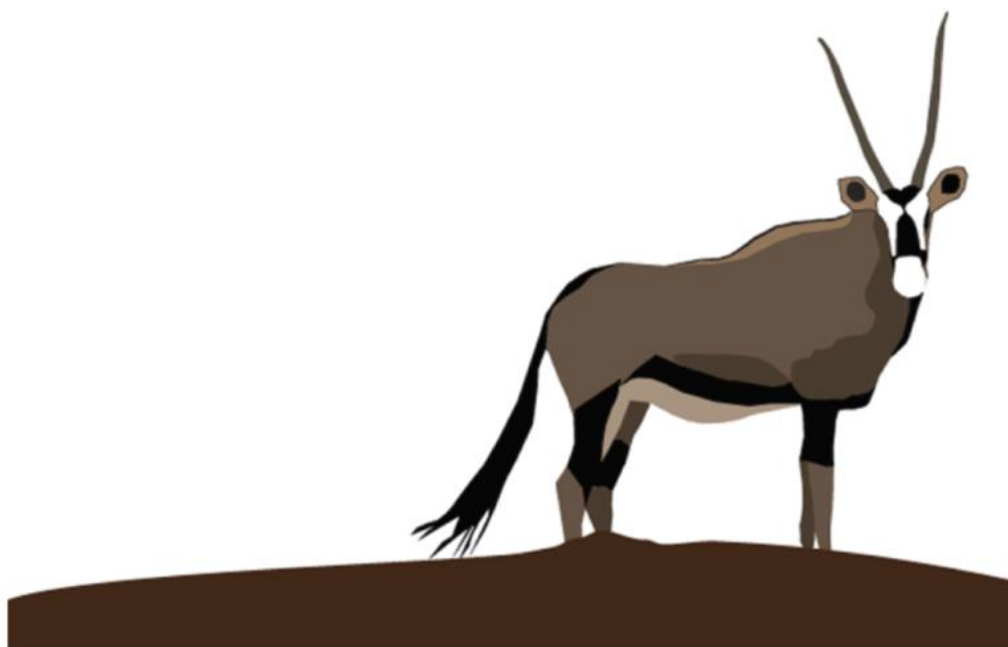


# NAMIBIA RARE EARTHS INC.



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Trading Symbol: TSX:NRE; OTCQX:NMREF

## **ANNUAL INFORMATION FORM**

**For the Fiscal Year ended  
November 30, 2015**

February 25, 2016

**NAMIBIA RARE EARTHS INC.**

**ANNUAL INFORMATION FORM**

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## **ITEM 1      PRELIMINARY NOTES AND CAUTIONARY STATEMENT**

### **Date of Information**

In this Annual Information Form ("AIF"), information is given as at November 30, 2015, unless stated otherwise.

### **Incorporation by Reference**

Incorporated by reference into this AIF are the audited consolidated balance sheets of Namibia Rare Earths Inc. (the "**Company**" or "**Namibia Rare Earths**") as at November 30, 2015 and 2014, and the audited consolidated statements of operations and deficit and cash flows of the Company for the years ended November 30, 2015 and 2014 together with the notes thereto included in the financial statements ("Audited Consolidated Financial Statements"). Also incorporated by reference in this AIF is the management discussion and analysis of the Company's operations for the year ended November 30, 2015 compared with 2014 ("**MD&A**"). All financial information in this AIF is prepared in accordance with International Financial Reporting Standards. The Company prepares and files its AIF, Audited Consolidated Financial Statements and MD&A in Canadian dollars. The Audited Consolidated Financial Statements and MD&A are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) under the Company's name.

### **Conversion Table and Technical Abbreviations**

Amounts in this AIF are generally in metric units. Conversion rates from Imperial measure to metric and from metric to Imperial are provided below.

| <b>Imperial Measure</b> | <b>=</b> | <b>Metric Unit</b> | <b>Metric Measure</b> | <b>=</b> | <b>Imperial Unit</b> |
|-------------------------|----------|--------------------|-----------------------|----------|----------------------|
| 2.47 acres              |          | 1 hectare          | 0.4047 hectares       |          | 1 acre               |
| 3.28 feet               |          | 1 metre            | 0.3048 meters         |          | 1 foot               |
| 0.62 miles              |          | 1 kilometer        | 1.609 kilometers      |          | 1 mile               |
| 35.315 cubic feet       |          | 1 cubic metre      | 0.0283 cubic meters   |          | 1 cubic foot         |
| 0.032 ounces (troy)     |          | 1 gram             | 31.103 grams          |          | 1 ounce (troy)       |
| 1.102 tons (short)      |          | 1 tonne            | 0.907 tonnes          |          | 1 ton                |

### **Technical Abbreviations**

|               |                           |                 |                                       |
|---------------|---------------------------|-----------------|---------------------------------------|
| <b>"\$"</b>   | Canadian dollar           | <b>"mm"</b>     | millimetres                           |
| <b>"C"</b>    | Celsius                   | <b>"N\$"</b>    | Namibian Dollar                       |
|               | compact fluorescent lamps | <b>"pmm"</b>    | part per million                      |
| <b>"cm"</b>   | centimetres               | <b>"REE"</b>    | rare earth elements                   |
| <b>"ha"</b>   | hectares                  | <b>"REO"</b>    | rare earth oxides                     |
| <b>"HREE"</b> | heavy rare earth elements | <b>"TREE+Y"</b> | total rare earths plus yttrium        |
| <b>"HREO"</b> | heavy rare earth oxides   | <b>"TREO"</b>   | total rare earth oxides               |
| <b>"IP "</b>  | Induced polarization      | <b>"VTEM"</b>   | versatile time domain electromagnetic |
| <b>"IOCG"</b> | iron oxide copper gold    | <b>"Y"</b>      | Yttrium Defined with others on p. 8   |
| <b>"LREE"</b> | light rare earth elements | <b>"ZAR"</b>    | South African Rand                    |
| <b>"LREO"</b> | light rare earth oxides   |                 |                                       |

### **Caution on Forward-Looking Statements**

This AIF contains forward-looking statements that relate to the Company's current expectations and views of future events. 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: (i) the Company's strategy, growth, development and acquisition opportunities, return on existing assets, operational excellence and financial management; (ii) the Company's expectations regarding its revenue, expenses and operations; (iii) the Company's anticipated cash needs and its estimates regarding its capital and operating expenditures; (iv) capital requirements, needs for additional financing and the Company's ability to raise additional capital; (v) the Company's estimates of future cash flows, financial condition and operating performances of the Company and its subsidiaries; (vi) 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; (vii) estimated results of planned exploration and development activities; (viii) the Company's competitive position and its expectations regarding competition from other companies globally; (ix) the Company's ability to maintain customer and supplier relationships; (x) 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; (xi) limitations of insurance coverage; (xii) the future price of and future demand for rare earths elements and their derivative products; (xiii) the Company's anticipated dividend policy; (xiv) economic and financial conditions; (xv) interest rates and foreign exchange rates; (xvi) performance of counterparties in fulfilling their obligations; (xvii) government regulation of mining operations, accidents, environmental risks, exploration risks, reclamation and rehabilitation expenses; (xviii) title disputes or claims; and (xix) the timing and possible outcome of pending regulatory and permitting matters.

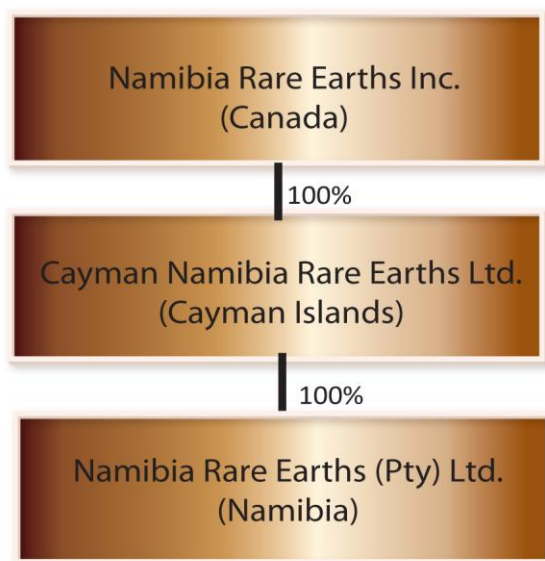
Forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. These assumptions include continued political 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 AIF relate only to events or information as of the date on which the statements are made in this AIF. 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.

## **ITEM 2 CORPORATE STRUCTURE**

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.

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:



*All of the above companies are sometimes referred to together herein as the "Company".*

## **ITEM 3 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 Rare Earths (Pty) Ltd ("**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 of the Company. A subsequent private placement financing was completed by the Company with third parties in the summer and fall of 2010 raising gross proceeds of \$5,405,000. As a result, ERI's interest in the Company was diluted. In April 2011, the Company completed an initial public offering and listing on the Toronto Stock Exchange raising gross proceeds of

\$28,750,000. As a result, ERI's interest in the Company was further diluted to a 38.5% equity interest in the Company. On April 30, 2013, ERI sold its entire interest in the Company to four private investors.

It is management's belief that there is a fundamental risk in taking any resource project from grass roots exploration through to production. This level of risk is heightened in the rare earth sector due in large part to the complexity of the metallurgy and the lack of operators with rare earth processing knowledge and expertise. The Company is mitigating these risks by focusing on exploration and identifying economically recoverable deposits of rare earth minerals, demonstrating through metallurgical testing that the rare earths are amenable to extraction, and then seeking a qualified strategic partner possessing the mining, extraction and processing expertise in the rare earth sector to develop the deposit.

The Company's main project is the Lofdal Rare Earths Project comprising an area of approximately 420 square kilometers in north-western Namibia, approximately 450 kilometers northwest of the capital city of Windhoek. The project represents a district scale, exploration stage opportunity focused on the discovery of heavy rare earths-enriched mineral deposits.

Since July 28, 2008, Namibia (Pty) has built an extensive high quality data base to provide for a regional assessment of the rare earths potential at the Lofdal Rare Earths Project. The data base comprises regional geophysics, regional lithogeochemical and geological surveys, remote sensing, mineralogical studies and observations on the distributions of rare earths at the Lofdal Rare Earths Project.

In the Fall of 2010, the Company completed its 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 "Amended 43-101 Technical Report on the Rare Earth Element Occurrences in the Lofdal Carbonatite Complex, Kunene Region, Khorixas District, Namibia" dated February 18, 2011, amended April 4, 2011 (the "**Technical Report**") independently prepared for the Company by Swinden Geoscience Consultants Ltd. ("SGC") in association with GeoAfrica Prospecting Services cc ("**GeoAfrica**"), a full copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

In the Fall of 2012, the Company released an initial mineral resource estimate for Area 4 of the Lofdal Rare Earths Project as set out in the technical report "NI 43-101 Technical Report and Mineral Resource Estimate for Area 4 of the Lofdal Rare Earth Element (REE) Project, Khorixas District, Republic of Namibia" dated October 29, 2012 (the "**Lofdal Initial Resource Report**") independently prepared for the Company by The MSA Group (Pty) Ltd. of South Africa ("**MSA**"), a full copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company continued metallurgical and sorting test work in 2014 and issued a technical report entitled "*Preliminary Economic Assessment on the Lofdal Rare Earths Project Namibia*" effective October 1, 2014 ("**PEA**"), a full copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com). The MDM Group of South Africa was the principal consultant for the report which provides an economic analysis of the potential viability of the current resources at Lofdal. MDM was assisted by MineTech International Limited of Canada for pit optimization, mine planning and operations, and MSA for mineral resource estimates.

The PEA concludes that the Lofdal Rare Earths Project currently has the potential to produce an average of 1,500 tonnes per annum of separated rare earth oxides ("**REO**") which would generate after tax cumulative cash flow of US\$259M with a net present value<sub>10%</sub> of US\$148M and an internal rate of return of 42%. The PEA indicates that there is considerable potential to expand the current mineral resource and recommends that additional drilling be carried out to provide for an extended mine life in conjunction with a six month prefeasibility study program.

**The PEA should not be considered to be a pre-feasibility or feasibility study, as the economics and technical viability of the Project has not been demonstrated at this time. The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. Furthermore, there is no certainty that the PEA will be realized.**

The Company currently has four employees. In addition, certain of the Company's human resource requirements are provided by consultants and contractors.

## **ITEM 4            MINERAL PROPERTIES OF THE COMPANY**

### **Lofdal Rare Earth Project**

#### **Project Overview**

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. 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 which can become economic. 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 an economic rare earths deposit.

On November 13, 2014 the Company filed a technical report titled "Preliminary Economic Assessment on the Lofdal Rare Earths Project Namibia" (the "**PEA**"). The effective date of the PEA is October 1, 2014. The MDM Group is the principal author of the PEA under the supervision of David S. Dodd, B. Sc (Hon) FSAIMM. Other contributing authors were Peter Roy Siegfried, MAusIMM (CP Geology) and Michael R. Hall, B.Sc (Hons), MBA, MAusIMM, Pr.Sci.Nat, MGSSA both of the MSA Group and Patrick Hannon, M.A.SC., P. Eng. and William Douglas Roy, M.A.Sc., P.Eng., both of MineTech International Limited. The PEA has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

The PEA concludes that the Project currently has the potential to produce an average of 1,500 tonnes per annum of separated rare earth oxides ("**REO**") which would generate after tax cumulative cash flow of US\$259M with a net present value based on a 10% discount rate ("**NPV**") of US\$148M and an internal rate of return ("**IRR**") of 42%. The PEA indicates that there is considerable potential to expand the current mineral resource and recommends that additional drilling be carried out to provide for an extended mine life in conjunction with a six month Prefeasibility Study ("**PFS**") program. Financial sensitivities of the Project are summarized in Table 1 and financial highlights in Table 2.

TABLE 1 - Financial Sensitivities Summary

| Discount Rate<br>(%) | Pre-Tax NPV<br>(US\$) | After Tax NPV<br>(US\$) |
|----------------------|-----------------------|-------------------------|
| 8                    | 266,192,000           | 166,143,000             |
| 10                   | 240,034,000           | 148,338,000             |
| 12                   | 216,429,000           | 132,197,000             |

|                                | Pre-Tax     | After Tax   |
|--------------------------------|-------------|-------------|
| IRR (%)                        | 53          | 42          |
| Cumulative Cash<br>Flow (US\$) | 404,714,000 | 259,321,000 |

TABLE 2 - Financial Highlights

|                                                  |             |
|--------------------------------------------------|-------------|
| Initial Capital Costs (US\$)                     | 93,177,000  |
| Total Capital Costs (US\$)                       | 162,935,000 |
| Total Operating Costs per Tonne Mined(US\$)      | 91.99       |
| Total Operating Costs per kg TREO Produce (US\$) | 50.45       |
| Basket Price per kg TREO Produced (US\$/kg)      | 105.77      |
| Life of Mine (years)                             | 7.25        |

**The PEA should not be considered to be a pre-feasibility or feasibility study, as the economics and technical viability of the Project has not been demonstrated at this time. The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. Furthermore, there is no certainty that the PEA will be realized.**

The Company's focus for 2016 is on completing the necessary work required in support of its application for a mining license for the Lofdal Rare Earths Project to be submitted 2016.

### **Project Description and Location**

The Lofdal Rare Earths Project comprises EPL 3400, located approximately 450 kilometers northwest of the capital city of Windhoek, approximately 25 kilometers northwest of the town of Khorixas in the Kunene Region of north-western Namibia. The Lofdal Rare Earths Project property covers a total of 420 square kilometers centred on the Lofdal carbonatite complex. EPL 3400 is held by Namibia (Pty) and was originally granted in 2005. It was renewed by the Government of Namibia in December, 2010, November, 2012 and November 2014, and is valid until November 16, 2016 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 kilometers of paved road via Otjiwarongo and Outjo. Driving time from Windhoek to Khorixas is about 4.5 hours. From Khorixas, the Lofdal Rare Earths Project area can be reached via 25 kilometers of secondary all weather gravel road. 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°C in June/July to more than 35°C from November to January. Night time lows reach 5°C in winter rising to about 20°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 characterized 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, zebras, leopards and various small mammals and snakes.

### **Geological Setting**

The regional bedrock geology of north-western Namibia is characterized by Archean to Palaeoproterozoic 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.

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 ankerite 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. 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 kilometers. 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. 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.

The recognition of larger, plug-like carbonatite intrusions (Main Intrusion and the Emanyia 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 kilometers and an exposed area of about 1.5 square kilometers. 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. 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 Emanyia Intrusion is located about 3.8 kilometers southwest of the Main Intrusion. 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 Emanyia carbonatites contain approximately 8.6 times more LREE and 3.6 times more HREE than the Main Intrusion. The REE in the Emanyia Intrusion are fractionated in favour of the LREE compared to the Main Intrusion.

## **Mineralization**

Rare earth mineralization at Lofdal is hosted in carbonatite dykes, structural zones and plugs exhibiting grades between 0.5 - 3% total rare earths ("TREO" which includes yttrium) and often exhibiting exceptional heavy rare earth ("HREE") enrichment greater than 50%. Rare earth deposits containing greater than 10% heavy rare earths ("HREO") can be considered to be enriched in heavy rare earths. Mineralized zones in dykes or structures are variable in thickness from less than 1 meter to 15 meters at surface and can be traced in some cases up to three kilometers in strike length. The more significant mineralized structures have associated alteration haloes which can carry anomalous concentrations of rare earth elements. As per industry norms, heavy rare earths comprise europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Tm), ytterbium (Yb), lutetium (Lu) and yttrium (Y). Light rare earths comprise lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd) and samarium (Sm). "Heavy rare earth enrichment" is the ratio of HREO:TREO, expressed as a percentage.

In addition to the confirmation of heavy rare earth enrichment, drilling has provided a number of significant geological insights into the nature of the REE mineralization at Lofdal, all of which impact positively upon the potential for a significant discovery. Project geologists are now of an opinion that mineralization is more broadly associated with large scale hydrothermal systems rather than being restricted to discrete dykes. These hydrothermal systems can be characterized by either heavy or light rare earth enrichment, and zones can be traced laterally on surface in some instances for several kilometers. Many of the larger, lower grade "dykes" previously mapped on surface are in fact alteration zones associated with these systems which in some areas significantly increases the strike and width potential of the heavy rare earth enriched exploration target.

Rare earth mineralization was encountered in all areas tested by drilling in 2011, however exceptional heavy rare earth enrichment was encountered in Area 2, Area 4 and Area 5. The most significant zone to date is considered to be in Area 4 and this is currently the subject of the National Instrument 43-101 resource estimate.

### *Lofdal Mineralogical Studies*

The results from exploration drilling in Area 4 indicated the highest potential for the rapid development of mineral resources. A selected suite of representative samples from the HREE enriched zones in these two areas were examined to characterize the nature of the REE mineralization to assist in developing metallurgical test programs. Detailed studies of Area 4 drill core have confirmed that the principal heavy rare earth mineral at Lofdal is xenotime. The potential ore mineral assemblage is dominated by xenotime and subordinate zircon  $\pm$  generally minor amounts of aeschynite, bastnasite group minerals (including synchysite-Y), thorite, and unidentified phases (Ca-Y silicate and Th-Zr silicate). In samples with high thorium (2,000-4,000 ppm) the potential ore mineral assemblage is dominated by xenotime and thorite. It should be noted that the average thorium content of the high grade metallurgical composite is 326 ppm and for the low grade metallurgical composite it is 674 ppm. Grain size and habit are variable with ore minerals being generally fine to very fine-grained with much of the potential ore mineral averaging 15-20 microns but locally reaching up to 150 microns. Examinations of core from deeper drill holes in Area 4 have identified much coarser xenotime in hand specimens.

## Exploration

### *Historical*

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 Geological Survey of Namibia 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. 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 2006 to 2008 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.

### *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. The regional exploration 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.

### *Drilling*

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 National Instrument 43-101 compliant technical report for which consultants Swinden Geoscience Consultants Ltd. and GeoAfrica Prospecting Services cc were retained. The technical report, entitled *Amended 43-101 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 ("Technical Report")*, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

From the Company's initial public offering in April 2011 to date, over 16,000 meters of exploration drilling has been completed on a number of planned targets within a 50 square kilometer portion of the Lofdal Carbonatite Complex. The drill program was augmented with detailed ground geophysical surveys with the objective of determining if a potential heavy rare earth enriched resource target could be identified.

Rare earth mineralization was encountered in all areas tested by drilling in 2011; however, exceptional heavy rare earth enrichment was encountered in Area 2, Area 4 and Area 5. The most significant zone to date is considered to be in Area 4 and this was the subject of a follow up drilling program to delineate a National Instrument 43-101 compliant resource.

#### *Lofdal Area 4*

During 2012 the Company dedicated most of its resources towards the development of a mineral resource on the heavy rare earth-enriched mineralization in Area 4. The geological database supporting the initial mineral resource estimate is detailed, comprising over 10,025 meters of diamond drilling in 93 holes and 987 meters of trenching.

#### **Area 4 Mineral Resource Estimate**

In September 2012, the Company released an initial mineral resource estimate for Area 4 of the Lofdal Rare Earths Project as set out in the technical report *"NI 43-101 Technical Report and Mineral Resource Estimate for Area 4 of the Lofdal Rare Earth Element (REE) Project, Khorixas District, Republic of Namibia"* dated October 29, 2012 (the **"Lofdal Initial Resource Report"**) independently prepared for the Company by The MSA Group (Pty) Ltd. of South Africa (**"MSA"**), a full copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com). The mineral resource exhibits high levels of HREE of between 75% and 93% HREE depending on cut-off grade with corresponding TREO ranging from 0.27-1.26% TREO. The resource drilling program has provided a mineral resource estimate extending from surface to a vertical depth of approximately 150 meters. Ongoing exploration drilling, however, has intersected the deposit to 200 meters further down-dip of the initial 43-101 resource.

The PEA utilized the Lofdal Initial Resource estimate for the Area 4 deposit at a cut-off grade of 0.1% TREO which provides 2.88 Mt of Indicated mineral resources yielding 9,230 t of REO, of which 7,050 t are estimated to be HREO and 3.28 Mt of Inferred mineral resources yielding 8,970 t of REO, of which 6,700 t are estimated to be HREO (Table 3). These REO and HREO tonnages are rounded to the nearest 10 t but are shown as originally calculated in Table 3. The remainder of the REO is made up of Light Rare Earth oxides (**"LREO"**).

TABLE 3 - Mineral Resources<sup>1</sup> for the Area 4 Deposit  
within the >0.1% TREO Envelope with effective date 31 July 2012

| Indicated Mineral Resource |                   |           |           |           |               |                    |
|----------------------------|-------------------|-----------|-----------|-----------|---------------|--------------------|
| Cut-Off<br>%TREO           | Tonnes<br>million | LREO<br>% | HREO<br>% | TREO<br>% | REO<br>Tonnes | HREO<br>Proportion |
| 0.1                        | 2.88              | 0.08      | 0.24      | 0.32      | 9,234         | 76.3%              |
| 0.2                        | 1.62              | 0.09      | 0.37      | 0.45      | 7,358         | 80.9%              |
| 0.3                        | 0.90              | 0.09      | 0.53      | 0.62      | 5,594         | 85.6%              |
| 0.4                        | 0.58              | 0.09      | 0.69      | 0.78      | 4,477         | 88.3%              |
| 0.5                        | 0.39              | 0.09      | 0.84      | 0.93      | 3,673         | 90.3%              |
| 0.6                        | 0.28              | 0.09      | 1.00      | 1.09      | 3,039         | 91.8%              |
| 0.7                        | 0.20              | 0.08      | 1.18      | 1.26      | 2,524         | 93.5%              |

| Inferred Mineral Resource |                   |           |           |           |               |                    |
|---------------------------|-------------------|-----------|-----------|-----------|---------------|--------------------|
| Cut-Off<br>%TREO          | Tonnes<br>million | LREO<br>% | HREO<br>% | TREO<br>% | REO<br>Tonnes | HREO<br>Proportion |
| 0.1                       | 3.28              | 0.07      | 0.20      | 0.27      | 8,973         | 74.7%              |
| 0.2                       | 1.80              | 0.08      | 0.30      | 0.37      | 6,748         | 79.3%              |
| 0.3                       | 0.75              | 0.08      | 0.47      | 0.56      | 4,180         | 85.1%              |
| 0.4                       | 0.42              | 0.08      | 0.64      | 0.72      | 3,071         | 88.8%              |
| 0.5                       | 0.27              | 0.08      | 0.81      | 0.89      | 2,377         | 90.9%              |
| 0.6                       | 0.21              | 0.08      | 0.91      | 0.99      | 2,049         | 92.1%              |
| 0.7                       | 0.16              | 0.07      | 1.03      | 1.10      | 1,717         | 93.5%              |

<sup>1</sup> Mineral resources which are not mineral reserves do not have demonstrated economic viability

Although mineral resource grades (%TREO) are relatively low, the high levels of heavy rare earth enrichment can provide significant tonnages of contained heavy REOs. The main elements of interest from the Area 4 mineral resource are europium, terbium, dysprosium and yttrium (with yttrium and dysprosium being the most abundant). Based on the REO distributions, these four elements are the most valuable in the deposit.

Carbonatite deposits are known to be naturally anomalous in thorium. Thorium concentrations at the reported cut-off grades range from 297 ppm to 531 ppm which would not be considered abnormally high, however, the removal of thorium must be addressed in metallurgical studies. It remains to be demonstrated that the rare earths can be extracted from the mineral resource at Area 4. This is the current focus of the Company's work through the metallurgical program developed by Mintek for the Area 4 mineral resource as described below.

The Area 4 resource was estimated to a maximum vertical depth of 150 meters based on the available drill data at that time. One hole had intersected the deposit at a vertical depth of 250 meters but was excluded from the resource due to the lack of supporting drill data at that depth. The three holes subsequently reported are considered as exploration holes at this time, and only provide an indication of the potential to develop additional resources at depth.

Highlights from the three deep exploration holes down dip on the Area 4 resource include:

- Hole 4098: 0.44% TREO over 10 meters with 82.4% HREE enrichment at 350 vertical meters (including 1.34% TREO over 2 meters with 94.1% HREE enrichment)
- Hole 4099: 0.14% TREO over 15 meters with 72.7% HREE enrichment at 240 vertical meters
- Hole 4100: 0.17% TREO over 19 meters with 50.8% HREE enrichment at 270 vertical meters

Field teams completed geological mapping to the northeast of the resource area, and with the support of geophysical surveys have traced the favourable structure believed to be controlling mineralization in Area 4. A new zone of mineralization located 1.5 kilometers along strike was mapped over a distance of 450 meters and was selected as a priority drill target. A total of eight holes were completed in four fences along the zone, all of which intersected significant rare earth mineralization in a geological setting similar to the Area 4 resource. The drilling has demonstrated continuity over the 450 meter strike length making this zone a potential target for more detailed resource drilling in the future.

Highlights from this new discovery include:

- 0.52% TREO over 8 meters with 19.4% HREE enrichment
- 0.28% TREO over 6 meters with 36.5% HREE enrichment
- 0.24% TREO over 10 meters with 22.5% HREE enrichment
- 0.17% TREO over 24 meters with 34.0% HREE enrichment

#### **Area 4 Metallurgical Program**

In late 2012, the Company engaged Mintek of South Africa ("**Mintek**") to undertake a broad scope of metallurgical test work including, but not limited to, sorting test work, comminution test work, separation options and milling, mineralogy, floatation test work, and leaching test work. This work was carried out through 2013 and 2014 and continued in 2015. Test work was conducted on composite samples from HQ diameter core drilled expressly for this purpose. Portions of these samples were shipped to Tomra Sorting Solutions (Commodas Ultrasort) in Germany where detailed sorting test work was completed. Parallel test work is also being undertaken by Nagrom, an independent metallurgical group in Australia with considerable experience in working with xenotime-rich deposits. The resulting concentrates will then be available for further downstream metallurgical work on separation.

The focus of the metallurgical work is to produce xenotime mineral concentrates that will be subsequently "cracked" through hydrometallurgical processes to remove impurities (most notably thorium and uranium) to produce high grade mixed rare earth oxide products amenable to separation into individual rare earth oxides. The PEA provided an economic assessment of the project based on the beneficiation of the Lofdal run-of-mine feed to 20% TREO mineral concentrate grade with an overall recovery of 64%. Beneficiation comprised upfront coarse crush and sorting with x-ray transmission sorters followed by fine grinding to magnetic separation, flotation and gangue acid leaching. This mineral concentrate would then be subjected to "cracking" in a hydrometallurgical plant to remove thorium and uranium to provide an acceptable mixed rare earth oxide product for separation. On-going test work at Mintek in South Africa and at Nagrom in Australia has indicated the sensitivity of the flow sheet to increased levels of ankerite (iron carbonate) with calcite, which can diminish the effectiveness of the magnetic separation stage. Additional sample has been provided to Nagrom to produce sufficient magnetic concentrate which will be utilized to optimize flotation to maintain the target 20% TREO grade in the presence of ankerite-rich ore. The objective is to develop a robust flow sheet that can mitigate fluctuations in ankerite/calcite ratios in the gangue. The test work will focus on the selective flotation of xenotime in the presence of carbonates.

The PEA also recommended that a larger bulk sample be collected to provide a more representative sample. A 7.8 tonne sample has been collected from a series of thirteen trenches covering the 600 meter strike length of the 43-101 Area 4 resource. This sample will be utilized for future metallurgical studies including both XRT and XRF sorting. Recent test work on Lofdal samples provided to RADOS in South Africa has confirmed the

potential of XRF sorting to effectively upgrade run of mine at a cut-off of 0.2% TREO. This offers the potential to consider primary XRF sorting or to use XRF sorting as a scavenger following XRT sorting which has demonstrated a potential for 90% recovery of the rare earths.

#### Area 4 Preliminary Economic Assessment

##### Mining and Processing

Mining will be by conventional open pit methods utilizing an owner operated mine fleet at a mining rate of 2,500 tpd (840,000 tpa) with the ultimate pit reaching a vertical depth of 200 meters. A total of 6.04 MT of mineralized material at a diluted grade of 0.28% TREO will be provided to the primary crusher over the 7¼ year life of mine (“LOM”).

Following secondary and tertiary crushing the feed is delivered to XRT and XRF sorters to eliminate internal waste thereby reducing volume to the ball mill for fine grinding. Ball mill product slurry is fed to the rougher magnetic separator with tails going through three scavenger magnetic stages. The magnetic concentrate product is subjected to a cleaner flotation circuit and then passes through a concentrate thickener prior to the acid leach circuit.

The leach circuit utilizes a four stage hydrochloric acid (“HCl”) leach to dissolve the carbonate minerals. A gangue leach centrifuge circuit provides for a primary acid water wash to remove the entrained dissolved calcium chloride solution and a secondary potable water wash with a second centrifuge for solid-liquid separation. The resultant solids are filtered in a filter press for final concentrate bagging and shipping to a hydrometallurgical facility which is proposed to be located at the deep water port of Walvis Bay.

Concentrate batches of 29 tonnes each will be shipped in containers over a distance of 375 kilometers to the hydrometallurgical facility for caustic cracking and washing. The caustic cracking plant is designed for the purpose of breaking or “cracking” the phosphate component of the rare earth mineral xenotime in order to access the contained thorium for removal by subsequent HCl leaching. Following the caustic cracking stage the washed residue is transferred to the HCl digestion tank to leach the thorium. Subsequent precipitation steps will produce a thorium hydroxide product for storage and a rare earth hydroxide product to be combined with the HCl digestion residue as a final product for drying and drumming.

The Project is not of sufficient scale to support capitalization for a separation plant and it is envisioned that the final product will be delivered to a third party facility and subject to an offshore treatment charge.

##### Capital Costs

The total capital costs for the Project are estimated at US\$162,935,000 and include direct capital costs for mining, mill site processing facilities, cracking plant processing facilities, tailings storage facility and camp allowance; sustaining capital; closure costs; indirect costs and contingency (Table 4). Indirect costs, including EPCM, owner’s costs, first fills and spares have been estimated at 30% of direct costs. The contingency has been estimated at 20% of the total of direct costs plus indirect costs.

TABLE 4 – Total Capital Costs Summary (US\$)

|                                               |                   |
|-----------------------------------------------|-------------------|
| Direct Mining Costs                           | 25,710,000        |
| Direct Mine Site Processing Costs             | 49,180,000        |
| Direct Cracking Plant Processing Costs        | 15,887,000        |
| Direct Tailings Storage Facility Costs        | 2,400,000         |
| <b>SUB TOTAL INITIAL DIRECT CAPITAL COSTS</b> | <b>93,177,000</b> |

|                               |                    |
|-------------------------------|--------------------|
| Sustaining Capital Mining     | 5,580,000          |
| Sustaining Capital Processing | 9,836,000          |
| Mine Closure Costs            | 2,163,000          |
| Indirect Costs                | 27,953,000         |
| Contingency                   | 24,226,000         |
| <b>TOTAL CAPITAL COSTS</b>    | <b>162,935,000</b> |

## Operating Costs

Operating costs include the costs of the owner operated mine fleet, processing at the mill site and cracking plant facility, transportation costs for concentrates from the mine site to Walvis Bay and from port to an offshore treatment facility for separation. Technology Metals Research of the United States has indicated that a tolling charge of US\$15-20/kg of finished REOs would be a reasonable estimate for the processing (outside of China) of an intermediate concentrate with a rare earth element distribution similar to the one associated with the Lofdal project to commonly required purity levels and finished forms. A separate cost has therefore been estimated for the offshore treatment cost and is considered as part of the total operating costs which are summarized in Table 5.

TABLE 5 – Total Operating Costs Summary

| Description                         | Cost per Tonne Mined<br>(US\$/t) | Cost per kg TREO<br>Produced<br>(US\$/kg) |
|-------------------------------------|----------------------------------|-------------------------------------------|
| Mining                              | 23.73                            | 13.02                                     |
| Processing (Mill Site and Cracking) | 28.83                            | 15.81                                     |
| Tailings Storage Facility           | 0.5                              | 0.27                                      |
| Offshore Treatment Charge           | 38.93                            | 21.35                                     |
| <b>Total Operating Costs</b>        | <b>91.99</b>                     | <b>50.45</b>                              |

## Rare Earth Pricing

A price deck has been developed for 2017 by Technology Metals Research and Core Consultants, based on REO supply/demand projections and pricing models for that year, which would be a reasonable approximation of when Lofdal might be expected to enter production. The nature of the REE market is such that it does not lend itself to traditional models for commodity forecasting. In analysing potential future prices, consideration is given to the likely relative surplus or deficit of REEs available to the market, in order to gain a sense of price direction. Two key assumptions made in the price projections are that China maintains its production targets of 100,000 – 105,000 tonnes in the near to medium term, and that there are no sudden or unexpected policy changes in China that would shock the export market as occurred in 2010/2011. The resulting 2017 FOB China export price projections for REOs are shown in Table 6.

The projected REO distribution for Lofdal concentrates is also presented in Table 6. The projected basket price of US\$105.77 is calculated from the REO distribution and the projected 2017 FOB China prices.



TABLE 6 – Projected 2017 FOB China Export Prices for REOs and Projected REO Distribution for Lofdal Concentrate (average 17.3% TREO from Mintek studies)

|              | REO Price<br>(US\$/kg) | Grade<br>(%) | Distribution<br>(% TREO) | Value<br>(US\$/kg) |
|--------------|------------------------|--------------|--------------------------|--------------------|
| La oxide     | 5                      | 0.081        | 0.47                     | 0.02               |
| Ce oxide     | 4                      | 0.135        | 0.78                     | 0.03               |
| Pr oxide     | 95                     | 0.014        | 0.08                     | 0.08               |
| Nd oxide     | 73                     | 0.056        | 0.32                     | 0.24               |
| Sm oxide     | 8                      | 0.089        | 0.51                     | 0.04               |
| Eu oxide     | 750                    | 0.092        | 0.53                     | 3.99               |
| Gd oxide     | 47                     | 0.609        | 3.52                     | 1.65               |
| Tb oxide     | 870                    | 0.197        | 1.14                     | 9.91               |
| Dy oxide     | 530                    | 1.573        | 9.09                     | 48.20              |
| Ho oxide     | 55                     | 0.352        | 2.04                     | 1.12               |
| Er oxide     | 75                     | 1.089        | 6.30                     | 4.72               |
| Tm oxide     | 1,000                  | 0.162        | 0.94                     | 9.37               |
| Yb oxide     | 55                     | 0.961        | 5.56                     | 3.06               |
| Lu oxide     | 1,250                  | 0.135        | 0.78                     | 9.76               |
| Y oxide      | 20                     | 11.752       | 67.94                    | 13.59              |
| Total        |                        | 17.297       | 100.00                   | 105.77             |
| Basket Price |                        |              |                          | 105.77             |

### Economic Analysis Assumptions

The PEA concludes that the Project currently has the potential to produce an average of 1,500 tonnes per annum of separated rare earth oxides (“**REO**”) which would generate after tax cumulative cash flow of US\$259M with a net present value<sub>10%</sub> (“**NPV**”) of US\$148M and an internal rate of return (“**IRR**”) of 42%. The PEA indicates that there is considerable potential to expand the current mineral resource and recommends that additional drilling be carried out to provide for an extended mine life in conjunction with a six month prefeasibility study program. Financial sensitivities of the Project are summarized in Table 1 above and financial highlights in Table 2 above.

The economic analysis assumes that the Project will be 100% equity financed and uses parameters relevant as of September 2014, under conditions likely to be applicable to project development and operation and analyzes the sensitivity of the Project to changes in the key Project parameters. All costs have been presented in United States Dollars (US\$) and wherever applicable conversion from South African Rand (ZAR) has utilized an exchange ratio (ZAR/US\$) of 10.70 based on July 2014 exchange rates.

Mining and treatment data, capital cost estimates and operating cost estimates have been put into a base case financial model to calculate the IRR and NPV based on calculated Project after tax cash flows. The scope of the financial model has been restricted to the Project level and as such, the effects of interest charges and financing have been excluded.

For the purposes of the PEA, the evaluation is based on 100% of the Project cash flows before distribution of profits to the equity owners. Both pre-tax and after tax cash flows have taken 5% royalty payments into account.

## **Environmental Impact Assessment**

The Company selected SLR Environmental Consulting (Namibia) (Pty) Limited ("SLR Namibia") as the lead consulting group for completion of the environmental impact assessment ("EIA") by the third quarter 2016. The EIA will be submitted to the Ministry of Environment and Tourism in support of an application to the Ministry of Mines and Energy for a Mining Licence in 2016. SLR is an international environmental consultancy with an expanding network of offices in Europe, North America, Asia-Pacific and Africa with 1,100 employees. SLR Namibia has been associated with significant mine development projects in Namibia including Swakop Uranium (Husab uranium mine), Paladin Energy (Langer Heinrich uranium mine) and B2 Gold (Otjikoto gold mine).

Initial baseline environmental reports for archaeological, invertebrate, vertebrate and vegetation studies have been completed by independent Namibian experts. Baseline monitoring equipment and programs have been implemented for the collection of all required meteorological and radiometric data. A groundwater monitoring program comprising regular sampling of existing farm wells and from planned monitoring holes was completed at the end of July. The EIA will utilize and update these reports and will include a radiological impact assessment to ensure compliance with all relevant regulations and to develop an appropriate Environmental Management Plan for the proposed mine development at Lofdal.

## **Geological Field Programs**

The PEA has proposed development of Lofdal as a 2,500 tpd mining operation which, with the current available mineral resources, would provide a 7.25 year life of mine ("LOM"). This current mineral resource is contained in an open pit with a 600 meter strike length to a maximum vertical depth of 200 meters. One of the fundamental objectives in the development of Lofdal is to increase the mineral resource base to provide sufficient mineable reserves to support a minimum 15 year LOM. This will require additional drilling, and the geological field programs have therefore been focused on delineating those areas with the potential to provide those additional resources.

At Area 4 the potential to expand resources at depth has already been demonstrated by previous exploration drilling which has intersected the mineralized structure to a vertical depth of over 300 meters. Geological mapping, rock sampling and surveys of nine new trenches with handheld XRF and radiometric instruments has demonstrated the potential to expand the strike length of Area 4 mineral resource an additional 200-300 meters to the west. Channel samples have been taken from the trenches to confirm grades and widths of the potential strike extension. A drilling program can then be developed to expand the resource at depth and along strike to the west with sufficient drill density to upgrade the mineral resource into the measured and indicated categories for purposes of conversion to mineral reserves for a Prefeasibility Study.

## **Lofdal Expenditures**

In 2016, the Company has a planned work program of approximately \$0.8 million on the Lofdal Permit, which will complete metallurgical work initiated in 2015 and focus on work to allow for a mining licence application to be submitted for Area 4 of the Lofdal Permit in 2016.

## ***ITEM 5                    RISKS AND UNCERTAINTIES***

The operations of the Company are speculative due to the high risk nature of its business which is the operation, exploration and development of mineral properties. The Company has identified the following potentially significant inherent risks and uncertainties that it considers to be particularly unique to its operations and business plans in the upcoming period. Such risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

In addition to the detailed information set forth elsewhere in this AIF including the Company's consolidated financial statements and related notes incorporated by reference, the following risk factors should be carefully reviewed. 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. 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.

*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.*

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".

*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 Company's shares and the Company's financial results may be significantly adversely affected by declines in the prices of rare earths. Rare earths prices 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 over 90% 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 Company's 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.

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 the Company's 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 attract a strategic partner or 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.

It is management's belief that there is a fundamental risk in taking any resource project from grass roots exploration through to production. This level of risk is heightened in the rare earth sector due in large part to the complexity of the metallurgy and the lack of operators with rare earth processing knowledge and expertise. The Company is mitigating these risks by focusing on exploration and identifying economically recoverable deposits of rare earth minerals, demonstrating through metallurgical testing that the rare earths are amenable to extraction, and then seeking a qualified strategic partner possessing the mining, extraction and processing expertise in the rare earth sector to develop the deposit. There is no guarantee that the Company will be successful in securing a strategic partner to participate in the development of Lofdal.

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

Financial markets globally have been subject to increased volatility. 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 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.

*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.*

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 these shortages may cause unanticipated cost

increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules.

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.

*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. There is very limited availability of suitable technical personnel with sufficient, direct experience of rare earths exploration, development, mining or production. 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 or 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.

#### *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.

#### *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.

## ***ITEM 6 DESCRIPTION OF CAPITAL STRUCTURE***

The Company is authorized to issue an unlimited number of Shares, of which 77,828,500 are issued and outstanding as of the date of this AIF.

All of the issued and outstanding shares of the Company have been fully paid for and none are subject to any future call or assessment. Holders of shares of the Company 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 of the Company 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 of the Company do not carry any preemptive, subscription, redemption or conversion rights, nor do they contain any sinking fund or purchase fund provisions.

The Company has 7,164,000 options outstanding to acquire shares of the Company at prices ranging from \$0.17 to \$0.80 the latest of which expires on April 30, 2020.

## ***ITEM 7 MARKET FOR SECURITIES***

The Company's common shares have traded on The Toronto Stock Exchange under the symbol "NRE" since April 14, 2011. The monthly high/low closing prices and volume for the financial year ended November 30, 2015, are as follows:

|                 | <b>High</b> | <b>Low</b> | <b>Volume</b> |
|-----------------|-------------|------------|---------------|
| December, 2014  | 0.205       | 0.165      | 234,450       |
| January, 2015   | 0.205       | 0.175      | 149,838       |
| February, 2015  | 0.220       | 0.185      | 506,740       |
| March, 2015     | 0.200       | 0.170      | 282,300       |
| April, 2015     | 0.200       | 0.170      | 353,000       |
| May, 2015       | 0.195       | 0.130      | 166,800       |
| June, 2015      | 0.170       | 0.110      | 380,169       |
| July, 2015      | 0.165       | 0.075      | 186,050       |
| August, 2015    | 0.170       | 0.085      | 111,500       |
| September, 2015 | 0.110       | 0.060      | 792,705       |
| October, 2015   | 0.060       | 0.040      | 996,000       |
| November, 2015  | 0.050       | 0.040      | 661,166       |

## **ITEM 8                      DIRECTORS AND OFFICERS**

The management of the Company consists of seven directors and five executive officers. The table below provides the names and related information concerning each executive officer and director.

| <b>NAME, PROVINCE or STATE<br/>and COUNTRY OF<br/>RESIDENCE</b>                     | <b>POSITION/<br/>TITLE</b>                                  | <b>APPOINTED/<br/>ELECTED</b> | <b>PRINCIPAL OCCUPATION</b>                                                                   |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------------------------------|
| Teri L. Anderson<br>Nova Scotia,<br>Canada                                          | Chief Financial<br>Officer                                  | October 25, 2010              | President, T.L. Anderson<br>Inc., a financial advisory<br>company                             |
| Donald M. Burton <sup>(4)</sup><br>Nova Scotia,<br>Canada                           | President                                                   | September 1, 2010             | President of the Company                                                                      |
| Adrian T. Hickey <sup>(1)</sup><br>Gauteng,<br>South Africa                         | Director                                                    | December 16, 2010             | Private Developer and<br>Project Financier                                                    |
| Douglas J. Jackson <sup>(2)</sup><br>Utah,<br>United States of America              | Director                                                    | December 16, 2010             | Executive Vice President,<br>Chemicals and Oxides,<br>Molycorp Inc., a rare earths<br>company |
| Bill Koutsouras <sup>(1)</sup><br>Monte Carlo, Monaco                               | Director                                                    | December 16, 2010             | President, Kouts Capital, an<br>advisory firm to the mining<br>and metals sector              |
| Kalidas V. Madhavpeddi <sup>(1)(2)(3)</sup><br>Arizona,<br>United States of America | Director                                                    | December 16, 2010             | President, Azteca<br>Consulting LLC, an advisory<br>firm to the metals and<br>mining sector   |
| Gerald J. McConnell <sup>(4)</sup><br>Nova Scotia,<br>Canada                        | Chief Executive<br>Officer and<br>Director                  | December 16, 2010             | CEO of the Company                                                                            |
| William L. Price <sup>(2)</sup><br>California,<br>United States of America          | Director                                                    | June 27, 2013                 | Private Investor and CEO of<br>the William L. Price<br>Charitable Foundation                  |
| Janice A. Stairs<br>Nova Scotia,<br>Canada                                          | General Counsel<br>and Corporate<br>Secretary               | May 25, 2012                  | Lawyer                                                                                        |
| Richard Surratt<br>Virginia<br>United States of America                             | VP Corporate<br>Development and<br>Strategic<br>Initiatives | October 1, 2014               | Corporate Finance<br>Consultant                                                               |
| Glenn R. Williams <sup>(1)</sup><br>Nova Scotia,<br>Canada                          | Director                                                    | December 16, 2010             | Retired Partner, Grant<br>Thornton, LLP, Chartered<br>Accountants                             |

Notes:

(1) Member of the Audit Committee. Mr. Madhavpeddi resigned from the Audit Committee effective February 20, 2014 and Mr. Koutsouras joined the Audit Committee effective that date.

- (2) Member of the Compensation Committee.
- (3) Chair of the Board.
- (4) Member of the Disclosure Policy Committee.

The Company's directors and executive officers, as a group, beneficially own, control or direct, directly or indirectly, 25,701,400 (33.02%) shares of the Company. 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 and the executive officers, including their principal occupations for the last five years, is set out below.

**Teri L. Anderson** - Ms. Anderson is a Chartered Accountant with over 25 years' experience and has been providing contract services to both public and private companies, including a number of resource companies, for the past 15 years. Prior to this, she held several management positions in the corporate finance group of Emera Inc. (formerly Nova Scotia Power), a TSX-listed energy company, including corporate accounting, budgeting, and investor relations. Prior to this, she practiced public accounting with Ernst & Young LLP. Ms. Anderson holds a B.Sc. in Biology from Acadia University (1986), a Chartered Accountant designation (1991), and a Masters of Business Administration from Dalhousie University (1994). Ms. Anderson is a member of the Canadian Institute of Chartered Accountants and resides in Halifax, Nova Scotia.

**Donald M. Burton** - 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 Etruscan Resources Inc. (now Endeavour Resources Inc.) ("**ERI**") in Niger, Burkina Faso, Mali, Ghana, Côte 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 and of the Society of Economic Geologists. He is also a member of the Association of Professional Geologists of Nova Scotia.

**Adrian T. Hickey** - Since 2009, Mr. Hickey has been a private developer and financier of projects, focusing 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** - Mr. Jackson has been with Molycorp Inc. a global manufacturer of custom engineered rare earth and rare metal products since 2010. He has held various positions including Senior Vice President of Sales & Marketing and Executive Vice President of Corporate Development and is currently Executive Vice-President, Chemicals and Oxides. Throughout a professional corporate career which included a variety of senior executive positions, Mr. Jackson has been a private investor and was the founder and principal of a management consulting company. Over a fifteen year period, 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 senior 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 (Unocal) where he held various engineering and commercial management positions. He received his B.S. Engineering from Washington State University in 1983 and his Masters of Business Administration from California State University in 1988.

**Bill Koutsouras** - Mr. Koutsouras is an international mining financier and financial operator for the mining sector. He was Executive Vice President and Chief Financial Officer at Endeavour Mining from 2002 to 2011, a mining-focused merchant bank, where he directed and managed the Endeavour group of companies. Mr. Koutsouras was primarily responsible for investment activities, financial operations and financial advisory mandates where he was involved in over \$25 billion of M&A transactions and in excess of \$4 billion of financing for junior / mid-tier resource companies. He is the principal of Kouts Capital, a strategic advisory and consultancy company to natural resource companies. Mr. Koutsouras is presently a member of the Board of Directors and Chairs the Audit Committee of Alexander Nubia International Inc. (TSX.V) and is a member of the Board of Directors of Copper North Mining Corp. (TSX.V). He 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** - Mr. Madhavpeddi has been President of Azteca Consulting LLC, an advisory firm to the metals and mining sector, since November 2006. His extensive career in the mining industry spans over 30 years including Phelps Dodge Corp. from 1980 to 2006, starting as a Systems Engineer and ultimately becoming Senior Vice President for Phelps Dodge Corporation, a Fortune 500 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. He is presently a member of the Board of Directors and sits on the Audit and EHSS Committees of Capstone Mining Corp. (TSX) and the Audit and Compensation Committees of NovaGold Resources Inc (TSX; NYSE-MKT). He is also presently a member of the Board of Directors and sits on the Audit and Compensation Committees of NovaCopper Inc (TSX; NYSE-MKT). Mr. Madhavpeddi is an alumnus of the Indian Institute of Technology, Madras, India, the University of Iowa and the Harvard Business School.

**Gerald J. McConnell** - 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-MKT) since 1984 and the president of NovaGold Resources Inc. from December 1984 to January 1998. In addition to being a director, Mr. McConnell sits on the Corporate Communications, and the Corporate Governance and Nominations committees of NovaGold Resources Inc. He is also a member of the Board of Directors and Chair of NovaCopper Inc (TSX; NYSE-MKT). 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.

**William L. Price** - Mr. Price is the former Chairman and Global Chief Investment Officer of Dresdner RCM Global Investors and CIO for equities at Allianz Dresdner RCM. Following his retirement in 2003, Mr. Price has been a private investor and CEO of the William L. Price Charitable Foundation. He has served as a corporate director of several publicly traded companies. A graduate of Dartmouth College and a Graduate Fellow (Political Science) at Brooklyn College, Mr. Price worked for the US Department of State before going to Wall Street as a securities analyst. He joined Rosenberg Capital Management in 1976 and became Chairman and CEO in 1996. For fifteen of those years he was a guest lecturer at the Graduate School of Business at Stanford University. Mr. Price resides in Atherton, California.

**Janice A. Stairs** - Ms. Stairs has over 25 years' experience working with companies involved in the resource sector. Prior to joining the Company in September 2011, Ms. Stairs was General Counsel to Endeavour Mining Corporation, a position she assumed in September 2010 after Endeavour acquired Etruscan Resources Inc. where Ms. Stairs had held the positions of Vice President and General Counsel since 2004. Prior to 2004, Ms. Stairs was a partner with the law firm of McInnes Cooper (formerly Patterson Palmer) located in Halifax, Nova Scotia and she continues to act as counsel to that firm. Ms. Stairs is a director of NovaCopper Inc. (TSX;

NYSE-MKT) and AuRico Metals Inc. (TSX) and a director and Chair of Nova Scotia Business Inc., a Nova Scotia crown corporation established to promote economic development in Nova Scotia.

**Richard Surratt** – Mr Surratt has over 25 years' experience in executive finance and corporate development positions including as CFO of Independence Air (NASDAQ: FLYI), ProQuest (NYSE: PQE), and Arbitron (NYSE: ARB). Prior to that, Mr Surratt spent nine years at Mobil Oil Corporation primarily in the Exploration & Producing Division, in the roles of Director, Major Transactions Group; Treasurer, Latin America; Senior Associate–Global Capital Markets; and Senior Financial Analyst. Mr Surratt was also a board member of Cambium Learning Group (NASDAQ: ABCD) from 2009 to 2013. Mr Surratt received an MBA from Stanford Graduate School of Business, an M.S. Fluid Mechanics and Thermal Sciences from The George Washington University, and a B.S. Marine Engineering Systems from U.S. Merchant Marine Academy, Kings Point, New York.

**Glenn R. Williams** - 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 setting 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.

#### **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 AIF or has been within the ten years before the date of this AIF, 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 AIF, or has been within the ten years before the date of this AIF, 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 AIF, 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.

Mr. Richard Surratt was the Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary of FLYi, Inc. and its principal operating subsidiary Independence Air, Inc. ("Independence"), from November 1999 to October 2005. In November 2005, FLYi, Inc. and its subsidiaries, including Independence, filed voluntary petitions for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). In March 2007, the Bankruptcy Court entered an order confirming the First Amended Joint Plan of Liquidation of FLYi, Inc. and its debtor affiliates.

Mr. Jackson is the Executive Vice President, Chemicals & Oxides, a business unit of Molycorp, Inc. On June 25, 2015, Molycorp, Inc. and certain of its direct and indirect subsidiaries filed for voluntary protection under Chapter 11 of Title 11 of the US Code, in the United States Bankruptcy Court for the District of Delaware.

### **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.

## ***ITEM 9            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 AIF.

## ***ITEM 10            TRANSFER AGENT AND REGISTRAR***

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.



## **ITEM 11      INTERESTS OF EXPERTS**

### **Auditors**

The auditors of the Company are Deloitte LLP, Chartered Accountants, Halifax, Nova Scotia ("**Deloitte**"). The Company's consolidated annual financial statements for the year ended November 30, 2015 filed under National Instrument 51-102 contain the report of Deloitte given on their authority as experts in auditing and accounting. Deloitte has represented to the Company that it is independent to the Company within the meaning of the rules of professional conduct of the Institutes of Chartered Accountants of Ontario and Nova Scotia as of February 25, 2016.

### **Other Experts**

An independent technical report entitled "*Amended 43-101 Technical Report on the Rare Earth Element Occurrences in the Lofdal Carbonatite Complex, Kunene Region, Khorixas District, Namibia*", dated February 18, 2011, amended April 4, 2011 was prepared for the Company by H. Scott Swinden Ph.D., P.Geo of Swinden Geoscience Consultants Limited in association with Peter Siegfried, MSc, MAusIMM, GeoAfrica Prospecting Services cc.

An independent technical report entitled "*NI 43-101 Technical Report and Mineral Resource Estimate for Area 4 of the Lofdal Rare Earth Element (REE) Project, Khorixas District, Republic of Namibia*" dated October 29, 2012 was prepared for the Company by The MSA Group (Pty) Ltd. of South Africa.

An independent technical report entitled "Preliminary Economic Assessment on the Lofdal Rare Earths Project Namibia" (the "PEA") effective October 1, 2014 was prepared for the company by The MDM Group under the supervision of David S. Dodd, B. Sc (Hon) FSAIMM. Other contributing authors were Peter Roy Siegfried, MAusIMM (CP Geology) and Michael R. Hall, B.Sc (Hons), MBA, MAusIMM, Pr.Sci.Nat, MGSSA both of the MSA Group and Patrick Hannon, M.A.Sc., P. Eng. and William Douglas Roy, M.A.Sc., P.Eng. both of MineTech International Limited.

As of the date of this AIF, the partners, employees and consultants of Swinden Geoscience Consultants Limited as a group, the partners, employees and consultants of GeoAfrica Prospecting Services cc as a group, the partners, employees and consultants of The MSA Group (Pty) Ltd. as a group, the partners, employees and consultants of MDM Group as a group, or the partners, employees and consultants of MineTech International Limited as a group, own beneficially, directly or indirectly less than 1%, respectively, of the outstanding securities of the Company.

## **ITEM 12      AUDIT COMMITTEE**

The Audit Committee is appointed by the board of directors of the Company to assist the board in fulfilling its oversight responsibilities. The Audit Committee charter is attached as Schedule A. The members of the Audit Committee are Glenn Williams (Chair), Bill Koutsouras and Adrian Hickey. Each of the foregoing is independent and financially literate within the meaning of Multilateral Instrument 52-110. The education and experience of each Audit Committee member is described under Item 9 - *Directors and Officers*.

The Audit Committee is responsible for approving non-audit services. The Chair of the Committee will review requests for additional services submitted by management and estimated costs thereof. The Chair may approve such services or refer the request to the full Committee or the Board of Directors.

The following table lists the fees billed by Deloitte LLP, the Company's current auditors for the last two fiscal years.

|                    | <b>Financial Year 2015</b> | <b>Financial Year 2014</b> |
|--------------------|----------------------------|----------------------------|
|                    | <b>\$</b>                  | <b>\$</b>                  |
| Audit Fees         | 37,000                     | 36,000                     |
| Audit Related Fees | Nil                        | Nil                        |
| Tax Fees           | 4,300                      | 4,300                      |
| All Other Fees     | Nil                        | Nil                        |

- (1) "Audit Fees" are the aggregate fees billed by the auditors for audit services.
- (2) "Audit-related Fees" are the aggregate fees paid to the auditors for assurance and related services reasonably related to the audit.
- (3) "Tax Fees" are fees for tax compliance work, preparing the annual tax returns and tax planning issues.
- (4) "All Other Fees" are fees associated with the Company's initial public offering.

### ***ITEM 13      ADDITIONAL INFORMATION***

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's Management Information Circular dated May 26, 2015. Additional financial information is provided in the Company's audited consolidated financial statements and management's discussion and analysis for the financial year ended November 30, 2015.

## **SCHEDULE "A"**

### **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.