

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of the financial condition and results of operations ("MD&A") of Namibia Rare Earths Inc. (the "Company") is dated October 6, 2016 and provides an analysis of the Company's financial results and progress for the three and nine months ended August 31, 2016 and 2015. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended August 31, 2016 and 2015 and related notes thereto, which were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). All amounts are expressed in Canadian dollars unless otherwise noted.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration results, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. The information contained herein is subject to change and the Company does not assume the obligation to revise or update these forward-looking statements, except as may be required under applicable securities laws.

Donald M. Burton, P.Geo. and President of the Company, is the Company's Qualified Person and has reviewed and approved the technical information disclosed in this MD&A.

Overall Performance

The Company is engaged in the exploration for rare earth elements in Namibia through its 100% owned subsidiary, Namibia Rare Earths (Pty) Ltd., a Namibian company ("Namibia Pty"). Since incorporation in 2004, Namibia Pty has established a presence in Namibia and has applied for and been granted a number of exclusive prospecting licenses.

The major focus of the Company's activities since 2010 has been in relation to the Lofdal Rare Earths Project, which comprises an exclusive prospecting license ("EPL 3400") located approximately 450 kilometers northwest of the capital city of Windhoek and 25 kilometers northwest of the town of Khorixas in the Kunene Region of north-western Namibia. The Lofdal property covers a total area of 420 square kilometers centered on the Lofdal carbonatite complex, a regional geological feature known to be associated with numerous occurrences of rare earth mineralization hosted by carbonatitic dykes, dyke swarms and to a lesser extent by intrusive plugs. EPL 3400, which provides for mineral rights to base and rare metals, and precious metals, was originally granted in 2005. It was renewed by the Government of Namibia in November, 2014 and is in good standing until November, 2016. In August 2016, the Company applied for a further two year renewal of EPL 3400. In the fourth quarter of 2016, the Company plans to submit an application to the Ministry of Mines and Energy for a Mining License. The property is subject to a 2% net smelter revenue royalty. The Company released an initial mineral resource estimate on Area

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

4 of the Lofdal Rare Earths Project in September 2012. In May 2014, the Company initiated a Preliminary Economic Assessment ("PEA") on the Lofdal Rare Earths Project, which was released on November 13, 2014 and effective October 1, 2014. In the third quarter of 2015, the Company initiated an Environmental Impact Assessment ("EIA") which was completed in the third quarter of 2016 and was submitted to the Ministry of Environment and Tourism in support of an application to the Ministry of Mines and Energy for a Mining Licence to be submitted in the fourth quarter of 2016.

Development Strategy

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 will mitigate 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 is implementing a phased approach in the development of the Lofdal Rare Earths Project. The first phase of the program was directed at continued exploration and delineation of mineral resources within priority targets already identified, with the first resource reported in September 2012. In 2013, the Company shifted its focus to undertaking metallurgical and sorting test work on samples from the resource to determine the potential for extraction of the rare earths and thereby advance the project sufficiently to attract a qualified partner to assist with mining extraction and processing.

The Company continued the metallurgical and sorting test work in 2014 and issued a preliminary economic assessment report entitled "*Preliminary Economic Assessment on the Lofdal Rare Earths Project Namibia*" effective October 1, 2014, a full copy of which is available on SEDAR at www.sedar.com ("PEA"). 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 The MSA Group of South Africa 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_{10%} 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's focus for 2016 has been on completing the necessary work required in support of its application for a Mining License to be submitted for the Lofdal permit in the fourth quarter of 2016.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Lofdal Rare Earths Project

Regional Assessment of Rare Earths Potential

The first systematic exploration for rare earths over Lofdal was initiated by Namibia Pty in 2008 and since that time exploration results have demonstrated the occurrence of rare earth mineralization on a district scale. In 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 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"), which is available on SEDAR at www.sedar.com.

From the 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. The most prospective target from this program was Area 4 which was selected for more detailed drilling to develop the initial resource which comprised an additional 10,025 meters of drilling.

Rare earth mineralization at Lofdal is hosted in carbonatite dykes, structural zones and plugs exhibiting grades between 0.2-3% total rare earths ("TREO" which includes yttrium) and often exhibiting exceptional heavy rare earth enrichment ("HREE") 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 one 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 rare earth enrichment ("REE") mineralization at Lofdal, all of which impact positively upon the potential for multiple discoveries. 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 exploration target. There are two intrusive carbonatite bodies on the property. The Main Intrusion is an early stage calcitic ("soelite") body some two kilometers in strike length which does not carry significant amounts of rare earths but has potential for niobium and uranium mineralization. The smaller Emanya plug is some 350 meters in diameter in outcrop and carries anomalous concentrations of rare earths typically in the range of 0.2-1% TREO but is not enriched in heavy rare earths.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

The results from exploration drilling in Area 4 indicated the highest potential for the rapid development of mineral resources. Detailed studies of Area 4 drill core 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 indicating that high thorium samples are likely localized. Grain size and habit are variable with ore minerals being generally fine- to very fine-grained with much of the potential ore minerals averaging 15-20 microns but locally reaching up to 150 microns.

Lofdal 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") a full copy of which is available on SEDAR at www.sedar.com. The mineral resource exhibits exceptional 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 resource estimate. The geological database supporting the initial mineral resource estimate is detailed and is of a high quality, comprising over 10,025 meters of diamond drilling in 93 holes and 987 meters of trenching.

On November 13, 2014 the Company released a preliminary economic assessment of Area 4 of Lofdal ("PEA"). See "Area 4 Preliminary Economic Assessment" below for details. The PEA utilized the initial mineral resource estimate for the Area 4 deposit at a cut-off grade of 0.1% total rare earth oxides ("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 heavy rare earth oxides ("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 1). These REO and HREO tonnages are rounded to the nearest 10 t but are shown as originally calculated in Table 1. The remainder of the REO is made up of light rare earth oxides ("LREO").

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

**TABLE 1 - In-Situ Mineral Resources¹ for the Area 4 Deposit
within the >0.1% TREO Envelope with effective date 31 July 2012**

In-situ Indicated Mineral Resource

Cut-Off %TREO	Tonnes million	LREO %	HREO %	TREO %	REO Tonnes	HREO 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%

In-situ Inferred Mineral Resource

Cut-Off %TREO	Tonnes million	LREO %	HREO %	TREO %	REO Tonnes	HREO 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%

¹ *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.

Area 4 Preliminary Economic Assessment

The Company released a PEA on Area 4 of Lofdal on November 13, 2014. The PEA concludes that the Lofdal Rare Earth 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_{10%} ("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 2, financial highlights in Table 3, capital costs in Table 4, operating costs in Table 5 and REO pricing

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

in Table 6. The PEA utilized the initial mineral resources for the Area 4 deposit at a 0.1% cut-off grade as set out above in Table 1 under "Lofdal Area 4 Mineral Resource Estimate".

TABLE 2 - Financial Sensitivities Summary

Discount Rate (%)	Pre-Tax NPV (US\$)	After Tax NPV (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 Flow (US\$)	404,714,000	259,321,000

TABLE 3 - 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.

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 x-ray transmission ("XRT") and x-ray fluorescent ("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.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

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
SUB TOTAL INITIAL CAPITAL COSTS	93,177,000
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
TOTAL CAPITAL COSTS	162,935,000

The Project initial capital requirements are estimated at US\$93,177,000.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 (US\$/t)	Cost per kg TREO Produced (US\$/kg)
Mining	23.73	13.02
Processing (Mill Site and Cracking)	28.83	15.81
Tailings Storage Facility	0.50	0.27
Offshore Treatment Charge	38.93	21.35
Total Operating Costs	91.99	50.45

Rare Earth Pricing

A price deck was 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 as determined by Technology Metals Research and Core Consultants for the PEA 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.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 (US/kg)	Grade (%)	Distribution (% TREO)	Value (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

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.

At a discount rate of 10% the Project is anticipated to yield a pre-tax IRR of 53% with a NPV of US\$240,034,000, and an after tax IRR of 42% with a NPV of US\$148,338,000. Cumulative cash flows are US\$404,714,000 pre-tax and US\$259,321,000 after tax over the LOM of 7.25 years (Table 3).

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Based on the economic parameters provided in the PEA, the Project would be expected to pay back initial capital within the first two years. Rare earth prices remain significantly below the forecast prices in the PEA, however it is management's view that price recoveries as forecast by industry experts will support the development of Lofdal within the planned time frame.

Environmental Impact Assessment

The Company selected SLR Environmental Consulting (Namibia) (Pty) Limited ("SLR Namibia") as the lead consulting group for completion of the EIA by the third quarter 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).

The EIA covers all aspects of mining and mineral processing through to the production of a xenotime mineral concentrate at site. The EIA was submitted to the Ministry of Environment and Tourism in June 2016 and a decision regarding the issuance of an Environmental Clearance Certificate ("ECC") is pending. An ECC is required as part of the process for the granting of a Mining Licence in Namibia. The EIA submission included the provision of Environmental Management Plans ("EMP") for mine site activities and the construction and maintenance of power and water pipeline services to the mine site. Detailed reports were compiled with the assistance of nine expert agencies related to groundwater, surface water, geochemistry, socio-economic, air quality, noise, avifauna, vertebrate, invertebrate, archaeological, radiological and visual impact assessments. Public and community consultations were held as part of the EIA process.

Baseline monitoring equipment and programs were implemented in 2015 for the collection of all required meteorological and radiometric data. A groundwater monitoring program comprising regular sampling of existing farm wells and from two monitoring holes drilled in 2015 is continuing.

Metallurgical Studies

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. Testwork 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 was provided to Nagrom to produce sufficient magnetic concentrate which is being used to optimize flotation to maximize the TREO grade in the flotation concentrate. Kyspy Investments Pty. of Australia is conducting flotation testwork on the ankerite-rich sample. Work to date indicates final TREO grades on the order of 12% can be achieved with this more complex feed, versus the targeted grade of 20%. The objective is to develop a robust flow sheet that can mitigate fluctuations in ankerite/calcite ratios in the gangue. The test work is focusing on the selective flotation of xenotime in the presence of carbonates.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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.

Additional Lofdal Exploration

No significant exploration work is ongoing or planned for 2016, as current efforts are focused on activities associated with the application for a mining permit and planning to expand the existing resource.

Lofdal Expenditures

For the nine months ended August 31, 2016, the Company incurred \$697,847 (2015: \$1,295,220) in exploration and evaluation expenditures on the Lofdal property. For 2016, the Company estimates its work program at approximately \$0.9 million, which has been focused on advancing the EIA in support of its application for a Mining Licence to be submitted for the Lofdal permit in the fourth quarter of 2016.

Results of Operations

Three months ended August 31, 2016 and 2015

For the three months ended August 31, 2016, the Company capitalized exploration costs of \$254,178 (2015 - \$363,775) related to expenditures on the Lofdal Rare Earths Project.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended August 31, 2016, the Company reported a net loss of \$264,255 compared to a net loss of \$271,060 for the same three months in the prior year.

Expenses were \$265,429 for the period compared to \$276,221 for 2015, primarily due to a foreign currency exchange gain of \$8,975 compared to a foreign currency exchange loss of \$8,542 for the same period in 2015, due to the timing of currency fluctuations.

Interest income decreased to \$1,174 in the three months ended August 31, 2016 compared to \$5,161 for the same period in the prior year, due to a decrease in the average cash balance available for investment.

Nine months ended August 31, 2016 and 2015

For the nine months ended August 31, 2016, the Company capitalized exploration costs of \$697,847 (2015 - \$1,295,220) related to expenditures on the Lofdal Rare Earths Project.

For the nine months ended August 31, 2016, the Company reported a net loss of \$886,738 compared to a net loss of \$1,345,112 for the same nine months in the prior year.

Expenses were \$892,147 for the period compared to \$1,384,094 for 2015, primarily due to the following:

Consulting fees decreased to \$60,601 compared to \$259,110 for the same period in 2015, due primarily to additional consulting services in the prior year to assist in exploring strategic options to maximize shareholder value;

Professional fees decreased to \$54,198 compared to \$116,661 in 2015, due primarily to higher fees in 2015 for financial advisory services to assist in exploring strategic options to maximize shareholder value;

Travel decreased to \$21,340 compared to \$116,394 for the same period in the prior year, due primarily to reductions in overhead costs to ensure adequate funding for planned Lofdal activities; and

Shareholder communications expense decreased to \$22,273 compared to \$90,019 in the same period in 2015, primarily due to reduced attendance at conferences and trade shows due to reductions in overhead costs to ensure adequate funding for planned Lofdal activities.

Interest income decreased to \$5,409 in the nine months ended August 31, 2016 compared to \$38,982 for the same period in the prior year, due to a decrease in the average cash balance available for investment and interest income in 2015 associated with a Value Added Tax refund.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Quarterly Results

The following table sets out selected financial information for the periods indicated (*expressed in Canadian dollars*):

For the quarters ended	Aug. 31 2016	May 31 2016	Feb. 29 2016	Nov.30 2015	Aug. 31 2015	May 31 2015	Feb. 28 2015	Nov.30 2014
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	265,429	289,213	337,505	282,550	276,221	423,393	684,480	1,474,123
Interest income	1,174	1,590	2,645	3,184	5,161	6,688	27,133	18,941
Net and comprehensive loss	264,255	287,623	334,860	279,366	271,060	416,705	657,347	1,455,182
Loss per share – basic and diluted	0.00	0.00	0.01	0.00	0.00	0.01	0.01	0.02
Total assets (millions)	23.0	23.2	23.4	23.7	24.0	24.7	25.4	26.3

As the Company has capitalized all exploration expenditures to date in accordance with IFRS 6, the expenses are primarily related to administration. Lower expenses in the five quarters ended August 31, 2016 were related to reductions in overhead costs to ensure adequate funding for planned Lofdal activities. Higher expenses in the quarter ended November 30, 2014 were related to share-based payments expense for the issuance of share purchase options, consulting fees, staff remuneration, and a write-down of exploration and evaluation assets. Included in expenses are foreign exchange gains and losses arising mainly due to variations in the Canadian dollar and the Namibian dollar exchange rate during the periods, as certain of the Company's expenditures are paid in Namibian dollars, while the Company's functional and reporting currency is the Canadian dollar. The Company has interest revenue related to excess cash invested in an interest-bearing account with a major chartered bank.

Liquidity and Capital Resources

At August 31, 2016, the Company had working capital of \$328,479 compared to working capital of \$1,886,678 at November 30, 2015 as follows:

	August 31, 2016	November 30, 2015
	\$	\$
Cash	1,023,658	2,297,938
Taxes and other receivables	35,796	146,907
Deposits and prepaid expenses	50,474	45,410
Accounts payable and accrued liabilities	(781,449)	(603,577)
Working capital	328,479	1,886,678

During the nine months ended August 31, 2016, the Company used cash of \$564,864 for operating activities (2015 – \$1,317,858) and used cash of \$700,992 for investing activities (2015 - \$1,176,967). The decreased use of cash in operating activities was related to lower expenses due to cost reductions and

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

an increase in accounts payable. The decreased use of cash in investing activities was related to a reduction in overall spending for the Lofdal project compared to the same period in the prior year.

The Company's principal asset is at an advanced exploration and evaluation stage and as a result the Company has no current source of operating cash flow. Management and the Board of Directors are cognizant of difficult market conditions and have undertaken steps to minimize administrative costs and overhead, and in addition have agreed to a significant deferral of their salary and fee payments, to ensure adequate cash funding to support the approved Lofdal activities. With this deferral, the Company has sufficient working capital to retain its interests in its mineral properties and fund its planned expenditures for fiscal 2016.

Contractual Obligations

The Company has a lease commitment for office space expiring on August 31, 2017. Remaining minimum lease payments to the end of the lease are \$85,800.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Share Capital

The Company's authorized capital consists of an unlimited number of common shares without nominal or par value. As of the date of this MD&A, the Company has issued and outstanding 77,828,500 common shares.

Stock options outstanding as of the date of this MD&A:

Exercise price \$	Number of Shares	Expiry Date
0.56	359,000	November 2, 2016
0.41	200,000	February 23, 2017
0.20	2,405,000	November 25, 2019
0.17	25,000	April 30, 2020
	2,989,000	

Critical Accounting Estimates and Judgments

Critical accounting estimates used in the preparation of the Company's consolidated financial statements, which could be significantly affected by factors beyond the Company's control are as follows:

- (i) Valuation of exploration and evaluation assets: The value of the Company's exploration and evaluation assets is dependent upon the success of the Company in discovering economic and recoverable mineral resources, the ability of the Company to obtain financing to complete development of the properties, and future production or proceeds from disposition. The estimation of future revenue flows relating to these assets is uncertain and will also be affected by competition, relative exchange rates between the Canadian dollar and the Namibian dollar and potential new legislation and related environmental requirements.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

- (ii) Decommissioning liabilities: The Company makes estimates of future site restoration costs based upon current legislation in Namibia, technical reports and estimates provided by the Company's senior employees and advisors. These estimates will be affected by actual legislation in place, actual mining activity to be performed and actual conditions of the relevant sites when the restoration activity is to be performed in future periods.
- (iii) Share-based payments: Share-based payments expense is calculated using the Black-Scholes model, a recognized option/warrant valuation formula, which is highly dependent on the expected volatility of the market price of the Company's common shares. Due to the Company's short trading history, the Company uses a volatility rate based on past share trading data from similar entities to predict future volatility, and actual volatility may be different from the estimate used in the valuation formula. Share-based payments expense represents a non-cash expense and, as such, has no impact on the Company's financial position or liquidity.
- (iv) Realizable Amount of Deferred Tax Assets: The Company reviews its deferred tax assets at each balance sheet date and reduces the carrying amount to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Critical judgments or assessments made by management used in the preparation of the Company's consolidated financial statements, which could be significantly affected by factors beyond the Company's control are as follows:

- (i) The determination of a cash-generating unit for assessing and testing impairment, which management has determined to be the mineral property;
- (ii) The allocation of exploration costs to cash-generating units;
- (iii) The determination of functional currency;
- (iv) The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage;
- (v) Whether exploration and evaluation costs are eligible for capitalization; and
- (vi) The assessment of the Company's ability to continue as a going concern.

Changes in Accounting Policies

There were no new accounting standards adopted in the current year.

Recently issued accounting pronouncements

The following standards are effective for annual periods as disclosed and have not yet been adopted by the Company. The Company is assessing the impact of these new standards.

IFRS 9, *Financial instruments*, introduces new requirements for the classification, measurement and derecognition of financial instruments. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Disclosure Controls and Procedures

As at the end of the period covered by this management's discussion and analysis, management evaluated the design and effectiveness of the operation of the Company's disclosure controls and procedures, under the supervision of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Based on that evaluation, the CEO and CFO have concluded that, as of August 31, 2016, the disclosure controls and procedures (as such terms are defined under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) are effective to ensure information required to be disclosed in reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance the Company's disclosure controls and procedures will detect or uncover every situation involving the failure of persons within the Company, and its subsidiaries, to disclose material information otherwise required to be set forth in the Company's periodic reports. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of a change in conditions, or the degree of compliance with the policies and procedures may deteriorate.

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of internal controls over financial reporting. Based on this evaluation, the CEO and CFO have concluded that internal controls over financial reporting were effective as of August 31, 2016.

There have been no material changes in the Company's internal controls over financial reporting during the three months ended August 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Financial Instruments

The Company's financial instruments consist of cash, amounts receivable, deposits, and accounts payable and accrued liabilities. Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. Cash is designated as fair value through profit or loss and measured at fair value. Amounts receivable and deposits are designated as loans and receivables and measured at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities and measured at amortized cost. The recorded values of all financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The Company may be affected by credit risk, liquidity risk, exchange rate risk, interest rate risk and commodity price risk. The Company's exposure to credit risk is primarily attributable to cash and the Company limits this risk by maintaining these assets in a high-interest savings account with high-credit quality financial institution. Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The company manages this risk through regular monitoring and adjustment of its cash flow requirements to support ongoing operations and to ensure, to the extent possible, that there is sufficient cash on hand to meet its liabilities when due. In the event the Company obtains the permits and necessary approvals to proceed with the development of the Lofdal property, it will require substantial additional capital resources and there can be no assurance that funding will be available to the Company in the future on acceptable terms. Exchange rate risk arises as the Company's functional currency is the Canadian dollar while certain of the Company's expenditures are denominated in Namibia dollars (which are equal to the South African rand), US dollars,

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

British Pounds, Australian dollars, and Euros. The Company does not currently undertake any hedging activities to mitigate exchange rate risk. The Board continues to monitor the situation and will consider various options to mitigate this risk as it deems appropriate as the business develops. Interest rate risk arises as the Company invests cash at floating rates of interest. The impact of fluctuations in interest rates is not significant. The Company does not have any interest-bearing liabilities. The Company's financial instruments are not exposed to any direct commodity price risk, as the Company does not have any financial instruments associated with commodity prices and currently has no revenues derived from mining operations. Fluctuation in commodity prices do however impact the overall viability of the Company as is common in the mineral exploration and mining industries.

Risks and Uncertainties

Under Canadian reporting requirements, management of the Company is required to identify and comment on significant risks and uncertainties associated with its business activities. For a summary of potentially significant risks and uncertainties, refer to the Company's Management's Discussion and Analysis for the year ended November 30, 2015, which is available on SEDAR at www.sedar.com.

Additional Information

The financial statements and additional information regarding the Company, including the Company's Annual Information Form, are available on SEDAR at www.sedar.com.