mr. Burton.

The Company believes that the change of control provisions referred to above are an important protection to its senior executive officers in the event of a change of control transaction and that the interests of the Company's shareholders will be better served if the interests of our executive officers are aligned with theirs. Providing change of control benefits reduces the reluctance of senior executive officers to pursue potential change of control transactions that could result in the loss of their employment but may be in the best interests of stockholders. Payments under the change of control arrangements will be based on the analysis by independent compensation consultants and will be consistent with the arrangements widely in place in the Company's comparator universe.

Teri L. Anderson, Chief Financial Officer - Effective October 25, 2010, the Company entered into an agreement with TL Anderson Inc. whereby TL Anderson Inc. agreed to provide the services of Teri Anderson as chief financial officer of the Company at a rate of $150 per hour, until December 31, 2011. Ms. Anderson was granted 100,000 options exercisable into 100,000 Shares at the Offering Price for 5 years from the Closing Date. TL Anderson Inc. and Teri Anderson have agreed to confidentiality obligations.

Director Compensation

No director received any compensation for acting as a director of the Company for the financial year ended November 30, 2010. Following Closing, non-executive directors will receive an annual retainer of $7,500. No additional fees will be paid for committee membership but the chairman of each committee will receive an additional $3,500 per annum and the chair of the Board an additional $7,500 per annum. Non-executive directors will also receive a meeting fee of $750 per Board or committee meeting attended and recovery of all related travel and ancillary expenses. Directors will not be paid a second fee for concurrent meetings.

Directors are also eligible to participate in the Company's Incentive Stock Option Plan. An aggregate of 2,925,000 Options have been granted to be effective on the Closing of the Offering exercisable until 5 years from the Closing Date into 2,925,000 Shares with an exercise price equal to the Offering Price. 1,800,000 of the Options are held by Directors (excluding the Chief Executive Officer), 500,000 by the Chief Executive Officer, 400,000 by the President, 100,000 by the CFO and 125,000 by employees of or consultants to the Company. See *"Options to Purchase Securities"*.

Stock Option Plan

The Company has adopted a 10% "rolling" stock option plan (the "**Plan**"). The purpose of the Plan is to attract and retain directors, officers, employees and service providers to the Company or its affiliates and to motivate them to advance the interests of the Company by affording them with the opportunity to acquire an equity interest in the Company through options.

The rules of the TSX provide that all unallocated options issuable under a "rolling" stock option plan must be approved by Shareholders every three years after institution of the stock option plan. Options previously granted pursuant to the Plan will continue unaffected by the result of the Shareholders' vote in respect of unallocated options. Furthermore, all previously granted options will not be available for re-allocation if they are cancelled prior to their respective exercise dates in the event the unallocated options are not approved by the Shareholders at the Meeting.

"**Rolling**" **Maximum Reserve**

The Plan provides that the number of Common Shares reserved for issuance upon the exercise of options is a rolling maximum number that shall not be greater than 10% of the outstanding Common Shares at any point in time.

Other Terms

The Plan authorizes the Board (or a committee of the Board if so authorized by the Board), to grant Options in favour of "**Eligible Persons**". Eligible Persons are directors, officers, employees, consultants, management company employees or any other service providers of the Company or its affiliates. When considering new grants of Options, the Board will take previous grants into account.

The aggregate number of Shares issued to insiders of the Company within any one year period under the Plan, together with any other security based compensation arrangement cannot exceed 10% of the outstanding Shares. In addition, the aggregate number of Shares issuable to insiders of the Company at any time under the Plan together with any other security based compensation arrangement cannot exceed 10% of the outstanding Shares.

The date of grant, the number of Shares, the vesting period and any other terms and conditions of options granted pursuant to the Plan are determined by the Board, subject to the express provisions of the Plan.

Unless otherwise specified by the Board at the time an option is granted under the Plan:

(a) the exercise price of the option will be the volume weighted average trading price of the Shares on the TSX for the five trading days immediately preceding the date of the grant;

(b) the term of the Option will be 10 years from the date of the grant (which is the maximum allowable term under the Plan), unless the expiry of the term falls during a black-out (or within ten days from the end of blackout) from trading in the securities of the Company imposed on certain persons including the optionee pursuant to any policies of the Company, and where such black-out applies, the expiry of the term of the Option shall automatically be extended to 10 business days following the end of the black-out;

(c) the option will vest immediately upon grant; and

(d) if before the expiry of the Option, the optionee ceases to be an Eligible Person for any reason other than termination by the Company for cause, the Option will terminate within ninety days of the date the optionee ceases to be an Eligible Person; provided however, in the event of the death of the optionee, the Option continues to be exercisable for a period up to twelve months from the date of such event.

In the event an offer is made for the Shares which would result in the offeror exercising control of the Company within the meaning of applicable securities laws, any options then outstanding may be exercised so as to allow the optionee to tender the Shares received upon such an exercise to the offer; provided however, if the offer is not completed or the Shares tendered to the offeror are not taken up and paid for by the offeror, then such Shares must be returned to the Company by the optionee and the terms of the Options applicable prior to the offer will again apply to the Options.

The options are non-assignable. Options granted under the Plan may include (subject to regulatory compliance) a stock appreciation right. The provisions of the Plan respecting the exercise of options similarly apply to stock appreciation rights granted thereunder. In the event that an optionee holding stock appreciation rights elects to exercise such rights, the Options with respect to which those rights are exercised will be surrendered to the Company. The Company will then issue to the optionee Shares having an aggregate value that equals the difference between the option price and the value of a Share, multiplied by the number of Options for which stock appreciation rights have been exercised. The value of a Share for these purposes will be determined by the weighted average sale price per Share on the TSX for the ten (10) trading days preceding the date the notice, specifying the exercise of the stock appreciate right, is received by the Company.

The Board may, in its discretion, but subject to applicable law, authorize the Company to make loans to Eligible Persons to assist them in exercising their options. The terms and conditions of such loans are determined by the Board, and must include interest at prevailing market rates, a term not in excess of one year, and security in favour of the Company represented by that number of Shares received on exercise which equals the loaned amount divided by the market price of the Shares on the date of such exercise, or equivalent security, which security may be granted on a non-recourse basis.

The Plan contains a formal amendment procedure which sets forth a list of amendments that can be made to the Plan by the Board without requiring the approval of Shareholders unless specifically required by the TSX. These amendments include, without limitation:

(a) altering, extending or accelerating option vesting terms and conditions;

(b) amending the termination provisions of an option;

(c) accelerating the expiry date of an option;

(d) determining adjustments pursuant to the provisions of the Plan concerning corporate changes;

(e) amending the definitions contained in the Plan;

(f) amending or modifying the mechanics of exercising options;

(g) adding, amending or removing any provisions for financial assistance provided by the Company to purchase Shares under the Plan;

(h) amending provisions relating to the administration of the Plan;

(i) making "housekeeping" amendments, such as those necessary to cure errors or ambiguities contained in the Plan;

(j) effecting amendments necessary to comply with the provisions of applicable laws; and

(k) suspending or terminating the Plan.

The Plan specifically provides that the following amendments, among others, require shareholder approval:

(a) increasing the number of Shares issuable under the Plan, except by operation of the "rolling" maximum reserve;

(b) amending the Plan which amendment could result in the aggregate number of Shares issued to insiders within any one-year period or issuable to insiders at any time under the Plan, together with any other security based compensation arrangement, exceeding 10% of the issued and outstanding Shares;

(c) extending the period of time during which options may be exercised;

(d) reducing the option price;

(e) amending the class of Eligible Persons which would have the potential of broadening or increasing participation in the Plan by insiders;

(f) amending the formal amendment procedures; and

(g) making any amendments required to be approved by the Shareholders under applicable law.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Canadian securities regulatory authorities have issued corporate governance guidelines pursuant to National Policy 58-201 - *Corporate Governance Guidelines* ("**NP 58-201**" or the "**Corporate Governance Guidelines**"), together with certain related disclosure requirements pursuant to National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("**NI 58-101**"). The Corporate Governance Guidelines are recommended as "best practices" for issuers to follow. The Company recognizes that good corporate governance plays an important role in its overall success and in enhancing shareholder value and, accordingly, has adopted certain corporate governance practices which are reflective of the recommended Corporate Governance Guidelines.

Set out below is a description of the Company's approach to corporate governance in relation to the Corporate Governance Guidelines.

Independence of the Board of Directors

The Board's mandate requires that the Board evaluate the independence of each director based on the definition of "independence" contained in NI 58-101 and the independence of each Audit Committee member based on the definition of "independence" in National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). The annual evaluation of each Board members' independence is based on a number of factors, including whether (i) they did work for the Company, (ii) they had any immediate family member engaged in the employment of the Company, (iii) they benefited from a business relationship with the Company that could reasonably be perceived to materially interfere with their independent judgment, and (iv) they received remuneration from the Company other than remuneration for acting as a member of the Board or its committees.

The Board is comprised of seven directors, five of whom are "independent directors" within the meaning of NI 58-201. Mr. Koutsouras is not considered independent because, within the past three years, he was the Executive Vice-President and Chief Financial Officer of Endeavour Mining Corporation, the company that controls 30,000,000 Shares (71.6%) of the Company's issued and outstanding Shares. Mr. McConnell is not considered to be independent as he is the Company's CEO.

The Board may, without the prior approval of management, engage outside counsel, consultants or advisors to assist it in fulfilling its responsibilities. The compensation paid to such counsel, consultants or advisors is determined by the Board but paid for by the Company.

If a director or executive officer holds a material interest in a transaction or agreement under consideration at a Board meeting, that director or executing officer shall not be present at the time the Board deliberates such transaction or agreement and shall abstain from voting on the matter.

Independence of the Chair

The Board's mandate provides that where the chair of the Board is not an independent director, the independent directors may select from among their number a director who will act as lead director and who will assume responsibility for providing leadership to enhance the effectiveness and independence of the Board.

Kalidas Madhavpeddi is the non-executive chair of the Board and is primarily responsible for establishing the agenda for Board meetings and for supervising the conduct of such meetings. Mr. Madhavpeddi is independent pursuant to NI 58-101.

Although the Company has not implemented formal structures or procedures for the independent functioning of the Board, the Board believes that it operates independently of management.

Outside Directorships

The following directors of the Company are presently directors of other issuers that are reporting issuers (or the equivalent) in a jurisdiction or a foreign jurisdiction:

Director	**Public Company Board Membership**
Gregory S. Johnson	South American Silver Corp. (TSX; NYSE - AMEX)
Kalidas V. Madhavpeddi	NovaGold Resources Inc. (TSX; NYSE - AMEX)
Gerald J. McConnell	NovaGold Resources Inc. (TSX; NYSE - AMEX)
Glenn R. Williams	Acadian Mining Corp. (TSX)

Board Meetings

The Board holds regularly scheduled meetings. Additional Board meetings will be held depending upon opportunities or issues to be dealt with by the Company from time to time. The rules and regulations relating to the calling and holding of, and proceedings at, meetings of the Board are established by the Company's by-laws and by resolutions of the Company's directors.

The Corporate Secretary, his or her designee or any other person the Board requests, acts as secretary at Board meetings. Minutes of Board meetings are recorded and maintained by the Corporate Secretary and subsequently presented to the Board for approval.

The Board's mandate provides that the independent members of the Board shall endeavour to hold regularly scheduled meetings, or portions of regularly scheduled meetings, at which non-independent directors and members of management are not present, whenever deemed appropriate, as recommended by the Canadian Securities Administrators' corporate governance guidance. In addition, the Board has free access to the Company's external auditor, legal counsel and to any of the Company's officers.

Board Mandate

The Board operates under the mandate attached to this prospectus as *"Appendix A - Mandate of Board of Directors"*.

Pursuant to its mandate, the Board is responsible for supervising the management and affairs of the Company. The Board assumes responsibility for the stewardship of the Company, including the areas described below:

(a) ***Strategic Planning****:* The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Company and to participate with management directly or through committees in developing and approving the strategy by which the Company proposes to achieve these goals (taking into account, among other things, the opportunities and risks of the business of the Company).

(b) ***Management's Integrity***: The Board has the responsibility, to the extent considered appropriate, to satisfy itself as to the integrity of the CEO and other senior officers of the Company and to ensure that the CEO and such other senior officers are creating a culture of integrity throughout the Company.

(c) ***Corporate Governance***: The Board is responsible for the oversight and review of the Company's corporate governance practices.

(d) ***Communications***: The Board must review the Company's Disclosure Policy, including measures for receiving feedback from the Company's stakeholders and management's compliance with the Disclosure Policy. In addition, the Company endeavours to keep its shareholders informed of its progress through annual and interim disclosure and periodic news releases. Directors and management meet with the Company's shareholders at the annual meeting and are available to respond to questions at that time.

The Board is responsible for the development, to the extent considered appropriate, of position descriptions for each of the chair of the Board and the chair of each Board committee. The Board is also responsible for, together with the CEO, the development of the corporate goals and obligations that the CEO is responsible to meet.

Given the small size of the Company's operations, the Board does not feel that it is necessary at this time to formalize position descriptions for directors and officers to delineate their respective roles. The roles of the executive officers of the Company are delineated on the basis of customary practice.

It is the Board's expectation that members of management will carry out their duties and discharge their responsibilities with professionalism and integrity, with a view to achieving the Company's objectives and enhancing shareholder value.

The Board shall review and assess the adequacy of the Board's mandate to ensure compliance with any rules of regulations promulgated by any regulatory body and to approve any modifications as considered advisable.

Orientation and Continuing Education

In January 2011, members of the Board attended a briefing conference at which time they were given a comprehensive presentation describing the Company's business, affairs and projects. It is intended that new members of the Board will be provided with access to recently publicly filed documents of the Company, technical reports and internal information, as well as an information package prepared by the Company's securities lawyers outlining securities regulations with respect to disclosure, corporate governance, insider reporting requirements and insider trading.

The Board believes that the experiences of each director resulting from their current and past positions ensure that they have the skills and knowledge necessary to serve the Company as a member of the Board on an ongoing basis. In addition, the Company supports directors in attending outside seminars and courses.

Nomination of Directors

The Board does not have a formal process for identifying new candidates for nomination to the Board. It is the intent of the Board to collaborate with management from time to time to assess the appropriate size of the Board, to identify the necessary qualifications and skills of the Board as a whole and of each director individually, to identify potential candidates and to consider their appropriateness for membership on the Board.

Committees of the Board

The Board currently has two (2) committees, namely, an Audit Committee and a Compensation Committee. The Company also has a Disclosure Policy Committee.

The Board has approved mandates for each committee described below. The Board is to review each committee's mandate at least annually.

The Board will delegate to the applicable committee those duties and responsibilities set out in each committee's mandate and may further delegate, from time to time, such matters as the Board is authorized to delegate by applicable laws and regulations. As required, or as considered advisable, the Board shall consider for approval the specific matters delegated for review to the Board committees. To facilitate communication between the Board and its committees, each committee Chair is required to report to the Board on material matters considered by the committee at the next Board meeting after each meeting of the committee.

Audit Committee

The Audit Committee was structured to comply with the requirements of NI 52-110. The Audit Committee is comprised of three directors: Adrian Hickey, Kalidas Madhavpeddi and Glenn Williams (Chair), each of whom is "financially literate" and "independent" within the meaning of NI 52-110. All members of the Audit Committee

have experience reviewing financial statements and dealing with related accounting and auditing issues. For the education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee, see "*Directors and Executive Officers*".

Polices and Procedures for the Engagement of Audit and Non-Audit Services

The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

Mandate of the Audit Committee

The Company's Audit Committee will operate under the mandate attached to this prospectus as "Appendix B - Audit Committee Charter". As set out in the Audit Committee Charter, the Audit Committee will be responsible for, among other things:

(a) ***Financial Reports***: The Audit Committee is responsible for performing financial reporting duties, including the following:

- overseeing the Company's financial statements and financial disclosures; and
- reviewing (i) all annual financial statements, the external auditor's reports thereon and the related management's discussion and analysis, (ii) all interim financial statements and the related management's discussion and analysis, and (iii) news releases disclosing or based upon financial results of the Company; and (iv) any other material financial disclosure that is publicly disseminated.

(b) ***External Auditor***: The Audit Committee is responsible for performing duties associated with the external auditor, including the following:

- overseeing the work of the external auditor;
- reviewing and, if advisable, selecting and recommending for Board approval the external auditor to be nominated and the compensation of such external auditor;
- resolving any disagreements between management and the external auditor as to financial reporting matters brought to its attention;
- reviewing and approving the external auditor's proposed annual audit plan;
- reviewing and reporting to the Board on any reports prepared by the external auditor in respect of financial statements of the Company;
- at least annually, reviewing and discussing all significant relationships the external auditor has with the Company to determine their independence and reporting to the Board;
- pre-approving all non-audit services to be provided to the Company or any of its subsidiaries by the Company's external auditor;
- reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor; and
- reviewing with management any significant changes required in the external auditor's audit plan and any serious difficulties or disputes with management encountered during the course of the audit.

(c) ***Whistleblower Procedures***: The Audit Committee is responsible for establishing procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

(d) ***Audit Committee Disclosure***: The Audit Committee is responsible for preparing, reviewing and approving any Audit Committee disclosures required by applicable requirements in the Company's disclosure documents.

In addition to the above listed responsibilities, the Audit Committee is also responsible for performing the duties required of an Audit Committee by any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company.

External Auditor Services Fees

The fees charged to the Company by its external auditor in each of the last two financial years are as follows:

	Financial Year 2010	**Financial Year 2009**
	$	**$**
Audit Fees	35,000	Nil
Audit Related Fees	Nil	Nil
Tax Fees	14,600	5,000
All Other Fees	Nil	Nil

Compensation Committee

The Compensation Committee is comprised of three directors: Douglas Jackson, Gregory Johnson and Kalidas Madhavpeddi (Chair), each of whom is considered an independent member within the meaning of NI 58-101.

Mandate of the Compensation Committee

The responsibilities, powers and operation of the Compensation Committee are set out in the Mandate of the Compensation Committee and include, among other things:

- reviewing and approving corporate goals and objectives relevant to the compensation of the CEO;
- evaluating the CEO's performance and making recommendations to the Board with respect to the CEO's compensation level based on its evaluation;
- reviewing executive compensation disclosure before the Company publicly discloses such information; and
- preparing a report for inclusion in the Company's management information circular to shareholders respecting the process undertaken by the Compensation Committee in its review and preparing a recommendation in respect of the CEO's compensation.

Further particulars of the process by which compensation for the Company's directors and officers will be determined can be found at "*Executive Compensation*".

Disclosure Policy Committee

The Disclosure Policy Committee is comprised of Gerald J. McConnell, CEO and a director of the Company, and Donald M. Burton, President.

Mandate of the Disclosure Policy Committee

The Disclosure Policy Committee has responsibility for all regulatory disclosure requirements and for overseeing the Company's disclosure practices. The Committee has responsibility to identify appropriate industry and Company benchmarks for a preliminary assessment of materiality. Guided by these benchmarks, the Disclosure Policy Committee will use experience and judgment to determine the timing for public releases of information material to the Company. The Disclosure Policy Committee is responsible to:

- ensure appropriate systems, processes and controls for disclosure are in place;
- review all news releases and core disclosure documents prior to their release;
- review and update, if necessary, the Company's Disclosure Policy annually, or as needed, to ensure compliance with changing regulatory requirements;
- report to the board quarterly;
- ensure that the Company's spokespersons receive adequate training; and
- oversee the Company's Disclosure Policy to ensure appropriate and consistent disclosure practices.

Policies and Procedures of the Board

The Board has established the following policies and procedures:

Code of Business Conduct and Ethics

The Board has adopted and has agreed to be bound by the Code of Business Conduct and Ethics ("**Code of Conduct**") (available on SEDAR at www.sedar.com or from the Company upon request), which was designed to deter wrongdoing and to promote (i) honest and ethical conduct, (ii) confidentiality of corporate information, (iii) avoidance of conflicts of interest, (iv) protection and proper use of corporate assets, (v) compliance with applicable governmental laws, rules and regulations, (vi) prompt internal reporting to appropriate persons of violations of the Code of Conduct, (vii) accountability for adherence to the Code of Conduct, and (viii) the Company's culture of honesty and accountability.

The Code of Conduct requires all directors, officer and employees of the Company to:

- act honestly, with integrity and in the best interests of the Company;
- deal honestly, fairly, respectfully and ethically with all of the Company's business partners, competitors, and other third parties;
- comply with all applicable laws, rules and regulations;
- maintain a safe and healthy work environment;
- promote a workplace that is free from discrimination or harassment based on race, color, religion, sex, age, national origin, disability or other factors that are unrelated to the Company's business interests;
- supporting fair competition and laws prohibiting restraints of trade and other unfair trade practices;
- refrain from accepting any bribe, kickback or improper payment from anyone;
- refrain from accepting any gifts or favours of more than nominal value to or from the Company's business partners;
- (i) not discuss confidential information with or in the presence of any unauthorized persons, including family members and friends; (ii) use confidential information only for the Company's legitimate business purposes and not for personal gain; and (iii) not disclose confidential information to third parties; and
- comply with all provisions of the Code of Conduct.

Management monitors compliance with the Code of Conduct and the Code of Conduct provides for a confidential reporting process of any possible violations to the chair of the Audit Committee. Management meets regularly to discuss compliance with the Code of Conduct and reports any issues to the Board. The Code of Conduct is to be reviewed by the Board on an annual basis.

Disclosure Policy

The Disclosure Policy applies to all directors, officers, employees and insiders of the Company. The Disclosure Policy covers disclosure documents filed with the Canadian securities regulators and written statements made in the Company's annual and quarterly reports, press releases, letters to shareholders, presentations by senior management and information contained on the Company's website and other electronic communications. The Disclosure Policy also applies to oral statements made in group and individual meetings, telephone conversations with employees or members of the investment community, interviews with the media, speeches, industry conferences, news conferences, conference calls and dealings with the general public.

Insider Trading Policy

The procedures and restrictions set forth in the Company's insider trading policy provide a general framework to assist directors, officers, employees, consultants and others with non-public material information about the Company in ensuring that any purchase or sale of securities occurs without actual or perceived violation of applicable securities laws. Under its insider trading policy, the Company will advise of "black-out periods", during which time directors, officers and employees of the Company with knowledge of confidential or material information about the Company, counterparties in negotiations with the Company involving potential material transactions, and financial and other professional advisors, are all prohibited from trading in securities of the

Company (and, if applicable, in securities of such counterparties) until the material information has been fully disclosed and a reasonable period of time has passed for the information to be widely disseminated.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Description of the Shares

The Company is authorized to issue an unlimited number of Shares, of which 41,891,000 are issued and outstanding as of the date of this prospectus.

All of the issued and outstanding Shares have been fully paid for and none are subject to any future call or assessment. Holders of Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Company and to receive all notices and other documents required to be sent to shareholders in accordance with the Company's by-laws, corporate law and the rules of any applicable stock exchange. On a poll, every shareholder has one vote for each Share. The holders of Shares are entitled to dividends if, as and when declared by the Board and, upon the liquidation, dissolution or winding-up of its affairs or other distribution of its assets for the purpose of winding-up its affairs, to receive, on a pro rata basis, all of the remaining assets of the Company. The Shares do not carry any preemptive, subscription, redemption or conversion rights, nor do they contain any sinking fund or purchase fund provisions.

PRIOR SALES

Since the date of the Company's incorporation, the Company issued an aggregate of 41,891,000 Shares as follows:

Date	Number of Shares	Proceeds	Price per Share
April 30, 2010[(1)]	30,000,000	$6,949,045[(1)]	[(1)]
July 28, 2010[(2)]	7,011,000	3,505,500	$0.50[(3)]
September 3, 2010[(2)]	3,039,000	1,519,500	$0.50[(3)]
October 7, 2010[(2)]	760,000	380,000	$0.50[(3)]
January 4, 2011[(4)]	1,081,000	108	$0.0001
Total	41,891,000	$12,354,153	

Notes:

(1) An aggregate of 30,000,000 Shares were issued to Endeavour Resources Inc. in exchange for advances payable of $6,949,045 owing to ERI by Cayman Namibia Rare Earths Inc. See "*General Development of the Business - Background*".

(2) The Company issued an aggregate of 10,810,000 Units in a private placement that closed in 3 tranches. Each Unit was comprised of one Share, ½ of one X Warrant and 1/10 of one Y Warrant for aggregate proceeds of $5,405,000. Each X Warrant entitles the holder thereof to purchase one Share at $0.75 per Share at any time until July 28, 2012. Each Y Warrant entitled the holder to one Share at $0.0001 per Share if certain conditions were not met by December 31, 2010. All Y Warrants were exercised.

(3) The subscription price was $0.50 per Unit.

(4) Issued on the exercise of all of the outstanding 1,081,000 Y Warrants for an aggregate of $108.10.

ESCROWED SECURITIES

Pursuant to National Policy 46-201 - *Escrow for Initial Public Offerings* (the "**Escrow Policy**"), the securities held by principals of the Company are held in escrow subject to the terms of an escrow agreement for a period of time following the listing date as an incentive for the principals to devote their time and attention to our business while they are securityholders.

A principal which holds securities carrying less than 1% of the voting rights attached to the Company's outstanding securities immediately after the Offering is not subject to the escrow requirements under the Escrow Policy. Under the Escrow Policy, a "principal" is defined as:

(a) a person or company who acted as a promoter of the issuer within two years before the initial public offering prospectus;

(b) a director or senior officer of the issuer or any of its material operating subsidiaries at the time of the initial public offering prospectus;

(c) a 20% holder - a person or company that holds securities carrying more than 20% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's initial public offering; or

(d) a 10% holder - a person or company that (i) holds securities carrying more than 10% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's initial public offering and (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the issuer or any of its material operating subsidiaries.

A principal's spouse and their relatives that live at the same address as the principal will also be treated as principals and any securities of the issuer they hold will be subject to escrow requirements.

In accordance with the Escrow Policy, and pursuant to an agreement (the "**Escrow Agreement**") entered into among certain principals of the Company, the Company and Computershare, the following table sets out the Shares and X Warrants that have been deposited, and the Options that will be deposited, into escrow with Computershare (the "**Escrowed Securities**"):

Designation of Class	**Number of Escrowed Securities or that are subject to a contractual restriction on transfer**	**Percentage of Class After the Offering**	**Percentage of Class After the Offering Assuming exercise of Over-Allotment Option and Brokers Warrants**
Shares	37,557,900	51.3	47.0
X Warrants	3,444,500	63.7	63.7
Options	800,000	27.4	27.4

As the Company will be considered an "established issuer" as that term is defined under the Escrow Policy, the escrowed securities will be released according to the following schedule:

On the date the issuer's securities are listed on a Canadian exchange (the "**listing date**")	1/4 of the escrow securities
6 months after the listing date	1/3 of the remaining escrow securities
12 months after the listing date	1/2 of the remaining escrow securities
18 months after the listing date	the remaining escrow securities

In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, the release schedule outlined above results in the escrow securities being released in equal tranches of 25% after completion of the release on the listing date.

The Escrowed Securities may not be transferred or otherwise dealt with during the term of the Escrow Agreement unless the transfers or dealings within escrow are: (i) to existing or, upon their appointment, incoming directors or senior officers of the Company, if the Board has approved the transfer; (ii) to a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the Company's outstanding securities; (iii) to a person or company that after the proposed transfer will hold more than 10% of the voting rights attached to the Company's outstanding securities, and has the right to elect or appoint one or more directors or senior officers of the Company or any of its material operating subsidiaries; (iv) to a trustee in bankruptcy or another person or company entitled to escrow securities on the bankruptcy of the holder; (v) to a financial institution on the realization of escrow securities pledged, mortgaged or charged by the holder to the financial institution as collateral for a loan; or (vi) to or between a registered retirement savings plan (RRSP), registered retirement income fund (RRIF) or other similar registered plan or fund with a trustee, where the annuitant of the RRSP or RRIF, or the beneficiaries of the other registered plan or fund are limited to the holder and his or her spouse, children and parents or, in the case of a trustee of such registered plan or fund, to the annuitant of the RRSP or RRIF, or a beneficiary of the other registered plan or fund, as applicable, or his or her spouse, children and parents. The owner of securities in escrow may continue to exercise voting rights attached to such securities.

Tenders of Escrowed Securities to a take-over bid are permitted provided that, if the tenderer is a principal (as such term is defined in the Escrow Policy) of the successor company upon completion of the take-over bid, securities received in exchange for tendered escrowed securities are submitted in escrow on the same terms and conditions,

including release dates, as applied to the escrow securities that were exchanged. The Escrowed Securities may also be subject to a hold period pursuant to Multilateral Instrument 45-102 - *Resale of Securities*.

Though not required by law, the Principal Shareholders have entered into lock-up agreements with the Company and the Agents (the "**Lock-Up Agreements**") whereby they agreed not to sell, agree or offer to sell, grant any option for the sale of, transfer, assign, pledge or otherwise dispose of any Shares or securities convertible or exchangeable into Shares individually owned, directly or indirectly, by such individual for a period of 180 days following the Closing Date without the prior written consent of the Agents.

DIVIDEND POLICY

The Company has not, since the date of its incorporation, declared or paid any dividends on its Shares, and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, the Company anticipates that it will retain future earnings and other cash resources for the operation and development of its business. Nevertheless, one of the key goals of the Company for the future is to institute a dividend policy and to ensure shareholders benefit directly from future successes that the Company and its operations may achieve. The payment of dividends or Shares in the future will be at the discretion of the Board and will depend on factors such as the ability of the Company to meet the solvency test within the meaning of the CBCA, the earnings, if any, and the financial condition of the Company and such other factors as the directors of the Company consider appropriate from time to time.

OPTIONS TO PURCHASE SECURITIES

Options Outstanding

The information presented below is based on the number of outstanding Options held by the following groups of persons that will be outstanding upon the completion of the Offering issued under the Company's Incentive Stock Option Plan as at the date of this prospectus (see *"Executive Compensation - Compensation Discussion and Analysis - Incentive Stock Option Plan"*). Each of the Options noted below will expire 5 years after the Closing Date.

Class of Optionee (number of individuals in receipt of Company options)	Number of Shares under Company options	Year of Grant	Exercise Price
All members of the Board (who are not executive officers) (6)	1,800,000[(1)]	2011	$0.80
Total granted to all members of the Board (who are not executive officers)	1,800,000	2011	$0.80
All executive officers (3)	1,000,000	2011	$0.80
Total granted to all executive officers	1,000,000[(1)]	2011	$0.80
All other employees (or consultants)	125,000	2011	$0.80
Total granted to all other employees (or consultants) (4):	125,000	2011	$0.80
Total Options outstanding:	2,925,000		

Note:

(1) Options granted to be effective on the Closing of the Offering, with an exercise price equal to the Offering Price. See "*Executive Compensation - Compensation Discussion and Analysis; - Employment Termination and Change of Control Arrangements; and - Director Compensation*".

A summary of the Company's Incentive Stock Option Plan is set out in *"Executive Compensation - Compensation Discussion and Analysis - Incentive Stock Option Plan"*.

X Warrants Outstanding

The information presented below is based on the number of outstanding X Warrants. The X warrants formed part of the Units issued by the Company pursuant to private placements that closed in three tranches in 2010. Each X Warrant entitles the holder thereof to purchase one Share at $0.75 at any time until July 28, 2012.

Class of Holder of X Warrants (number of individuals in receipt of X Warrants)	Number of Shares under X Warrants	Year of Grant	Exercise Price
All members of the Board (who are not executive officers) (3)	2,954,500[(1)]	2010	$0.75
Total held by all members of the Board (who are not executive officers):	2,954,500	2010	$0.75
All executive officers (1)	600,000[(1)]	2010	$0.75
Total held by all executive officers:	600,000	2010	$0.75
All other individuals (26)	1,850,500	2010	$0.75
Total held by all others:	1,850,500	2011	$0.75
Total X Warrants outstanding:	5,405,000		

Note:
(1) See "*Directors and Executive Officers*".

CAPITALIZATION

The following table sets forth the consolidated Share and loan capital of the Company as at November 30, 2010 and April 7, 2011, the pro forma consolidated capitalization of the Company as at April 7, 2011 after giving effect to the Offering and the pro forma consolidated capitalization of the Company as at April 7, 2011, after giving effect to the Offering and after the conversion of all Warrants. This table should be read in conjunction with the audited comparative financial statements of the Company for the financial year ended November 30, 2010 found on SEDAR at www.sedar.com.

	As at November 30, 2010[(1)]	As at April 7, 2011[(1)]	Pro forma after giving effect to the Offering[(1)] As at April 7, 2011	Pro forma after conversion of all Warrants[(1)] As at April 7, 2011
Shares	40,810,000	41,891,000	73,141,000	78,546,000
X Warrants	5,405,000	5,405,000	5,405,000	Nil
Y Warrants	1,081,000	Nil	Nil	Nil
Long-term debt	Nil	Nil	Nil	Nil

Note:
(1) This table does not include the 1,875,000 Shares issuable pursuant to the Broker Warrants granted to the Agents or the 2,925,000 Shares issuable pursuant to the Options to be granted on Closing. See "*Plan of Distribution*" and "*Options to Purchase Securities*".

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of securities as of the date of this prospectus and immediately after the Offering by each person or entity known to the Company to own or beneficially hold more than 10% of the outstanding Shares (the "**Principal Shareholders**"). Other than as set forth below, no other person or entity owned more than 10% or more of the outstanding Shares as of the date of this prospectus.

	Owned Beneficially and of Record Prior To The Offering		Owned Beneficially and of Record Immediately After The Offering		Owned Beneficially and of Record Immediately After The Offering, assuming the Exercise of the Over-Allotment Option and the Brokers Options	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Endeavour Resources Inc.	30,000,000	71.6	30,000,000	41.0	30,000,000	37.5
Adrian T. Hickey[(1)]	6,257,900	14.9	6,257,900	8.6	6,257,900	7.8

Note:

(1) Assuming Mr. Hickey does not acquire Shares pursuant to the Offering. Mr. Hickey also owns beneficially and as of record 2,844,500 X Warrants (52.6% of the total outstanding X Warrants) and 300,000 Options granted effective as of the Closing (10.3% of the total Options to be outstanding as of the Closing).

PLAN OF DISTRIBUTION

Pursuant to an agency agreement dated April 7, 2011 (the "**Agency Agreement**") between the Company and the Agents, the Company has appointed the Agents to act, and the Agents have severally agreed to act, as the sole and exclusive agents of the Company to effect the sale of the Shares on behalf of the Company on a best efforts basis, on the Closing Date, subject to the terms and conditions of the Agency Agreement, at the Offering Price for an aggregate consideration of up to $25,000,000, payable in cash against delivery of certificates representing the Shares.

The Company has also agreed to grant to the Agents an Over-Allotment Option in an amount equal to 15% of the number of Shares issued pursuant to the Offering at the Offering Price.

The Over-Allotment Option is exercisable, in whole or in part, at the sole discretion of the Agents, at any time, from time to time, on or before the 30th day following the Closing Date, for the purpose of covering over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Agents' Commission" and "Net Proceeds to the Company" before deducting the expenses of the Offering will be $28,750,000, $1,725,000 and $27,025,000, respectively.

The obligations of the Agents are several and not joint under the Agency Agreement and may be terminated at any time before the Closing Date at the discretion of the Agents on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Agents are not obligated, directly or indirectly, to advance their own funding to purchase any of the offered Shares. The Offering Price per Share was determined by negotiation between the Company and the Agents.

Pursuant to the Agency Agreement, the Company has agreed to pay to the Agents a cash commission equal to 6% of the gross proceeds of the Offering (including upon exercise of the Over-Allotment Option) in consideration for their services in connection with the Offering. The Agents' Commission, together with all other expenses of the Offering, will be paid by the Company out of the proceeds of the Offering.

As additional compensation for the Agents' services to the Company in connection with the Offering, the Company has agreed to grant to the Agents Broker Warrants to purchase Shares ("**Broker Warrant Shares**") in an amount equal to 6% of the number of Shares sold pursuant to the Offering exercisable at the Offering Price. To the extent that Additional Shares are sold separately pursuant to the exercise of the Over-Allotment Option, the Company has agreed to grant to the Agents Broker Warrants in an amount equal to 6% of the Additional Shares respectively which will entitle the Agents to acquire Broker Warrant Shares at the Offering Price. The Broker Warrants may be exercised in whole or in part by the Agents at any time on or before the date that is 24 months from the Closing Date. The distribution of the Broker Warrants and the grant of the Over-Allotment Option and the Additional Shares issuable upon the exercise of the Over-Allotment Option is qualified by this prospectus. A purchaser who acquires Additional Shares from part of the Agents' over-allocation position acquires such Shares under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Subscriptions for Shares offered hereunder will be received subject to rejection or allotment in whole or in part and the Agents reserve the right to close the subscription books at any time without notice. It is expected that the Closing of the Offering will take place on the Closing Date, but no later than April 29, 2011. One or more book entry only certificates representing the Shares will be issued in registered form to CDS, or its nominee, and will be deposited with CDS on the Closing Date. A purchaser of Shares will receive only a customer confirmation from the registered dealer or other CDS participant through which the Shares are purchased.

Pursuant to rules and policy statements of certain Canadian securities regulators, the Agents may not, at any time during the period ending on the date the selling process for the Shares ends and all stabilization arrangements relating to the Shares are terminated, bid for or purchase Shares. The foregoing restrictions are subject to certain exceptions including (a) a bid for or purchase of Shares if the bid or purchase is made through the facilities of the TSX, in accordance with the Universal Market Integrity Rules of Investment Industry Regulatory Organization of Canada, (b) a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the client's

order was not solicited by the Agents, or if the client's order was solicited, the solicitation occurred before the period of distribution as prescribed by the rules, and (c) a bid or purchase to cover a short position entered into prior to the period of distribution as prescribed by the rules. Subject to the foregoing and applicable exemptions, the Agents may engage in market stabilization or market balancing activities on the TSX where the bid for or purchase of Shares is for the purpose of maintaining a fair and orderly market in the Shares, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

The Shares have not been and will not be registered under the 1933 Act, or any securities or "blue sky" laws of any state of the United States. Accordingly, the Shares may not be offered or sold in the United States or to, or for the account or benefit of, persons in the United States except in accordance with an exemption from the registration requirements of the 1933 Act and applicable state securities laws. Each Agent has agreed that, except as permitted by the Agency Agreement, it will not offer or sell the Shares in the United States or to, or for the account or benefit of, persons in the United States. The Agency Agreement provides that the Agents, through their respective United States registered broker-dealer affiliates, may arrange for persons in the United States that are institutional "accredited investors" that satisfy one or more of the criteria set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the 1933 Act to purchase Shares directly from the Company in compliance with Rule 506 of Regulation D under the 1933 Act and any applicable securities laws of any state of the United States. In addition, the Agency Agreement provides that the Agents will offer and sell the Shares outside the United States only in accordance with Regulation S under the 1933 Act.

This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Shares offered hereby in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Shares within the United States by any dealer, whether or not participating in the Offering, may violate the registration requirements of the 1933 Act if such offer or sale is made absent registration or otherwise than in accordance with an available exemption from registration under the 1933 Act.

Pursuant to the Agency Agreement, the Company has agreed to indemnify each of the Agents and their affiliates and their respective directors, officers, employees, partners, agents, advisors and shareholders against certain liabilities and expenses and will contribute to payments that the Agents may be required to make in respect thereof.

Pursuant to the Agency Agreement, the Company has agreed not to, directly or indirectly, offer, sell or otherwise dispose of, or enter into any agreement to offer, sell or otherwise dispose of, any Shares, or securities convertible into, exchangeable for or otherwise exercisable into Shares for a period of 180 days following the Closing Date without the prior written consent of the Agents, not to be unreasonably withheld, other than (i) the Shares offered pursuant to this prospectus; (ii) Options and Shares issued pursuant to the Company's Incentive Stock Option Plan; and (iii) under any existing agreement or instrument already entered into, issued or authorized by the Company.

The Principal Shareholders have entered into the Lock-Up Agreements whereby they agreed not to sell, agree or offer to sell, grant any option for the sale of, transfer, assign, pledge or otherwise dispose of any Shares or securities convertible or exchangeable into Shares individually owned, directly or indirectly, by such individual for a period of 180 days following the Closing Date without the prior written consent of the Agents.

The Toronto Stock Exchange ("**TSX**") has conditionally approved the listing of the Shares distributed under this prospectus under the symbol "NRE". The listing of the Shares will be subject to the Company fulfilling all of the listing requirements of the TSX on or before June 28, 2011, including distribution of the Shares to a minimum number of public securityholders.

RISK FACTORS

An investment in Shares is speculative and involves significant risks which should be carefully considered by prospective investors before investing. In addition to the detailed information set forth elsewhere in this prospectus including the Company's consolidated financial statements and related notes, the following risk factors should be carefully reviewed by prospective investors. The operations of the Company are at an early stage of development and are speculative due to the high-risk nature of its business, which is the exploration and development of rare earths projects. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described herein and in forward-looking statements and forward-looking information relating to the Company.

Risks Relating to the Company's Exploration and Development Activities

The exploration for and development of mineral deposits is and will be subject to inherent operational risks and hazards.

The exploration for, and development of, mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Mineral exploration and development are highly speculative and few properties that are explored are ultimately placed into commercial production. The investment involves a high degree of risk and should only be considered by those persons who can afford a total loss of their investment. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. While the discovery of a mineral deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish additional mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; rare earths prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors, most of which are outside of the Company's control, cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Mining operations, such as those potentially proposed at the Lofdal Rare Earths Project, generally involve a high degree of risk. Such operations are subject to all of the hazards and risks normally encountered in the exploration for, and the development and production of minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Mining and treatment operations are subject to hazards such as equipment failure, changes in mineral characteristics such as rock hardness and mineralogy which may impact production and recovery rates. Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. An adequate water supply for operations would be required in order to place the Lofdal Rare Earths Project into production. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such supply or related infrastructure could adversely affect the Company's operations and financial condition.

Although the Company's activities are primarily directed towards the development of mineral deposits at the Lofdal Rare Earths Project, the Company continues to explore other areas with rare earths element potential. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of rare earths elements or any other minerals.

The development of any of the Company's mineral projects into commercially viable mines cannot be assured.

The Lofdal Rare Earths Project has no operating history upon which to base estimates of future commercial viability. Recovery levels for mineral deposits are based upon metallurgical testing of samples taken from drill samples. Numerous factors may affect the recoverability of mineral deposits from any given rock and tests of such samples may not be representative of recoveries to be obtained from the entire deposit. The Company's overall metallurgical recoveries may not be adequate for the Lofdal deposit to be viable.

In addition, estimates of mineral resources and mineral reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes, assays and other exploration techniques and feasibility studies. This information is used to calculate estimates of the capital cost and operating costs based upon anticipated tonnage and grades to be mined and processed, the configuration of the mineral resource, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that the actual capital cost, operating costs and economic returns of any proposed mine may differ from those estimated and such differences could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. There can be no assurance that the Company will be able to complete development of its mineral projects, or any of them, at all or on time or on budget due to, among other things (and in addition to those factors described above) changes in the economics of the mineral projects, delays in receiving required consents, permits and licences and rights (including mining rights), access to infrastructure, the delivery

and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support the Company's operations. Should any of these events occur, it would have a material adverse effect on the Company's business, financial condition, results of operations and prospecting. Resource estimates are based on interpretation and assumptions and any projects may yield less mineral production under actual conditions than estimated under such resource estimates.

There is a degree of uncertainty to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until mineral resources are actually mined and processed, the quantity of mineral resource grades must be considered as estimates only. In addition, the quantity of mineral resources may vary depending on, among other things, rare earths prices. Any material change in quantity of mineral resources, grade or stripping ratio may affect the economic viability of the Lofdal Rare Earths Project. In addition, there can be no assurance that recoveries in small scale metallurgical laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the Company's control. Mining and metallurgy are an inexact science and accordingly there always remains an element of risk that a mine may not prove to be commercially viable. In addition, fluctuations in the price of rare earths may render mineral resources containing lower grades of mineralization uneconomic. Market price fluctuations for rare earths may render the present mineral resources unprofitable for periods of time.

Fluctuation in the prices of REE, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revisions of such estimates. Any material reductions in future estimates of mineral resources, or of the Company's ability to extract mineral resources if any are found, could have a material adverse effect on the Company's results of operations and financial condition.

The Company is at an early stage of development.

The Lofdal Rare Earths Project is at an exploration stage and there are not yet any defined mineral resources. There is uncertainty relating to defining any mineral resources and there is no assurance that any defined mineral resources will be upgraded to mineral reserves with sufficient geological continuity and extractive characteristics to make them economic.

Extraction of minerals from potential mineral deposits may not be economically viable.

The economic viability of a mineral deposit, including at any current project in which the Company has or may have an interest, is dependent upon a number of factors, not all of which are within the control of the Company. These include deposit attributes such as size, grade and proximity to infrastructure, structural complexity including faulting and potholing, government regulation and the grant of any mining right(s), the prevailing price for such minerals, prevailing currency exchange rates, land tenure and titles, availability of capital and other factors. The complete effect of these factors, either alone or in combination, cannot be entirely predicted, and consequently there can be no assurance that any of the Company's projects will be brought into commercial development.

The Company is dependent on the Lofdal Rare Earths Project and data previous generated by exploration work carried out by other parties.

The Lofdal Rare Earths Project is the Company's only project and presently accounts for all of the Company's potential for the future generation of revenue. Any adverse development affecting the progress of the Lofdal Rare Earths Project such as, but not limited to, the ability of the Company to hire and retain suitable personnel and contractors, raise additional capital and secure supply agreements on commercially suitable terms may have a material adverse effect on the Company's financial performance, results of operations and business outlook for the Company. See "- *Risks Specific to the Company*".

In preparing the Technical Report, the Authors undertook a validation exercise on data previously generated by exploration work carried out by other parties. There is no guarantee that data generated by prior exploration work is 100% reliable and discrepancies in such data not discovered by the Company may exist. Such errors and/or discrepancies, if they exist, could impact on the accuracy of the Technical Report.

Fluctuations in demand for, and prices of, rare earths and rare earths products cannot be accurately predicted and could significantly affect the Company's potential profitability.

As the Company's sole source of revenue may be the sale of rare earths in separated and/or mixed form, changes in demand for, and the market price of, REE and products could significantly affect the Company's potential future profitability. The value and price of the Shares and the Company's financial results may be significantly adversely affected by declines in the prices of rare earths. Although rare earths prices have trended upward in recent years, they can fluctuate widely particularly due to a number of factors including there being no transparent, two-way market or spot price for rare earths, the small number of rare earths suppliers and the fact that, according to the TMR Report, approximately 96% of global supply currently comes from Chinese production sources. The price of rare earths will be influenced by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, global and regional consumption patterns, the world supply of and demand for rare earths, their intermediate and end product uses, market behaviour of current rare earths supply sources and the instability of exchange rates can all cause significant fluctuations in rare earths prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments particularly in China. The effect of these factors cannot be accurately predicted. The price of rare earths and mineral commodities more generally has fluctuated widely in recent years and future price declines could cause commercial production to be uneconomic, thereby having a material adverse effect on the Company's business and financial condition and the value and price of the Shares. The profitability or otherwise of the potential development of Company's mineral properties will also be heavily dependent on the costs of consumables, particularly fuel, energy, chemical reagents and other products which may be required to be used in future exploration, development and treatment operations.

As a result of the global economic crisis, rare earths product prices declined by approximately 50% during 2008 and through the third quarter of 2009. Although rare earths prices have recovered, a prolonged or significant economic contraction worldwide could put further downward pressure on market prices of rare earths minerals and products. Protracted periods of low prices for rare earths minerals and products could significantly reduce revenues and the availability of required development funds in the future. This could impair asset values and reduce the Company's rare earths resources.

Demand for REE may be impacted by demand for downstream products incorporating rare earths, including hybrid and electric vehicles, wind power equipment and other clean technology products, as well as demand in the general automotive and electronic industries. Lack of growth in these markets may adversely affect the demand for the Company's rare earths resources.

In contrast, extended periods of high commodity prices may create economic dislocations that may be destabilizing to rare earths minerals supply and demand and ultimately to the broader markets. Periods of high rare earths mineral market prices generally are beneficial to our financial performance. However, strong rare earths mineral prices also create economic pressure to identify or create alternate technologies that ultimately could depress future long-term demand for rare earths minerals and products, and at the same time may incentivize development of otherwise marginal rare earths mining properties.

An increase in the global supply of rare earths, dumping and predatory pricing by the Company's competitors may materially adversely affect the Company's profitability.

The pricing and demand for the Company's anticipated production of rare earths products is affected by a number of factors beyond the Company's control, including growth of economic development and the global supply and demand for rare earths oxide products. The historic and forecast increases in rare earths projects may accelerate the development of new sources of supply and the increased competition may lead suppliers and market participants to engage in predatory pricing behaviour. Any increase in the amount of rare earths products exported from other nations and increased competition may result in price reductions, reduced margins and loss of potential market share, any of which could materially adversely affect the Company's potential profitability. As a result of these factors, the Company may not be able to compete effectively against current and future competitors.

General Risks Relating to the Company

The Company has limited operating history and financial resources and failure to obtain additional financing when needed will have a material adverse effect on the Company's business.

The Company has a limited history of operations and is in the early stage of its corporate development. As such, the Company is subject to many risks typical of such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its relatively early stage of operations. While the Company has been successful in raising financing to date, there can be no assurance that it will be able to do so in the future or that the terms of such financing, if available, would be favourable and not involve substantial dilution to existing shareholders. The Company has limited financial resources, has earned no revenue since commencing operations, has no source of operating cash flow and there is no assurance that additional funding will be available to it for exploration and development of the Company's properties even if the Company's exploration programme is successful. Furthermore, additional financing will be required to continue the development of the Lofdal Rare Earths Project. Failure to obtain such additional financing when needed could result in delay or indefinite postponement of further exploration and development of the Company's properties and would have a material adverse effect on the Company's business, financial condition and prospects.

The Company has no assurance that its prospecting rights will not be challenged or impugned.

Although the Company has exercised due diligence with respect to determining that its prospecting rights are valid and in good standing, there is no guarantee that the prospecting rights will not be challenged or impugned, which, if successful, could impair development and/or operations or limit the Company's ability to enforce its rights with respect to the relevant projects.

Changes to licensing and permit requirements may affect the Company's operations.

Many of the mineral rights, interests and agreements of the Company are subject to government approvals, licences and permits. The Company believes it holds all necessary licences and permits under applicable laws and regulations to explore its properties and believes that it is presently complying in all material respects with the terms of such licence and permits. However, such licences and permits are subject to change in various circumstances and, there is no assurance that the Company will receive any permits, including environmental and drilling permits, that may be required in the future to carry out further exploration, development and production activities on its properties, or obtain them in a timely manner. The failure to obtain such permits could adversely affect the Company's operations and consequently the value of the securities of the Company. The granting, renewal and continued effectiveness of such approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that the Company will be successful in maintaining any or all of the various approvals, agreements, licences and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

Renewal of EPL 3400.

The Company's primary mineral exploration project is the Lofdal Rare Earths Project, held by Namibia (Pty) and represented by EPL 3400. The second renewal of EPL 3400 expires on November 14, 2012. Pursuant to the Minerals Act of Namibia, no further renewals of EPL 3400 are possible unless the Minister deems this desirable in the interests of the development of the mineral resources of Namibia. See "*Background Information on Namibia – Ordinary Term of and Renewal of Exclusive Prospecting Licenses*". Further renewals of the Company's Exclusive Prospecting Licenses, including EPL 3400, are dependent upon the exercise of the Minister's discretion. No assurance can be given that such extensions will be granted. The Company intends to make timely application for a third renewal of EPL 3400. However, if it is not able to secure the renewal or, in the alternative, is not able to secure a mining license for some or all of the lands covered by EPL 3400, the Company will be forced to abandon its efforts on the Lofdal Rare Earths Project. If this occurs, the Company intends to use funds on hand to finance further exploration and evaluation work on other Exclusive Prospecting Licences held by Namibia (Pty) in Namibia; evaluation and acquisition of any new rare earths project opportunities that may be identified; and for general working capital purposes of the Company.

The Company may require additional financing.

The Company may be required to service future indebtedness. In addition, if it is required to service such indebtedness, there can be no assurance that such financing will be available to the Company or, if it is, that it will be offered on acceptable terms. If additional financing is raised through the issuance of equity or convertible debt securities of the Company, the interests of shareholders in the net assets of the Company may be diluted. Any failure of the Company to obtain the required financing on acceptable terms could have a material adverse effect on the Company's financial condition, results of operations and liquidity and require the Company to cancel or postpone planned capital investments.

The Company does not intend to pay dividends in the foreseeable future.

The Company anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including the Company's earnings, operating results, financial condition, current and anticipated cash needs and restrictions in financing agreements.

The Company faces strong competition in the acquisition of properties and critical resources, and the recruitment and retention of suitable personnel.

The mining industry is competitive in all of its phases and significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, the Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, REEs. Much of this competition is from larger, better established mining companies with greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain or acquire rights to explore additional attractive REE projects on terms it considers acceptable. Accordingly, there can be no assurance that the Company will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. If the Company is not able to acquire such interests, this could have an adverse impact on future cash flows, earnings, results of operations and financial condition.

In addition, the mining industry has been impacted by increased worldwide demand for critical resources such as input commodities, drilling and other equipment and skilled labour, and these shortages may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules. There is very limited availability of suitable personnel with sufficient, direct experience of rare earths exploration, development, mining or production.

The rare earths mining and processing markets are capital intensive and competitive. Chinese competitors in particular may have greater financial resources, as well as other strategic advantages to maintain, improve and possibly expand their facilities. Additionally, the Chinese producers have historically been able to produce at relatively low costs due to domestic economic factors and operational conditions which places them at a considerable advantage to the Company.

Current global financial conditions can negatively affect the Company's ability to obtain financing.

Financial markets globally have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by liquidity crises throughout the world. These factors may impact the ability of the Company to raise equity capital, obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company may not be able to secure appropriate debt or equity financing, any of which could affect the trading price of the Company's securities in an adverse manner.

The Company cannot maintain insurance against all potential risks.

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in exploration, development or mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance, results of operations and business outlook of the Company.

The Company's operation faces inherent environmental risks and changes in environmental regulations may negatively impact the Company's operations.

All phases of the Company's operations are subject to environmental laws and regulations in the jurisdiction in which the Company operates, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Potential production of rare earths products will involve the use of various chemicals and the production of by products, including those which are designated as toxic or hazardous substances. The Company may need to address contamination at its properties, and this may subject the Company to liability for the investigation and remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources.

Currency fluctuations may adversely affect the Company's financial position and operating results.

The Company's potential revenue from operating and financing activities are expected to be received principally in United States dollars, while the majority of its operating expenses are expected to be incurred in Namibian dollars and other foreign currencies while the Company's functional and reporting currency is the Canadian dollar. From time to time the Company may borrow funds and will incur capital expenditures that are denominated in foreign currency. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and operating results.

Enforcement of judgments or bringing actions against the Company, its directors and officers may not be possible.

The majority of the Company's directors reside outside of Canada. Substantially all of the assets of these persons and of the Company are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon the directors, officers and experts of the Company. It may also not be possible to enforce against the Company, certain of its directors and officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

The Company may experience difficulty attracting and retaining qualified personnel.

The Company's ability to manage its operations, exploration and development activities, and hence its success, depends in large part on its ability to retain current personnel and attract and retain new personnel, including management, technical workers and an unskilled workforce. The Company's ability to recruit and assimilate new personnel will be critical to its performance. The Company will be required to recruit additional personnel and to train, motivate and manage its employees. In addition, the Company depends on a relatively small number of key management and technical personnel, the loss of any of whom could have an adverse effect on the Company. The Company currently does not have key person insurance for these individuals. The international mining industry is very active and the Company is likely to face increased competition for personnel in all disciplines and areas of operation. There is no assurance that the Company will be able to attract and retain personnel to staff the exploration, development and operating teams.

Directors and officers may be subject to conflicts of interests.

Certain directors and officers of the Company are or may become associated with other natural resource companies which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors and officers of the Company have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers.

Risks Specific to Namibia

Political and country related risks

The Company conducts its exploration activities in Namibia. The Namibian Government supports the development of natural resources by foreign operators. However, there is no assurance that the political and economic conditions that currently exist in Namibia will remain. The Namibian Government may adopt different policies with respect to foreign development and ownership of natural resources at any time. Any changes in policy may result in changes in laws affecting ownership of assets, licence tenure, taxation, royalties, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital. This may affect both the Company's ability to undertake exploration and development activities on future properties as well as its ability to continue to explore and develop those properties with which it has obtained exploration rights to date.

The Company's risks and uncertainties associated with operating in a foreign jurisdiction include, but are not limited to: currency exchange rates; high rates of inflation; labour unrest; renegotiation or nullification of existing concessions, licences, permits and contracts; changes in taxation policies; restrictions on foreign exchange; changing political conditions and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or otherwise benefit residents of that country or region.

Government regulation

The Company, its business and its operations are subject to various laws and regulations. The Company's operations require licences, permits and authorizations and, in some cases, renewals of existing licences, permits and authorizations from various governmental authorities. The Company believes that it currently holds or has applied for all necessary licences, permits and authorizations to carry on the activities that it is currently conducting and also believes that it is complying in all material respects with the terms of such licences, permits and authorizations. However, the Company's ability to obtain, sustain, renew or vary such licences, permits and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental bodies and there can be no assurance that the Company will be able to obtain, sustain, renew or vary any such licences, permits of authorizations on acceptable terms or at all.

Changes, if any, in extraction or investment policies or shifts in political attitude in Namibia may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, employment, and contractor selection. There is currently no legislation on black economic empowerment in Namibia. Any such legislation enacted in Namibia could potentially have an impact on the Company's activities and title to its assets in the country.

Although resource-based businesses have a long history in Namibia and to date have not been adversely impacted by unreasonable or arbitrary government action, there can be no assurance that the Company's business, operations and affairs will not be materially adversely effected by unreasonable or arbitrary applications of Namibian laws and regulations or changes in the political and economic status of Namibia.

Environmental regulation

The Company's operations generally, are subject to environmental regulation in Namibia. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and health and safety. The Company may also be subject under such regulations to

clean-up costs and liability for toxic or hazardous substances which may exist on any of its licence areas or which may be produced as a result of its operations. Environmental legislation and permitting requirements are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. Any failure by the Company to comply with applicable environmental regulations or the stoppage of exploration or production activities due to lobbying or protest could have a materially adverse effect on the Company's business, financial condition and results of operations.

The prevalence of HIV/AIDS in Namibia may adversely impact the Company's proposed operations

The per capita incidence of the HIV/AIDS virus in Namibia has been estimated as being in the mid to high range, according to public sources. As such, HIV/AIDS remains the major healthcare challenge faced by Namibia and the Company's operations in the country. If the number of new HIV/AIDS infections in Namibia continues to increase and if the Government of Namibia imposes more stringent obligations on employers related to HIV/AIDS prevention and treatment, the Company's operations in Namibia and its profitability and financial condition could be adversely affected.

Enforcement of judgements

As a result of a substantial portion of the Company's assets being located in Namibia, there may be difficulties in enforcing against the Company judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities legislation for misrepresentations contained in the Company's public disclosure documents. In particular, it may be practically impossible to enforce foreign court judgments against the Company in Namibia.

Exchange controls may restrict the Company's ability to repatriate earnings

Namibia is part of the South African Rand Common Monetary Area ("**CMA**"). Exchange controls in the CMA require that dividends, loans, repayment of loans and payment of all invoices to parties outside the CMA by companies registered in the CMA require prior approval. The controls, as they relate to Namibia, are applied by the Bank of Namibia. There can be no assurance that the Company will obtain the requisite approvals in the future to repay loans or pay invoices to parties outside the CMA, including companies within the Company's corporate group not resident in the CMA. Thus exchange controls may restrict the Company from repatriating funds and using those funds for other purposes.

Risks Related to the Offering

There is no prior public market for the Shares and there is no assurance that one will develop.

Prior to the Offering, no public market exists for the Shares. An active and liquid market for the Shares may not develop following the completion of the Offering, or, if developed, may not be maintained. If an active public market does not develop or is not maintained, the trading price of the Shares may decline below the Offering Price and the liquidity of investors' Shares may be limited following the completion of the Offering.

The Offering Price of Shares for the Offering was determined by negotiations between the Company and the Agents. The Company cannot assure investors that the market price of Shares will not materially decline below the Offering Price.

The market price for Shares may be volatile and subject to wide fluctuations.

The market price for Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following: actual or anticipated fluctuations in the Company's quarterly results of operations; recommendations by securities research analysts; changes in the economic performance or market valuations of other rare earths companies; addition or departure of the Company's executive officers and other key personnel; sales or perceived potential sales of additional Shares; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; operating and share price performance of other companies that investors deem comparable to the Company; and news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REE or related industries.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Shares may be adversely affected.

The Company's Principal Shareholders hold approximately 86.5% of the current issued and outstanding Shares.

As of the date hereof, two Principal Shareholders own an aggregate of 36,257,900 Shares, representing approximately 86.5% of the current issued and outstanding Shares and which will represent approximately 49.6% of the issued and outstanding Shares upon completion of the Offering (45.3% if the Over-Allotment Option and Brokers Options are exercised). The Principal Shareholders may be able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions and such parties may not act in the best interests of the Company.

Future sales of Shares by existing shareholders may decrease the trading price of Shares.

Sales of a large number of Shares in the public markets, or the potential for such sales, could decrease the trading price of the Shares and could impair the Company's ability to raise capital through future sales of Shares. The Company has previously completed a private placement at an effective price per Share which is lower than the initial public offering price per Share in the Offering. Accordingly, a number of shareholders of the Company have an investment profit in the Shares that they may seek to liquidate.

Issuance of additional securities can result in the dilution of the Shares.

The Company may in the future grant to some or all of its directors, key employees and consultants Options to purchase Shares at exercise prices equal to market prices at times when the public market is depressed. To the extent that significant numbers of such Options are granted and exercised, the interests of then existing shareholders of the Company will be subject to additional dilution. Further, any additional issuance of equity securities following the Closing of the Offering could dilute the interests of existing shareholders and could substantially decrease the trading price of the Shares. The Company may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust the ratio of any future debt to equity and to satisfy the Company's obligations upon the exercise of outstanding X Warrants or Options or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares and impair the Company's ability to raise capital through the sale of additional equity securities. The Company cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares.

PROMOTER

ERI is considered to be a promoter of the Corporation under applicable Canadian securities laws in that it took the initiative in organizing the Corporation. ERI holds, directly and indirectly, 30,000,000 Shares representing 71.6% of the Corporation's currently issued Common. See "*Principal Shareholders*" for further details.

LEGAL MATTERS

The management of the Company is not aware of any existing or contemplated legal proceedings material to the Company to which it is a party or to which its property is the subject.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or Principal Shareholder or any associate or affiliate of the foregoing has, or has had, any material interest in any transaction prior to the date hereof or any proposed transaction that has materially affected or will materially affect the Company or any of its affiliates, except as disclosed elsewhere in this prospectus.

EXPERTS

Information of a scientific or technical nature regarding the Lofdal Rare Earths Project is included in this prospectus based upon the Technical Report. The Technical Report provides an independent technical review of exploration and evaluation of the Lofdal Rare Earths Project and an estimate of the mineral resources of the Lofdal Rare Earths Project. The Authors, H. Scott Swinden Ph.D. P. Geo and Peter Siegfried, BSc (Hons), MSc, MAusIMM, are responsible for the Technical Report. Each of H. Scott Swinden Ph.D. P. Geo and Peter Siegfried, BSc (Hons), MSc, MAusIMM is a "qualified person" as such term is defined in NI 43-101, and is "independent" as such term is defined in NI 43-101.

TMR has prepared the TMR Report in respect of the rare earths market, a summary of which is included under the heading "*The Rare Earths Market*" herein.

The Company's consolidated financial statements as of November 30, 2008, 2009 and 2010 included in this prospectus have been audited by Deloitte & Touche, LLP, an independent registered public accounting firm, as stated in their report appearing herein and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

Certain legal matters relating to the Offering will be passed upon for the Company by McInnes Cooper and for the Agents by Stikeman Elliott LLP.

As of the date of this prospectus, the partners, employees and consultants of McInnes Cooper as a group, the partners, employees and consultants of Stikeman Elliott LLP as a group, the partners, employees and consultants of SGC as a group, the partners, employees and consultants of GeoAfrica as a group and the partners, employees and consultants of TMR as a group own, beneficially, directly or indirectly less than 1%, respectively, of the outstanding securities of the Company.

ELIGIBILITY FOR INVESTMENT

In the opinion of McInnes Cooper, counsel to the Company, provided that the Shares offered hereby are listed on a "designated stock exchange", as defined in the Tax Act, (which includes the TSX) at the time of their issuance, the Shares will at that time be "qualified investments" under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), registered disability savings plans, deferred profit sharing plans, registered education savings plans and tax-free savings accounts ("**TFSAs**"), each as defined in the Tax Act.

Notwithstanding the foregoing, a holder of Shares may be subject to a penalty tax if the Shares are held in a TFSA and are a "prohibited investment" for the TFSA under the Tax Act. However, the Shares will generally not be prohibited investments for a TFSA held by a particular holder provided that the holder deals at arm's length with the Company for purposes of the Tax Act, and does not have a "significant interest", as defined in the Tax Act, in either the Company or a person or partnership that does not deal at arm's length with the Company for purposes of the Tax Act. Based on certain Proposals, the above-described rules regarding prohibited investments for a TFSA will also generally apply to an annuitant of a RRSP or RRIF in respect of Shares held in the RRSP or RRIF. Holders of a TFSA and annuitants of a RRSP or RRIF should consult their own tax advisors as to whether the Shares would be a "prohibited investment" in their particular circumstances.

MATERIAL CONTRACTS

The following is the only material contract, other than those contracts entered into in the ordinary course of business, which the Company has entered into during the two years before the date of this prospectus or to which the Company is or will become a party on or prior to the Closing of the Offering:

(1) Agency Agreement dated as of April 7, 2011 among the Company and the Agents, referred to under *"Plan of Distribution"*.

A copy of the above material agreement, once executed, may be inspected during ordinary office business hours at the Company's principal business office located at Suite 306, Royal Bank Building, 1597 Bedford Highway, Bedford, Nova Scotia, B4A 1E7 during the period of distribution of the Shares or may be viewed on SEDAR at www.sedar.com.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Company's Shares is Computershare at its principal offices located at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1 and 2008 - 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7.

AUDITOR

The auditor of the Company is Deloitte & Touche LLP, Chartered Accountants, Purdy's Wharf, Tower II, 1969 Upper Water Street, Suite 1500, Halifax, Nova Scotia, B3J 3R7.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provide purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

We have read the prospectus of Namibia Rare Earths Inc. (the "**Company**") dated April 7, 2011 relating to the sale and issue of common shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company as at November 30, 2010 and 2009, the consolidated statements of shareholders' equity for the two years ended November 30, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the three years ended November 30, 2010, 2009 and 2008. Our report is dated February 28, 2011 (except for note 12(c)) which is as of April 7, 2011).

(signed) *Deloitte & Touche LLP*

Chartered Accountants
Halifax, Nova Scotia

April 7, 2011

APPENDIX A

NAMIBIA RARE EARTHS INC.

MANDATE OF BOARD OF DIRECTORS

1.0 PURPOSE

The primary function of the directors (individually a "**Director**" and collectively the "**Board**") of Namibia Rare Earths Inc. (the "**Corporation**") is to supervise the management of the business and affairs of the Corporation.

The Board has the responsibility to supervise the management of the Corporation, which is responsible for the day-to-day conduct of the business of the Corporation. The fundamental objectives of the Board are to enhance and preserve long-term shareholder value and to ensure that the Corporation conducts business in an ethical and safe manner. In performing its functions, the Board should consider the legitimate interests that stakeholders, such as employees, customers and communities, may have in the Corporation. In carrying out its stewardship responsibility, the Board, through the chief executive officer (the "**CEO**"), should set the standards of conduct for the Corporation.

This Mandate is in addition to and is not intended to change or interpret any applicable law, regulation or the constating documents of the Corporation.

2.0 PROCEDURE AND ORGANIZATION

The Board operates by delegating certain responsibilities and duties set out below to management or committees of the Board and by reserving certain responsibilities and duties for the Board itself. The Board retains the responsibility for managing its affairs, including selecting its chair ("**Chair**") and constituting committees of the Board.

3.0 CHAIR

The Chair shall be appointed by a resolution of the directors in accordance with the Corporation's constating documents. Where the Chair is not an independent director, the independent Directors may select from among their number a Director who will act as "**Lead Director**" and who will assume responsibility for providing additional leadership to enhance the effectiveness and independence of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.

4.0 RESPONSIBILITIES AND DUTIES

The principal responsibilities and duties of the Board fall into a number of categories, which are outlined below.

4.1 Legal Requirements

(a) The Board has the overall responsibility to ensure that applicable legal requirements are complied with and documents and records are properly prepared, approved and maintained.

(b) The Board has the statutory responsibility to, among other things:

(i) manage, or supervise the management of, the business and affairs of the Corporation;

(ii) act honestly and in good faith with a view to the best interests of the Corporation;

(iii) exercise the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances; and

(iv) act in accordance with the obligations contained in the *Canada Business Corporations Act* (the "**CBCA**"), the regulations thereunder, the articles and constating documents of the Corporation, applicable securities laws and policies and other applicable legislation and regulations.

(c) The Board has the statutory responsibility to consider the following matters as a Board, which may not be delegated to management or to a committee of the Board:

(i) any submission to the shareholders of any question or matter requiring the approval of the shareholders;

(ii) the filling of a vacancy among the Directors or in the office of auditor and the appointing or removing of any of the CEO, the Chair or the president of the Corporation;

(iii) the issue of securities except as authorized by the Board;

(iv) the declaration of dividends;

(v) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;

(vi) the payment of a commission to any person in consideration of the person purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares except as authorized by the Board;

(vii) the approval of a management proxy circular;

(viii) the approval of a take-over bid circular, directors' circular or issuer bid circular;

(ix) the approval of an amalgamation of the Corporation;

(x) the approval of an amendment to the articles of the Corporation;

(xi) the approval of annual financial statements of the Corporation;

(xii) the adoption, amendment or repeal of any by-law of the Corporation;

(xiii) consideration and approval of all major decisions affecting the Corporation, including all material acquisitions and dispositions, material capital expenditures and material debt financings; and

(xiv) all other matters which, at law, may not be delegated to management or to a committee of the Board.

4.2 Strategy Development

The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Corporation and to participate with management, directly or through committees, in developing and approving the strategy by which the Corporation proposes to achieve these goals (taking into account, among other things, the opportunities and risks of the business of the Corporation).

4.3 Risk Management

The Board has the responsibility to:

(a) safeguard the assets and business of the Corporation; and

(b) identify and understand the principal risks of the business of the Corporation and to ensure that there are appropriate systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

4.4 Appointment, Training and Monitoring Senior Management

The Board has the responsibility to:

(a) appoint the CEO and, together with the CEO, to develop a position description for the CEO;

(b) with the advice of the compensation committee of the Board (the "**Compensation Committee**"), develop corporate goals and objectives that the CEO is responsible for meeting, to monitor and assess the performance of the CEO in light of those corporate goals and objectives and to determine the compensation of the CEO;

(c) provide advice and counsel to the CEO in the execution of the duties of the CEO;

(d) develop, to the extent considered appropriate, position descriptions for the Chair and the chair of each committee of the Board;

(e) approve the appointment of all corporate officers;

(f) consider, and if considered appropriate, approve, upon the recommendation of the Compensation Committee and the CEO, the remuneration of all senior officers;

(g) consider, and if considered appropriate, approve, upon the recommendation of the Compensation Committee, incentive-compensation plans and equity-based plans of the Corporation; and

(h) ensure that adequate provision has been made to train and develop management and members of the Board and for the orderly succession of management, including the CEO.

4.5 Ensuring Integrity of Management

The Board has the responsibility, to the extent considered appropriate, to satisfy itself as to the integrity of the CEO and other senior officers of the Corporation and to ensure that the CEO and such other senior officers are creating a culture of integrity throughout the Corporation.

4.6 Policies, Procedures and Compliance

The Board is responsible for the oversight and review of the following matters and may rely on management of the Corporation to the extent appropriate in connection with addressing such matters:

(a) ensuring that the Corporation operates at all times within applicable laws and regulations and to appropriate ethical and moral standards;

(b) approving and monitoring compliance with significant policies and procedures by which the business of the Corporation is conducted;

(c) ensuring that the Corporation sets appropriate environmental standards for its operations and that it operates in material compliance with all applicable environmental laws and standards;

(d) ensuring that the Corporation has a high regard for the health and safety of its employees in the workplace and has in place appropriate programs and policies relating thereto;

(e) developing the approach of the Corporation to corporate governance including, to the extent appropriate, developing a set of governance principals and guidelines that are specifically applicable to the Corporation; and

(f) examining the corporate governance practices within the Corporation and altering such practices when circumstances warrant.

4.7 Reporting and Communication

The Board is responsible for the oversight and review of the following matters and may rely on management of the Corporation to the extent appropriate in connection with addressing such matters:

(a) ensuring that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with management, shareholders, other stakeholders and the public generally;

(b) ensuring that the financial results are reported fairly and in accordance with applicable accounting standards;

(c) ensuring that the financial results of the Corporation are adequately reported to shareholders, other stakeholders and regulators on a timely and regular basis;

(d) ensuring the timely and accurate reporting of any developments that could have a significant or material impact on the value of the Corporation; and

(e) reporting annually to the shareholders of the Corporation on the affairs of the Corporation for the preceding year.

4.8 Monitoring and Acting

The Board is responsible for the oversight and review of the following matters and may rely on management of the Corporation to the extent appropriate in connection with addressing such matters:

(a) monitoring the Corporation's progress in achieving its goals and objectives and, through management, altering the direction of the Corporation in response to changing circumstances;

(b) considering appropriate action when performance falls short of the goals and objectives of the Corporation or when other special circumstances warrant;

(c) ensuring that the Corporation has implemented adequate internal control and management information systems;

(d) assessing the individual performance of each Director and the collective performance of the Board; and

(e) overseeing the size and composition of the Board as a whole to facilitate effective decision-making by the Corporation.

5.0 BOARD'S EXPECTATIONS OF MANAGEMENT

The Board expects each member of management to perform such duties as may be reasonably assigned by the Board from time to time, faithfully, diligently, to the best of his or her ability and in the best interests of the Corporation. Each member of management is expected to devote substantially all of his or her business time and efforts to the performance of such duties. Management is expected to act in compliance with, and to ensure that the Corporation is in compliance, with all laws, rules, regulations and policies applicable to the Corporation.

6.0 RESPONSIBILITIES AND EXPECTATIONS OF DIRECTORS

The responsibilities and expectations of each Director are as follows:

6.1 Commitment and Attendance

Directors are expected to spend the time necessary to properly discharge their responsibilities. All Directors should make every effort to attend all meetings of the Board and meetings of committees of which they are members.

6.2 Participation in Meetings

Each Director should be sufficiently familiar with the business of the Corporation, including its financial position and capital structure and the risks and competition it faces, to actively and effectively participate in the deliberations of the Board and of each committee of which the Director is a member. Upon request, management should make appropriate personnel available to answer any questions a Director may have about any aspect of the business of the Corporation. Directors should also review the materials provided by management and the Corporation's advisors in advance of meetings of the Board and committees and should arrive prepared to discuss the matters to be presented.

6.3 Code of Business Conduct and Ethics

The Corporation has adopted a Code of Business Conduct and Ethics to deal with the business conduct of Directors, officers and employees of the Corporation. Directors should be familiar with the provisions of the Code of Business Conduct and Ethics.

6.4 Policies

The Corporation has adopted a Disclosure Policy and an Insider Trading Policy. Directors should be familiar with the provisions of these and any other policies adopted by the Board from time to time.

6.5 Other Directorships

The Corporation values the experience Directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a Director's time and availability, and may also present conflicts issues. Accordingly, Directors shall advise the Chair before accepting any new membership on other boards of directors or any other affiliation with other businesses or governmental bodies.

6.6 Contact with Management

All Directors may contact the CEO at any time to discuss any aspect of the business of the Corporation. Directors also have complete access to other members of management. The Board expects that there will be frequent opportunities for Directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.

6.7 Confidentiality

The proceedings and deliberations of the Board and its committees are, and shall remain, confidential. Each Director should maintain the confidentiality of information received in connection with his or her services as a director of the Corporation.

7.0 QUALIFICATIONS AND DIRECTORS' ORIENTATION

7.1 The size of the Board shall be determined by the Board, in accordance with the constating documents of the Corporation, with acknowledgement that the number of Board members be such that the Corporation can operate effectively and efficiently.

7.2 The Board is responsible for nominating members to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders. A sufficient number of Directors should be independent Directors in accordance with the applicable policies and guidelines of the Canadian Securities Administrators.

7.3 In considering the constitution of the Board, the Board shall consider the types of skills and characteristics required of Directors, based on the needs of the Corporation from time to time. This assessment should include issues of relevant experience, independence, commitment, compatibility with the CEO and other factors deemed relevant to the business of the Corporation.

7.4 Management will provide new Directors with an initial orientation in order to familiarize them with the Corporation and its strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its policies and its external auditor.

7.5 The Board will encourage, but not require, Directors to periodically pursue or obtain appropriate programs, sessions or materials as to the responsibilities of Directors of publicly-traded companies.

8.0 MEETINGS

8.1 The Board shall meet often as it deems necessary to carry out its responsibilities but not less frequently than quarterly. In addition, the Board should meet as it considers appropriate to consider strategic planning for the Corporation. Financial and other appropriate information should be made available to the Directors in advance of Board meetings. Attendance at each meeting of the Board should be recorded.

8.2 The Chair is primarily responsible for the agenda and for supervising the conduct of the meeting. A detailed agenda and, to the extent feasible, supporting documents will be provided to the Directors approximately one week prior to each Board meeting. Any Director may pose the inclusion of items on the agenda, request the presence of, or a report by, any relevant member of senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting. Directors having items to suggest for inclusion on the agenda for future board meetings should advise the Chair and the corporate secretary well in advance of such meetings.

8.3 No business shall be transacted by the Board unless a quorum of the Board is present or the business is transacted by resolution in writing signed by all members of the Board. A majority of the Board shall constitute a quorum, provided that if the number of members of the Board is an even number, one half of the number of members plus one shall constitute a quorum.

8.4 The Chair will appoint a secretary ("**Secretary**") who will keep minutes of all meetings. The Secretary does not have to be a member of the Board or a director and can be changed by simple notice from the Chair.

8.5 The time and place of meetings of the Board, and the procedure in all respects of such meetings shall be determined by the Board, unless otherwise provided for in the constating documents of the Corporation or otherwise determined by resolution of the Board.

8.6 Meetings may be held in person, by teleconferencing or by videoconferencing.

8.7 Any decision made by the Board shall be determined by a majority vote of the members of the Board present. A member will be deemed to have consented to any resolution passed or action taken at a meeting of the Board unless the member dissents.

8.8 Management may be asked to participate in any meeting of the Board. The Board should meet separately from management as considered appropriate to ensure that the Board functions independently of management. The Directors independent of management should meet without members of management of the Corporation present as considered appropriate.

8.9 Draft minutes of the Board meetings shall be circulated to the Directors following each meeting.

9.0 COMMITTEES

9.1 A substantial portion of the analysis and work of the Board will be done by standing Board committees. The Board has established or intends to establish the following standing committees: the Audit Committee and the Compensation Committee. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

9.2 Committee members will be appointed by the Board, with consideration of the desires and skills of individual Directors. It is desirable that consideration should be given to rotating committee members periodically, but rotation is not mandated as a policy.

9.3 Each standing committee will have its own charter. The charter of each standing committee should be reviewed annually by the Board.

9.4 Each committee chair, in consultation with committee members, will determine the frequency and length of each committee's meeting and the agenda for committee meetings.

9.5 The chair of each committee shall report to the Board following meetings of the committee.

10.0 RESOURCES

10.1 The Board shall have full, free and unrestricted access to management and employees and to the relevant books and records of the Corporation.

10.2 The Board may invite any officers or employees of the Corporation, outside counsel, the Corporation's external auditor or any other advisor to attend meetings of the Board or to meet with any member of, or consultant to, the Board, as it deems necessary.

10.3 The Board shall have the authority to:

(a) retain independent advisors as it may deem necessary or appropriate to allow it to discharge its responsibilities; and

(b) set and pay the compensation of any such advisors, at the expense of the Corporation.

10.4 Any advisors retained shall report directly to the Board.

10.5 Directors are permitted to engage an outside legal or other adviser at the expense of the Corporation where for example he or she is placed in a conflict position through activities of the Corporation, but any such engagement shall be subject to the prior approval of the Chair.

11.0 ANNUAL REVIEW AND ASSESSMENT

11.1 The Board and each of the committees of the Board, should conduct a self-evaluation at least annually to assess their effectiveness. In addition, the Board should periodically consider the mix of skills and experience that Directors bring to the Board and assess, on an ongoing basis, whether the Board is an appropriate size and has the necessary composition to perform its oversight function effectively.

11.2 The Board shall review and assess the adequacy of this Mandate and, if appropriate, revise this Mandate from time to time.

11.3 Directors should be encouraged to exercise their duties and responsibilities in a manner that is consistent with this mandate and with the best interests of the Corporation and its shareholders generally.

12.0 REMUNERATION

12.1 The members of the Board shall be entitled to receive such remuneration for acting as Directors or members of any committee of the Board as the Board may from time to time determine.

APPENDIX B

NAMIBIA RARE EARTHS INC.
AUDIT COMMITTEE CHARTER

1.0 PURPOSE

The Audit Committee ("**Committee**") is a standing committee of the board of directors ("**Board**") of Namibia Rare Earths Inc. ("**Corporation**") charged with assisting the Board in fulfilling its responsibility to the shareholders and investment community. The Committee's role is to:

(a) serve as an independent and objective party to oversee the Corporation's accounting and financial reporting processes, internal control system and audits of its financial statements;

(b) review and appraise the audit efforts of the Corporation 's external auditor; and

(c) provide an open avenue of communication among the independent auditor, financial and senior management and the Board.

2.0 COMMITTEE MEMBERSHIP

2.1 The Board shall annually appoint a minimum of three (3) directors to the Committee, all of whom shall be independent of management and free from any material relationship which, in the opinion of the Board, would interfere with the director's exercise of independent judgment as a member of the Committee.

2.2 All members of the Committee must be financially literate or, if not financially literate at the time of their appointments, must become so within a reasonable period of time following their appointments.

2.3 Members of the Committee shall be appointed at the first meeting of the Board held following the annual general meeting of the Corporation.

2.4 Any member may resign from the Committee and may be removed and replaced by the Board at any time. A Committee member may resign by providing notice in writing or by electronic transmission to the Corporation's secretary. Such resignation shall take effect upon receipt thereof or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

2.5 A member of the Committee will automatically cease to be a member at such time as that individual ceases to be a director of the Corporation.

3.0 CHAIR OF THE COMMITTEE

3.1 The Board shall in each year appoint a chair of the Committee ("**Chair**") from among the members of the Committee. In the Chair's absence, or if the position is vacant, the Committee may select another member to act as interim Chair.

3.2 The Chair shall have the right to exercise all powers of the Committee between meetings but will attempt to involve all other members as appropriate prior to the exercise of any powers and shall, in any event, advise all other members of any decisions made or powers exercised as soon as practicable thereafter.

3.3 The Chair shall be responsible to:

(a) ensure the Committee meets regularly and performs its duties as set out herein; and

(b) report to the Board on the activities of the Committee.

4.0 RESPONSIBILITIES

4.1 The Committee is responsible to:

(a) make recommendations to the Board regarding the selection and compensation of the external auditor to be engaged to prepare or issue an auditor's report or perform other audit, review or attest services for the Corporation who shall report directly to the Committee. The external auditor shall be accountable to the Board and the Committee;

(b) obtain and review a report from the external auditor at least annually regarding:

(i) the external auditor's internal quality-control procedures;

(ii) any material issues raised by the most recent internal quality-control review, or peer review, of the external audit firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;

(iii) any steps taken to deal with any such issues; and

(iv) all relationships between the external auditor and the Corporation including non-audit services,

(c) evaluate the qualifications, performance and independence of the external auditor, including considering whether the external auditor's quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management and internal auditors, if any, and to present its conclusions with respect to the external auditor to the Board;

(d) satisfy itself of the rotation of the audit partners as required by law and consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the external auditing firm on a regular basis;

(e) meet with the external auditor and financial management of the Corporation to review and approve the scope of the proposed audit for the current year and the audit procedures to be used;

(f) oversee the work of the external auditor engaged to prepare or issue an auditor's report or perform other audit, review or attest services for the Corporation, including the resolution of any disagreements between management and the external auditor regarding financial reporting;

(g) pre-approve all non-audit services to be provided to the Corporation or any of its subsidiaries by the Corporation's external auditor;

(h) recommend to the Board the compensation of the independent auditor;

(i) review with management and, where appropriate, the external auditor:

(i) the Corporation's interim and annual audited financial statements and footnotes, management's discussion and analysis and any annual or interim financial news releases before the Corporation publicly discloses this information;

(ii) any significant changes required in the external auditor's audit plan and any serious difficulties or disputes with management encountered during the course of the audit; and

(iii) other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards;

(j) satisfy itself that the Corporation's interim and annual audited financial statements are fairly presented in accordance with applicable Canadian generally accepted accounting principles and recommend to the Board whether the annual financial statements should be approved and included in the Corporation 's annual report;

(k) review with the external auditor and management the quality of the Corporation's accounting principles as applied in its financial reporting process and any proposed changes in accounting principles;

(l) satisfy itself that the Corporation has implemented appropriate systems of internal control over accounting, financial reporting and the safeguarding of the Company's assets and other "risk management" functions (including the identification of significant risks and the establishment of appropriate procedures to manage those risks and the monitoring of corporate performance in light of applicable risks) affecting the Corporation's assets, management and financial and business operations and that these are operating effectively;

(m) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters and for the confidential, anonymous submission by the Corporation's employees of concerns regarding questionable accounting or auditing matters;

(n) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation; and

(o) perform any other activities consistent with this charter, the Corporation's By-Laws and governing law, as the Committee or the Board deems necessary or appropriate.

4.2 The Committee may delegate to one or more members the authority to pre-approve non-audit services in satisfaction of Section 4.1(g) above, provided that the pre-approval by any member to whom authority has been delegated must be presented to the Committee at its first scheduled meeting following such pre-approval.

5.0 MEETINGS

5.1 The Committee shall meet often as it deems necessary to carry out its responsibilities but not less frequently than quarterly.

5.2 No business shall be transacted by the Committee unless a quorum of the Committee is present or the business is transacted by resolution in writing signed by all members of the Committee. A majority of the Committee shall constitute a quorum, provided that if the number of members of the Committee is an even number, one half of the number of members plus one shall constitute a quorum.

5.3 The Chairman will appoint a secretary ("**Secretary**") who will keep minutes of all meetings. The Secretary does not have to be a member of the Committee or a director and can be changed by simple notice from the Chair.

5.4 The time and place of meetings of the Committee, and the procedure in all respects of such meetings, shall be determined by the Committee, unless otherwise provided for in the By-Laws of the Corporation or otherwise determined by resolution of the Board.

5.5 Meetings may be held in person, by teleconferencing or by videoconferencing.

5.6 Any decision made by the Committee shall be determined by a majority vote of the members of the Committee present. A member will be deemed to have consented to any resolution passed or action taken at a meeting of the Committee unless the member dissents.

5.7 The approved minutes of the Committee meetings shall be circulated to the Board forthwith and shall be duly entered in the books of the Corporation.

6.0 ACCESS TO MANAGEMENT AND OUTSIDE ADVISORS

6.1 The Committee shall have full, free and unrestricted access to management and employees and to the relevant books and records of the Corporation.

6.2 The Committee may invite such other persons (e.g., the CEO, CFO, Controller) to its meetings, as it deems necessary.

6.3 The Committee shall have the authority to:

(a) retain independent accounting or other relevant advisors as it may deem necessary or appropriate to allow it to discharge its responsibilities; and

(b) set and pay the compensation of any such advisors, at the expense of the Corporation.

6.4 Any advisors retained shall report directly to the Committee.

7.0 REPORTING REQUIREMENTS

7.1 The Committee shall make regular reports to the Board, through the Chair, following meetings of the Committee.

8.0 ANNUAL REVIEW AND ASSESSMENT

8.1 The Committee shall review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

8.2 The Committee shall review its own performance annually

9.0 REMUNERATION

9.1 The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.

Namibia Rare Earths Inc.

(A DEVELOPMENT STAGE ENTERPRISE)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2010 AND 2009

Namibia Rare Earths Inc. 1

Audited Consolidated Financial Statements

AUDITORS' REPORT

To the Shareholders
of Namibia Rare Earths Inc.

We have audited the consolidated balance sheets of Namibia Rare Earths Inc. as at November 30, 2010 and November 30, 2009, the consolidated statements of shareholders' equity for the two years ended November 30, 2010 and 2009, and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the three years ended November 30, 2010, 2009 and 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2010 and November 30, 2009 and the results of its operations and its cash flows for the three years ended November 30, 2010, 2009 and 2008 in accordance with Canadian generally accepted accounting principles.

(signed) *Deloitte & Touche LLP*

Chartered Accountants
Halifax, Canada

February 28, 2011
(except as to Note 12c, which is as of April 7, 2011)

Namibia Rare Earths Inc. 2

Audited Consolidated Balance Sheets

As at November 30, 2010 and 2009 (in Canadian Dollars)
Note 1

	2010 $	2009 $
Assets		
Current assets		
Cash	3,664,429	72,322
Amounts receivable	142,264	19,411
Deposits and prepaid expenses	1,665	1,638
	3,808,358	93,371
Property, plant and equipment (note 4)	127,393	186,242
Mineral properties and related deferred costs (note 5)	5,828,072	3,840,650
	9,763,823	4,120,263
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	385,744	6,738
	385,744	6,738
Amounts due to related parties (note 6)	38,560	6,480,075
Shareholders' Equity		
Capital stock (note 7)	10,802,985	20
Warrants (note 7)	1,298,000	-
Deficit	(2,761,466)	(2,366,570)
	9,339,519	(2,366,550)
	9,763,823	4,120,263

(Signed) "*Glenn R. Williams*"
Director

(Signed) "*Gerald J. McConnell*"
Director

Namibia Rare Earths Inc. 3

Audited Consolidated Statements of Operations, Comprehensive Loss and Deficit

For the years ending November 30, 2010, 2009 and 2008 (in Canadian Dollars)
Note 1

	2010 **$**	**2009** **$**	2008 $
Expenses			
General and administrative (note 6)	102,137	23,930	20,293
Consulting fees	23,335	-	14,299
Professional fees	94,054	-	4,690
Shareholder communications	21,442	-	-
Travel and promotion	99,727	-	-
Wages and benefits	55,856	-	-
	396,551	23,930	39,282
Other (income) expenses			
Interest (income) expense	(2,525)	-	23
Foreign currency exchange (gain) loss	870	(6,129)	30,582
Property investigation	-	40,200	16,846
Write-down of mineral property (note 5)	-	2,080,036	14,258
Loss on sale of assets	-	-	7,244
	(1,655)	2,114,107	68,953
Net loss and comprehensive loss	(394,896)	(2,138,037)	(108,235)
Deficit – Beginning of year	(2,366,570)	(228,533)	(120,298)
Deficit – End of year	(2,761,466)	(2,366,570)	(228,533)
Loss per share - Basic and diluted	$(0.01)	$(0.07)	$(0.00)
Weighted average number of shares outstanding (note 7)	33,589,500	30,000,000	30,000,000

Namibia Rare Earths Inc. 4

Audited Consolidated Statements of Shareholders Equity

For the years ending November 30, 2010 and 2009 (in Canadian Dollars)

	COMMON SHARES WITHOUT PAR VALUE				TOTAL SHAREHOLDERS'
	SHARES #	AMOUNT $	WARRANTS $	DEFICIT $	EQUITY $
Balance, November 30, 2008	100	20	-	(228,533)	(228,533)
Net loss for the year	-	-	-	(2,138,037)	(2,138,037)
Balance, November 30, 2009	100	20	-	(2,366,570)	(2,366,570)
Elimination of predecessor company, shares	(100)	(20)	-	-	-
Settlement of debt with equity	30,000,000	6,949,045	-	-	6,949,045
Issue of securities for cash, private placement at $0.50 per unit	10,810,000	5,405,000	-	-	5,405,000
Issuance of X warrants at fair value	-	(1,298,000)	1,298,000	-	-
Share issuance costs		(253,060)	-	-	(253,060)
Net loss for the year	-	-	-	(394,896)	(394,896)
Balance, November 30, 2010	**40,810,000**	**10,802,985**	**1,298,000**	**(2,761,466)**	**9,339,519**

Namibia Rare Earths Inc. 5

Audited Consolidated Statements of Cash Flow

For the years ending November 30, 2010, 2009 and 2008 (in Canadian Dollars)

	2010 $	2009 $	2008 $
Cash provided by (used in)			
Operating activities			
Net loss for the years	(394,896)	(2,138,037)	(108,235)
Charges (credits) to income not affecting cash			
Loss on sale of assets	-	-	7,244
Write-down of mineral properties	-	2,080,036	14,258
	(394,896)	(58,001)	(86,733)
Net change in non-cash working capital balances related to operations			
(Increase) decrease in accounts receivable, deposits and prepaid expenses	(122,880)	41,698	33,440
Increase (decrease) in accounts payable and accrued liabilities	177,059	(25,501)	9,864
	(340,717)	(41,804)	(43,429)
Financing activities			
Proceeds from issuance of capital stock - net of issue costs	5,151,940	-	-
Advances from related parties prior to conversion of advances to equity	468,970	1,296,843	2,821,830
Advances from related parties after conversion of advances to equity	543,095	-	-
Repayments of advances from related parties	(504,535)	-	-
	5,659,470	1,296,843	2,821,830
Investing activities			
Expenditures on mineral properties and related deferred costs	(1,726,646)	(1,203,623)	(2,598,453)
Purchase of capital assets	-	-	(210,469)
	(1,726,646)	(1,203,623)	(2,808,922)
Net change in cash during the year	3,592,107	51,416	(30,521)
Cash – Beginning of year	72,322	20,906	51,427
Cash – End of year	3,664,429	72,322	20,906

Supplemental cash flow information (note 11)

1. Nature of operations and going concern

Namibia Rare Earths Inc. (NRE or the Company) was incorporated pursuant to the Canada Business Corporations Act on April 26, 2010 for the purpose of acquiring ownership of the rare earth assets held by Endeavour Resources Inc. (ERI), (formerly Etruscan Resources Inc., a publicly-traded entity, now a wholly-owned subsidiary of Endeavour Mining Corporation).

On April 30, 2010, ERI transferred all of its inter-corporate debt and equity interest in its wholly-owned subsidiary Etruscan Resources Namibia (Pty) Ltd. (Namibia Pty), a Namibia-based company holding its rare earth assets, to the Company and its wholly owned subsidiary Cayman Namibia Rare Earth Ltd. (CNRE) in exchange for 30 million common shares of the Company. There was no substantive change in ownership.

The consolidated financial statements of the Company comprise the financial statements of the Company and its subsidiaries using the historical results of operations and the historical basis of assets and liabilities of these companies. The consolidated financial statements of the subsidiaries are considered, for financial reporting purposes, to be the predecessor company of the Company and its results are considered to be the historical results of the Company under the continuity of interest basis of accounting.

The Company is in the business of exploring and developing rare earth properties in Namibia. The amounts shown as property, plant and equipment, mineral properties and related deferred costs, all of which are located in Namibia, represent costs net of recoveries to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and future profitable production or proceeds of disposition thereof.

These financial statements have been prepared using Canadian generally accepted accounting principles (GAAP) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as the liabilities come due.

For the year ended November 30, 2010, the Company reported a loss of $394,896 and an accumulated deficit of $2,761,466 at that date. In 2009, the Company recorded a write-down of its deferred costs of $2,080,036 based on the amount by which the carrying value exceeded the fair value.

The Company's ability to continue as a going concern is dependent upon rare earths prices, successful results from its mineral property acquisitions and exploration activities, its ability to maintain title and beneficial interest in the mineral properties, and its ability to raise additional financing. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Significant accounting policies

Financial statement presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars, unless otherwise stated.

Consolidation

These consolidated financial statements include the accounts of Namibia Rare Earths Inc. and its subsidiaries, Cayman Namibia Rare Earth Ltd. (100%) and Etruscan Resources Namibia (Pty) Ltd (100%).

Management estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. The more significant estimates that the Company was required to make relate to the recoverability of its investments in property, plant and equipment, mineral properties and related deferred costs, assessing impairment of its mineral properties, and estimating reclamation obligations. Actual results could differ from those reported.

Cash and cash equivalents

Cash includes cash on hand and demand deposits, primarily held in Canadian dollars (Note 10). Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Capital assets and amortization

Capital assets are recorded at cost and amortized over their economic life using the straight line method at a rate of 20% for motor vehicles.

Estimates of residual values and useful lives are reassessed annually, and any change in estimate is taken into account in the determination of future amortization charges.

Mineral properties and related deferred costs

Exploration and development costs relating to mineral properties are deferred until the properties are brought into production, at which time they are amortized on the unit-of-production basis, or until the properties are abandoned or sold or management determines that the mineral property is impaired, at which time the deferred costs are written down to fair value. Administrative expenditures are expensed in the year incurred. Property investigation costs, where a property interest is not acquired, are expensed as incurred.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

Impairment of long-lived assets

On an annual basis or when impairment indicators arise, the Company evaluates the future recoverability of its mineral property costs. Impairment losses or write downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flows attributable to such assets.

Reclamation costs for mineral properties

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment.

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company has determined that it has no legal obligation for reclamation and remediation costs.

Loss per common share

Loss per common share is calculated based on the weighted average number of common shares outstanding during the year. The Company follows the treasury stock method in the calculation of diluted earnings per share. Since the Company has losses, the exercise of outstanding warrants has not been included in this calculation as it would be anti-dilutive.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes using the substantively enacted tax rates that will be in effect when the differences are expected to reverse or when losses are expected to be utilized. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

Translation of foreign currencies

All subsidiaries of the Company are integrated. The Company follows the guidelines for foreign currency translation of integrated foreign operations. Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at rates approximating exchange rates in effect at the time of the transactions. Exchange gains or losses, arising on translation, are included in income or loss for the year.

Financial Instruments

The Company's financial instruments include cash, harmonized sales tax and value-added tax recoverable, exploration advances receivable and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Comprehensive Loss

CICA Handbook Section 1530 establishes standards for the reporting and display of comprehensive income and its components in the financial statements. Comprehensive loss includes net loss and other comprehensive loss. Other comprehensive loss includes holding gains on available for sale investments, gains and losses on certain derivative instruments and currency gains and losses relating to the translating financial statements of self-sustaining foreign operations. The Company has no other comprehensive loss for the year.

3. Changes in Accounting Policies

Future accounting changes

International financial reporting standards

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB's strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to adopt IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will be required to adopt IFRS on December 1, 2011. The transition will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011.

Business Combinations

In January 2009, the CICA issued the new handbook Section 1582, "Business Combinations" effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with United States GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Although the Company is considering the impact of adopting this pronouncement on the consolidated financial statements, it will be limited to any future acquisitions beginning in fiscal 2012.

Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued the new handbook Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with US GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting for ownership interest in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company is currently considering the impact of adopting these pronouncements on its consolidated financial statements in fiscal 2012 in connection with the conversion to IFRS.

For the years ending November 30, 2010 and 2009 (in Canadian Dollars)

4. Property, plant and equipment

	Cost $	Accumulated amortization $	2010 Net $
Motor vehicles	303,268	175,875	127,393

	Cost $	Accumulated amortization $	2009 Net $
Motor vehicles	303,265	117,026	186,242

5. Mineral properties and related deferred cost

Property description	Balance 2009 $	Acquisitions and expenditures during the year $	Write-down $	Balance 2010 $
Lofdal rare earths property	1,855,307	1,871,128	-	3,726,435
Other mineral properties	1,985,343	116,294	-	2,101,637
Rare earth properties, Namibia	3,840,650	1,987,422	-	5,828,072

Property description	Balance 2008 $	Acquisitions and expenditures during the year $	Write-down $	Balance 2009 $
Lofdal rare earths property	1,364,572	490,735	-	1,855,307
Other mineral properties	3,293,640	771,739	(2,080,036)	1,985,343
Rare earth properties, Namibia	4,658,212	1,262,474	(2,080,036)	3,840,650

Carrying value of mineral properties
The Company's recorded amount of its mineral properties is accumulated based upon costs incurred to date, net of recoveries and provisions. This approach to recording mineral properties is consistent with industry standards and the Company believes that this represents its best estimate of the appropriate carrying amount for each property. The economic feasibility of each property is assessed regularly by management based upon current geological exploration results, independent geological reports, surrounding exploration and development activities, ongoing assessment of the political environment in the countries where properties are held and the availability of funding. When a property is deemed impaired, the cost thereof is written down to fair value.

6. Related parties transactions

In 2010, the Company paid or accrued $174,805 (2009 and 2008 - $Nil) in salaries and consulting fees to officers, of which $71,453 was charged to loss for the period, $28,900 was charged to share issuance costs, and $74,452 was charged to mineral properties.

From the date of incorporation of Namibia Pty to April 30, 2010, ERI funded, through a wholly-owned subsidiary, the mineral property expenditures and administration costs incurred by the Company and its subsidiaries. The advances were non-interest bearing with no fixed terms of repayment.

On April 30, 2010, the total amount owing to ERI by its subsidiaries in regard to rare earth assets of $6,949,045 was exchanged for 30,000,000 common shares of NRE. A subsequent private placement financing was completed by the Company with third parties in the summer and fall of 2010 and, as a result, ERI's interest in the Company was diluted. As at November 30, 2010, ERI holds a 73.5% equity interest in the Company.

The Company has a cost sharing arrangement with ERI in which the Company pays a flat fee of $10,000 per month for rent, utilities, personnel and other miscellaneous amounts. From June to November 2010, the Company incurred aggregate fees of $60,000. Prior to June 2010, these costs were absorbed by ERI. In addition, amounts totalling $543,095 for the Company's mineral property expenditures and direct administration costs were advanced by ERI prior to completion of the private placement financing. The advances were non-interest bearing with no fixed terms of repayment. The Company paid $564,535 of the charges and advances prior to November 30, 2010. The remaining amount of $38,560 was repaid subsequent to year-end.

7. Capital stock

Authorized capital stock
An unlimited number of common shares without nominal or par value.

Issued and outstanding
The predecessor company had issued 100 common shares for $20.

The Company was incorporated on April 26, 2010. On April 30, 2010, the Company issued 30,000,000 common shares to ERI in exchange for advances payable of $6,949,045 owing to ERI. For purposes of earnings per share calculations, these issuances have been accounted for as if they were outstanding for all years presented.

In 2010, the Company completed three tranches of a private placement financing, issuing 10,810,000 Units at a price of $0.50 per Unit, for total gross proceeds of $5,405,000. Each Unit was comprised of one common share, one half of one X share purchase warrant and one-tenth of one Y purchase warrant. Each full X warrant entitles the holder to purchase one common share at a price of $0.75 per share at any time prior to July 28, 2012. Each full Y warrant entitles the holder to purchase one common share of the corporation at a price of $0.0001 at any time after December 31, 2010 in the event that the Company had not completed its initial public offering by December 31, 2010. The Company incurred commissions, legal and other costs associated with the financing of $253,060.

Warrants
The fair value of $1,298,000 attributed to the X warrants and based on the Black-Scholes pricing model has been credited to warrants. Assumptions used in the pricing model include an average risk-free interest rate of 1.59%; expected life of 2 years; expected volatility of 110% and no expected dividends.

There was no value attributed to the Y warrants issued, based on management's assessment at the time of issuance that it was more likely than not that the warrants would not be entitled to be exercised. Because the Company had not completed its initial public offering by December 31, 2010, the Y warrants were exercised on January 1, 2011. The fair value of $540,500 based on 1,081,000 common shares issued at $0.50 per share in consideration for the warrants was recorded in that period.

The Company's common share purchase warrants issued and outstanding as at November 30, 2010 is as follows:

Warrants	Expiry Date	Exercise price $	Number of warrants
X	July 28, 2012	0.75	5,405,000
Y	No expiry	0.0001	1,081,000
			6,486,000

Stock option plan
The Company has a stock option plan providing for the issuance of options equal to up to 10% of the outstanding shares. The Company may grant options to its directors, officers, employees, consultants and management company employees. The exercise price of each option cannot be lower than the market price of the shares at the date of grant of the option. The number of shares optioned to insiders may not exceed 10% of the issued and outstanding shares at the date of grant. The options are exercisable immediately for up to a ten-year period from the date of grant.

There have been no options issued under the plan as at November 30, 2010.

8. Income Tax

A reconciliation of income taxes at statutory rates with the reported income taxes is as follows:

	2010	2009
Combined tax rate	34.2%	35%
Computed tax recovery	(135,000)	(748,000)
Effect of changes in tax rates	25,000	5,000
Valuation allowance	110,000	743,000
Total income taxes	-	-

Significant components of the Company's future income tax assets are as follows:

	2010	2009
Non-capital losses carried forward	261,000	110,000
Exploration and related deferred costs	652,000	693,000
Total future income tax assets	913,000	803,000
Valuation allowance	(913,000)	(803,000)
Net future income tax assets	-	-

The realization of benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no net future income tax asset has been recognized for accounting purposes.

As at November 30, 2010, the Company has available non-capital losses for income tax purposes of approximately $404,000 in Namibia which may be carried forward indefinitely and applied against future taxable income when earned, and non-capital losses for income tax purposes of approximately $365,000 in Canada which may be carried forward and applied against future taxable income when earned, expiring in 2030.

The Company has filed tax returns in Namibia for the years ended November 30, 2005, 2006 and 2007 and is in the process of completing and filing tax returns for the years ended November 30, 2008, 2009 and 2010.

9. Capital Disclosures

The Company manages its capital to attempt to maintain adequate levels of funding to support the acquisition and exploration of mineral properties and to maintain the necessary corporate and administrative functions to facilitate these activities. The capital structure consists of working capital and shareholders' equity. The Company raises capital, as necessary, to meet its needs and to take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. There were no changes to the Company's approach to capital management during the year ended November 30, 2010 compared to the prior year.

10. Financial Instruments

CICA Handbook Section 3862, "Financial Instruments – Disclosure", requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA Handbook Section 3862 prioritizes the inputs into three levels that may be used to measure fair value:

i) Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

ii) Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly, such as quoted prices for similar assets or liabilities in active markets, or indirectly, such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

iii) Level 3 - Applies to assets or liabilities for which there are unobservable market data.

The Company's financial instruments consist principally of cash, amounts receivable, accounts payable and accrued liabilities and advances from related parties. Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. Cash is designated as held-for-trading and measured at fair value. Amounts receivables are designated as loans and receivables and measured at amortized cost. Accounts payable and accrued liabilities and advances from related parties are designated as other financial liabilities and measured at amortized cost. The fair values of the Company's financial instruments measured at November 30, 2010, constitute Level 1 measurements for its cash within the fair value hierarchy. The recorded values of all financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk

The Company's exposure to credit risk on its cash and cash equivalents and deposits is limited by maintaining these assets in guaranteed investment certificates with high-credit quality financial institutions.

Liquidity risk

The Company attempts to ensure that there is sufficient capital to meet short term business requirements, after taking into account cash required for operations and the Company's holdings of cash and cash equivalents.

Market risk

The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk and commodity price risk. These are discussed further below.

Foreign exchange risk

The Company's local expenditures including labour and purchases are denominated in Namibia dollars (which are equal to the South African rand) and US dollars. The Company's cash, amounts receivable, amounts payable and accrued liabilities include amounts denominated in Namibia dollars. Accordingly, the results of the Company's operations are subject to currency transaction risk and currency translation risk. At November 30, 2010, the Company had the following amounts denominated in Namibian dollars and converted to Canadian dollars: $75,905 in cash, $1,665 in deposits, $89,085 in taxes receivable and $61,791 in accounts payable. A ten percent change in the exchange rate would impact the company's working capital by less than $10,000.

The operating results and financial position of the Company are reported in Canadian dollars in the Company's consolidated financial statements. The fluctuation of the Canadian dollar in relation to Namibian dollar will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity.

Interest rate risk

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest. Cash reserves are maintained in cash or cash equivalents to maintain liquidity while achieving a satisfactory return for shareholders. Fluctuations in interest rates therefore impact the value of cash equivalents and short term investments.

Commodity price risk

The value of the Company's mineral resource properties is related to the prices of certain rare earth elements and the outlook for these prices. Rare earth elements prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, speculators, levels of worldwide production, short-term changes in supply and demand and other factors. The value of the Company's mineral resource properties is highly dependent on the market price of rare earth elements.

11. Supplemental cash flow information

During the year ended November 30, 2010, the Company incurred expenditures on mineral properties of $201,927 (2009 - $Nil and 2008 - $10,848) which were recorded as accounts payable or financing obligations at the end of November. In 2010, the Company recorded the issuance of warrants at a calculated fair value of $1,298,000 (2009 and 2008 - $Nil). In 2010, the Company recorded related party advance settlements of debt with equity of $6,949,045 (2009 and 2008 - $Nil). These items are non-cash transactions and have been excluded from the statements of cash flows.

12. Subsequent Events

(a) In January, 2011 the Company issued 1,081,000 common shares for nominal cash pursuant to the exercise of Y warrants issued in connection with the private placement in 2010.

(b) On February 28, 2011 the Company approved the granting of 2,925,000 stock options to directors, officers, employees and consultants to be effective on the closing of the planned initial public offering, exercisable until five years from the closing date at an exercise price equal to the offering price.

(c) Under the terms of an agency agreement dated April 7, 2011, the Company is qualifying the sale of 31,250,000 common shares at a price of $0.80 per common share ("Offering Price"). Upon closing, the net proceeds to the Company are expected to be $,22,500,000, after deducting the Company's expenses of the offering and the agent's commission, estimated at $2,500,000. In addition, the Company granted the agents an over-allotment option, exercisable in whole or in part for 30 days following the closing, to purchase up to 4,687,500 additional common shares at the Offering Price. Pursuant to the agency agreement, the Company will issue broker warrants, which will entitle the agents to purchase 6% of the number of common shares sold pursuant to the offering, exercisable at the Offering Price for a period of 24 months following the closing.

CERTIFICATE OF NAMIBIA RARE EARTHS INC.

Date: April 7, 2011

The prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

(Signed) *Gerald J. McConnell*

Chief Executive Officer

(Signed) *Teri L. Anderson*

Chief Financial Officer

On behalf of the Board of Directors

(Signed) *Adrian T. Hickey*

Director

(Signed) *Glenn R. Williams*

Director

CERTIFICATE OF PROMOTER

Date: April 7, 2011

The prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

ENDEAVOUR RESOURCES INC.

By: (Signed) *Christian Milau*
Director

CERTIFICATE OF THE AGENTS

Date: April 7, 2011

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

Cormark Securities Inc.

By: (Signed) *Dan Barnholden*
Director

Byron Capital Markets Ltd.

By: (Signed) *Robert Orviss*
Managing Director

CIBC World Markets Inc.

By: (Signed) *David Scott*
Managing Director