

Namibia Rare Earths Inc.

(A DEVELOPMENT STAGE ENTERPRISE)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
WITH MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018 AND 2017

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 April 26, 2018 and provides an analysis of the Company's financial results and progress for the three months ended February 28, 2018 and 2017. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended February 28, 2018 and 2017 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 critical metals in Namibia through its 100% owned subsidiary, Namibia Rare Earths (Pty) Ltd., a Namibian company ("Namibia Pty") and its 95% interest in eleven additional Namibian subsidiaries acquired from Gecko Namibia (Pty) Ltd through the Company's Cayman subsidiary, Cayman Namibia Rare Earths Inc. on February 21, 2018. 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 from 2010 to February 2018 has been 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 February, 2017 for a further two-year period to November 16, 2018. In November 2016, the Company submitted an application to the Ministry of Mines and Energy for a Mining License which remains

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

pending. The property is subject to a 2% net smelter revenue royalty in addition to royalties payable to the Government of Namibia. The Company released an initial mineral resource estimate on Area 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 the Company's application to the Ministry of Mines and Energy for a Mining License. On December 18, 2017 the Company received Environmental Clearance Certificates and approvals for proposed mine site infrastructure, power and water line corridors for the Lofdal property.

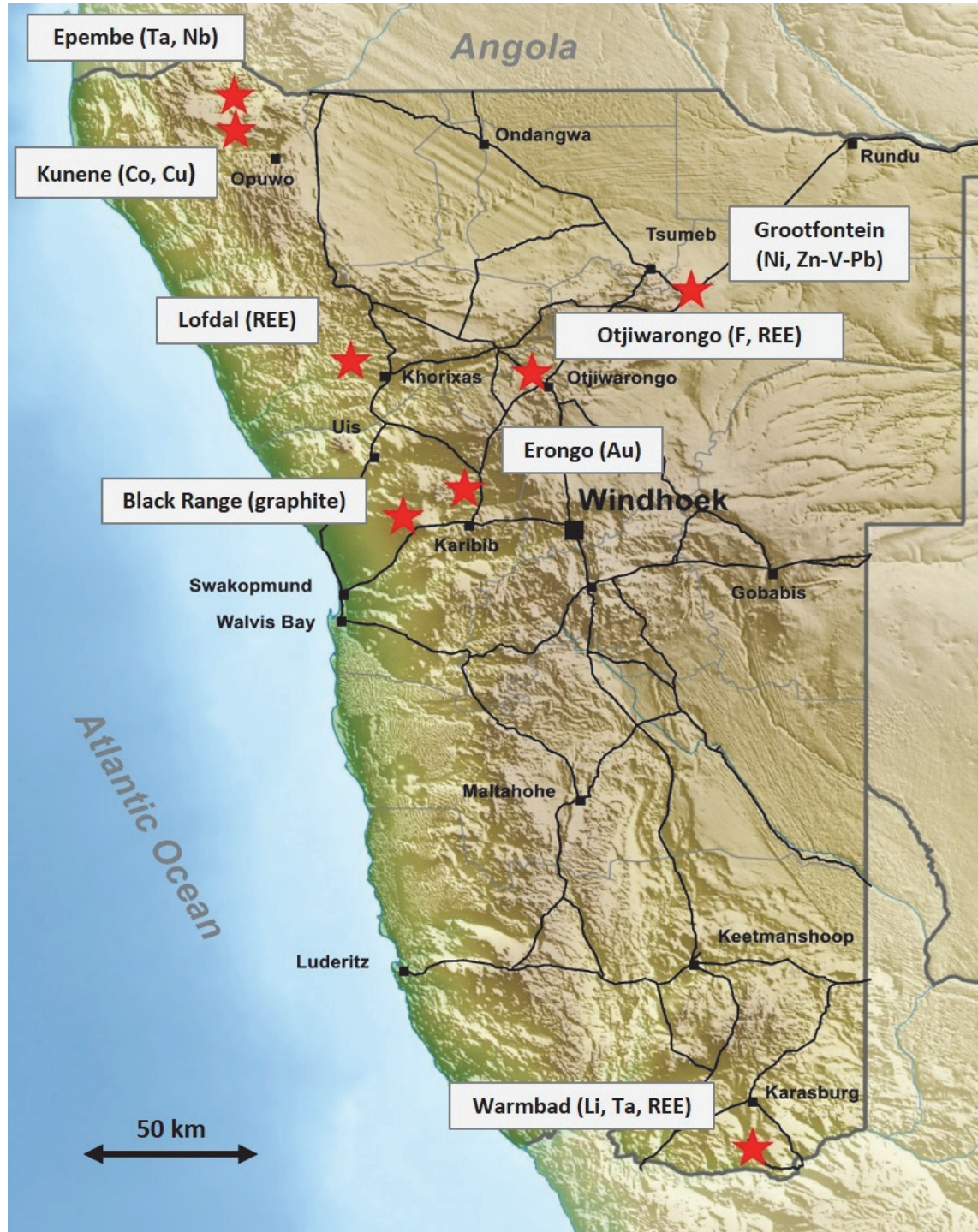
On February 21, 2018 the Company completed the acquisition of seven critical metal properties in Namibia from Gecko Namibia (Pty). This transaction provides Namibia Rare Earths with a highly prospective, diversified portfolio of critical metals (Table 1 and Figure 1) and at the same time has secured a highly experienced strategic partner. Gecko Namibia and its subsidiaries are substantial participants in the Namibian resource sector with a proven track record in the mining industry. The portfolio of properties acquired from Gecko Namibia will expand the Company's commodity interest from solely heavy rare earths to a variety of highly critical commodities including cobalt, copper, zinc, vanadium, lithium, graphite, tantalum, niobium, nickel, and gold. Ground holdings in Namibia will increase from 221 km² (Lofdal) to over 6,850 km² (Table 2).

Table 1 – Targeted Commodities in Critical Metals Project Portfolio

Commodities	Abbreviation
Rare Earth Elements	REE
Cobalt	Co
Copper	Cu
Graphite	C
Lithium	Li
Tantalum	Ta
Niobium	Nb
Beryllium	Be
Phosphate	P
Nickel	Ni
Zinc	Zn
Lead	Pb
Fluorite	F
Gold	Au

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 1 – Location of NRE's critical metals projects



NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2 – Summary of Critical Metals Project Portfolio

PROJECT NAME	COMMODITY TARGETS	DEVELOPMENT STAGE	LICENCE STATUS	AREA (km ²)
1. Lofdal Heavy Rare Earths	REE	Advanced - 43-101 resource and PEA completed; mining licence pending	EPL 3400, ML 200 (pending)	210.3
2. Kunene Cobalt-Copper	Co, Cu, Zn	Brownfields - multiple targets sampled with drilling	EPL 4347, EPL 5601, EPL 5773, EPL 3825 EPL 5885 (pending), EPL 4136, EPL 6903 (pending), EPL 6904 (pending)	2,924.7
3. Black Range Graphite	graphite	Advanced - historic (non-compliant) resource and feasibility completed	EPL 5455 (option)	427.3
4. Warmbad Lithium	Li, Ta, Be, REE	Greenfields - mineral occurrences mapped, no sampling	EPL 6439	604.9
5. Epembe Tantalum-Niobium	Ta, Nb, P	Brownfields - multiple targets sampled with drilling, initial metallurgy done	EPL 3299, MDRL 3299	348.1
6. Grootfontein Nickel-Vanadium	Ni, Zn, Pb, V	Conceptual - undefined targets, no sampling	EPL 5992, EPL 6561	1,638.3
7. Otjiwarongo Carbonatite	REE, F, Ta, Nb	Conceptual - undefined targets, no sampling	EPL 5847	92.0
8. Erongo Gold	Au	Greenfields - mineral occurrences mapped, no sampling	EPL 6440	607.0
Total Area				6,852.6

- EPL = Exclusive Prospecting Licence; ML = Mining Licence; MDRL = Mineral Deposit Retention License

Development Strategy for Lofdal

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 has openly sought a qualified strategic partner that could bring mining and processing expertise to the table and this has been achieved in large part through the transaction with Gecko Namibia.

The Company has implemented a phased approach to the development of the Lofdal Rare Earths Project. The project has been taken from discovery in 2011, through to 43-101 mineral resource in 2012 and Preliminary Economic Assessment ("PEA") in 2014. A full copy of the PEA is available on SEDAR at www.sedar.com. The MDM Group of South Africa was the principal consultant for the report which provided an economic analysis of the potential viability of the current resources at Lofdal at then projected rare earth prices. Rare earth prices have significantly declined since 2014 and the viability of the project is dependent in part upon improved pricing for the target oxides of dysprosium, terbium and yttrium. 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 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.**

Since 2013, the Company has focused on optimizing the metallurgical flowsheet and completing an Environmental Impact Assessment ("EIA") to support an application for a Mining Licence which was submitted in 2016. The Company received Environmental Clearance Certificates from the Ministry of Environment and Tourism in late 2017. The Mining Licence application remains under review with the Ministry of Mines and Energy.

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. In 2011 the Area 4 heavy rare earth deposit was discovered and since that time exploration results have demonstrated the occurrence of rare earth mineralization on a district scale (Figure 2).

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. The more significant mineralized structures have associated alteration haloes which can carry anomalous concentrations of rare earth elements. The Company uses classification nomenclature which considers heavy rare earths comprising 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.

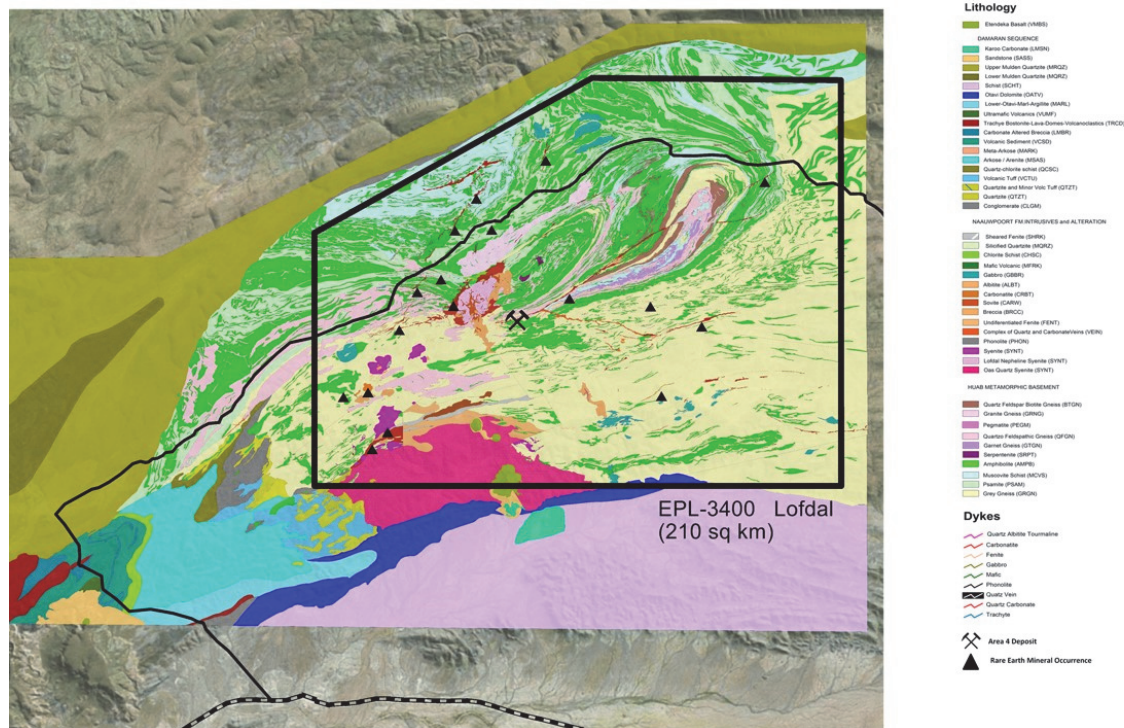
Mineralization at Area 4 is associated with large scale hydrothermal systems rather than primary magmatic emplacement as discrete dykes. Many of the larger, lower grade "dykes" previously mapped on surface are in fact alteration zones associated with these systems which in some areas significantly increases 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 ("sovite") 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 Emanyia 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.

Detailed mineralogical studies have confirmed that the principal heavy rare earth mineral at Lofdal is xenotime. The potential ore mineral assemblage in Area 4 is dominated by xenotime and subordinate zircon ± 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 Area 4 deposit is only 326 ppm. 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.

NAMIBIA RARE EARTHS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 2 – General geology of EPL 3400 showing the location of the Area Deposit in center and other rare earth occurrences



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.

On November 13, 2014 the Company released a Preliminary Economic Assessment of Area 4 at Lofdal. Based on metallurgical outcomes, 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 3). 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 3 - 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%. Total capital costs were estimated at US\$162,935,000 and operating costs were estimated at US\$54.55/kg TREO produced or US\$91.99/tonne mined. 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. Since the time of

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

publication of the PEA rare earth prices have significantly declined and the viability of the project will be dependent in part, on improved rare earth prices particularly for the target oxides of dysprosium, terbium and yttrium. Capital and operating costs will also have to be confirmed given the time that has elapsed since preparation of the PEA.

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.

Environmental Impact Assessment

The Environmental Impact Assessment ("EIA") process was conducted over an eighteen month period under the supervision of SLR Environmental Consulting (Namibia) (Pty) Limited ("SLR Namibia"). 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 on December 18, 2017 the Company received Environmental Clearance Certificates and approvals for proposed mine site infrastructure, power and water line corridors for the Lofdal property. 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, along with meteorological and air quality data collection.

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. The distribution of ankerite within the deposit is not clearly defined, however there appear to be some

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

ankerite-rich zones in the upper parts of the deposit. Additional sample of selected ankerite-rich mill feed was therefore provided to Nagrom to produce sufficient magnetic concentrate for further flotation tests on this problematic aspect of the mineralogy. Kyspy Investments Pty. of Australia conducted flotation testwork on the ankerite-rich sample which indicated that 73.1% of the TREO could be recovered into three separate concentrates (sulphide, carbonate recleaner and xenotime recleaner concentrates). Further investigations are recommended to optimize the selective flotation of xenotime in the presence of carbonates. The objective is to develop a robust flow sheet that can mitigate fluctuations in ankerite/calcite ratios in the gangue.

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.

Potential to Expand Resources at Lofdal

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. Trenching to the west of the existing resource has demonstrated the potential to extend the strike length of Area 4 mineral resource an additional 200-300 meters and remains to be drilled.

There are a number of other rare earth occurrences on EPL 3400. The most significant occurrences in terms of heavy rare earth enrichment are found in Area 5 and the Northern Splay. Exploration drilling was carried in Area 5 in 2011 but no definitive resources have been estimated. Mineralization at the Northern Splay is very similar in tenure and character to that seen in Area 4 and has been mapped over a strike length of nearly 700 meters. No drilling has yet been carried out on the Northern Splay which is located about 10 kilometers northeast of Area 4 along the same structure which hosts the Area 4 mineral resource.

Additional Lofdal Exploration

No significant exploration work was performed in the quarter, as efforts were focused on activities associated with the application for a mining permit, securing Environmental Clearance Certificates, planning to expand the existing resource, diversifying the Company's property portfolio and securing a qualified strategic partner.

Lofdal Expenditures

For the three months ended February 28, 2018, the Company incurred \$85,964 (2017: \$114,698) in exploration and evaluation expenditures on the Lofdal property, which was focused on the environmental monitoring program. For 2018, the Company estimates its work program at approximately \$0.25 million, which will focus on continuing the environmental monitoring program and planning resource expansion programs.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Property Acquisitions

On February 21, 2018 the Company completed the acquisition of a portfolio of critical metal properties (the "Properties") from Gecko Namibia (Pty) Ltd. ("Gecko Namibia") in consideration for the issuance of 64,000,000 common shares of the Company ("Property Acquisition"). The Company acquired Gecko Namibia's 95% interest in a portfolio of exploration properties consisting of 15 exploration prospecting licences ("EPLs") three of which are pending, one mineral deposit retention licence ("MDRL") and Gecko's rights under an option agreement to acquire a 60% interest in a further EPL which interest may, subject to the terms of the option agreement, be increased to 80%.

The project portfolio, including Lofdal is summarized in Table 2 and the respective property locations are shown in Figure 1. This diversified portfolio of projects will provide the Company with considerable flexibility in targeting those commodities which can provide immediate shareholder value. The projects are in various stages of development from conceptual, greenfields stage through to advanced exploration with historic drilling and metallurgical studies already completed. There are no NI 43-101 resources identified on any of the newly acquired projects although significant historic drill programs have been undertaken on the Epembe Tantalum-Niobium Project and on the Black Range Graphite Project (option). The strategic partnership with Gecko will allow for fast tracking to mine development as projects mature to feasibility stage. The projects are described in summary fashion as follows.

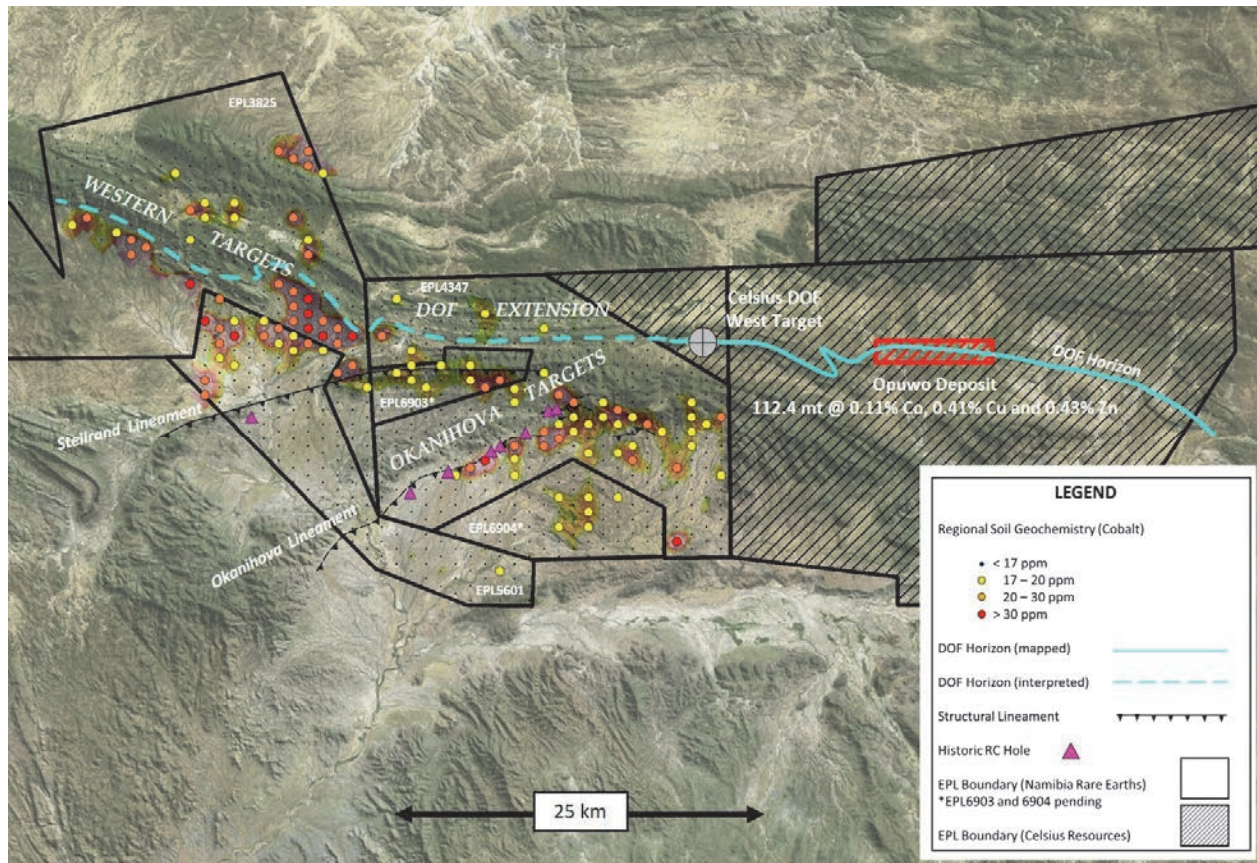
Kunene Cobalt-Copper Project

In terms of current commodity interest, the Kunene Cobalt-Copper Project offers the most attractive near-term value add opportunity for the Company. The Kunene project builds upon the recent exploration success led by Dr. Rainer Ellmies (Director with Namibia Rare Earths (Pty) Ltd. and Managing Director of Gecko Exploration) to explore for "copper belt" style deposits in northern Namibia. This work led to the first recorded discovery of stratabound cobalt-copper mineralization in Namibia in a sedimentary horizon termed the dolomite ore formation ("DOF"). The mineralization is uniformly 5 to 10 meters thick, stratabound within a dolomitic shale horizon, and averages between 0.1% and 0.2% cobalt with around 0.5% copper. The initial discovery is held by Celsius Resources Ltd. (ASX:CLA) which recently announced a JORC compliant mineral resource of 112.4 million tonnes of indicated plus inferred resource grading 0.11% cobalt, 0.41% copper and 0.43% zinc at a cut-off grade of 0.06% cobalt (Celsius Resources press release dated April 16, 2018). The JORC resource covers a strike length on 10 kilometers and is open in all directions. With 126,100 tonnes of contained cobalt, the deposit is very significant and establishes this part of northern Namibia as an important district-scale opportunity for the discovery of world-class deposits of cobalt. The EPLs comprising the Company's project area cover over 2,900 km² and host a number of cobalt target areas including sedimentary horizons related to the DOF. See Figure 3.

In addition to the potential for DOF style mineralization, secondary copper mineralization over a wide area in the center of the Kunene ground holdings points to preliminary evidence of a regional-scale hydrothermal system which would be spatially related to the DOF style mineralization as well as being associated with orogenic copper, and stratabound Zn-Pb mineralization. There is considerable scope for further discoveries both along strike of the Celsius discovery and in equivalent stratigraphy elsewhere on the Company's properties. Initial investigations will trace the western extension of the DOF which may continue for over 40 km in the project area, and will follow up on numerous copper-cobalt targets identified by regional soil geochemical surveys (Figure 3).

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 3 – Kunene Co-Cu Project area showing contiguous ground position to west of the cobalt discovery by Celsius Resources. Target areas on Company ground identified by regional soil geochemical anomalies and interpreted extension of the DOF



Black Range Graphite Project

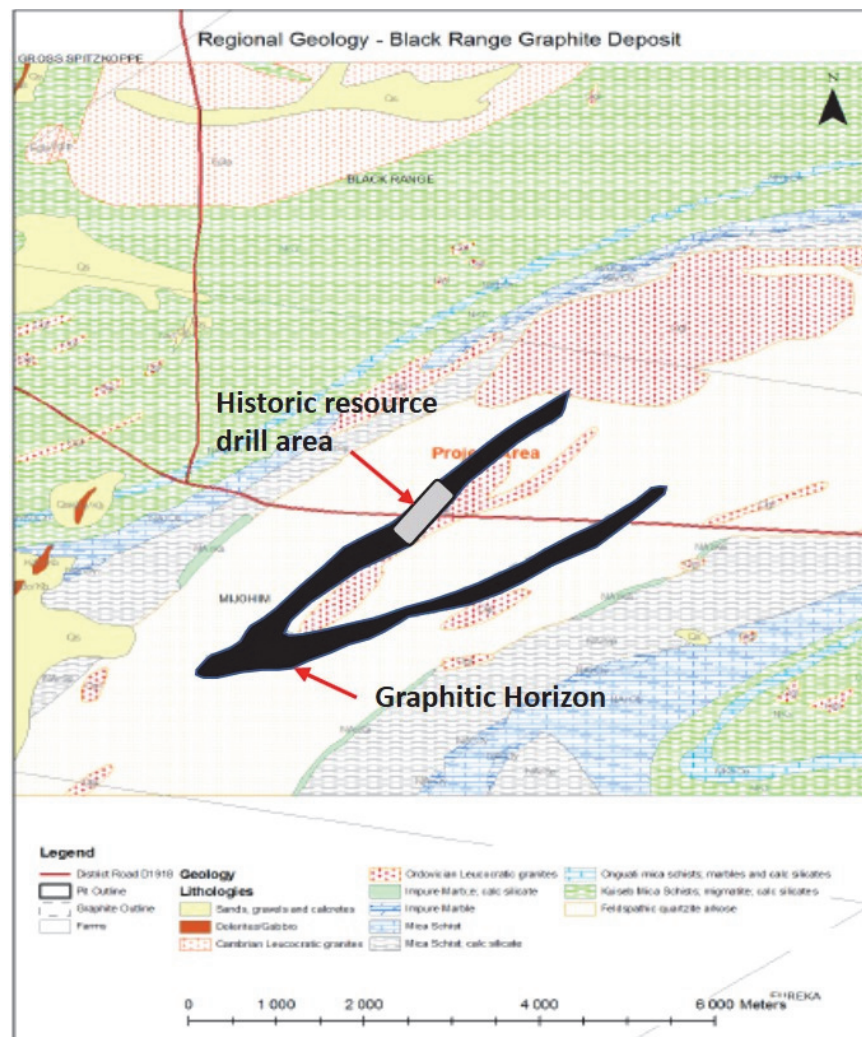
The Company has acquired Gecko's rights under an option agreement with Rhombus Investments to earn a 60% interest in the Black Range EPL 5455 which, subject to the terms of the option agreement, may be increased to 80%. The Black Range flake graphite prospect was discovered in the late 1980's and was explored by Rossing Uranium Ltd. between 1988 and 1992. Rossing interpreted the graphite horizon in a fold structure with a total strike length of about 8 km. Based on 3,821 m of percussion drilling and 3,931 m of diamond drilling from a 1 km segment of the horizon, employing a cut-off grade of 2% graphitic carbon and using the polygonal section method, an historical estimate of 12.46 MT grading 4.63% graphitic carbon was utilized by Rossing to assess the project (reference "The Black Range Graphite Deposit, Feasibility Study Final Report" dated August 1992). This historical estimate does not cite reference to CIMM Definition Standards on Mineral Resources and Mineral Reserves. Additional drilling and sampling will be required to validate the historic database. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves and this historical estimate is not being treated as a current mineral resource or mineral reserve. Preliminary mining plans were drawn up and preliminary metallurgical work was carried out by Mintek of South Africa but the project was

MANAGEMENT'S DISCUSSION AND ANALYSIS

terminated before the flowsheet was fully optimized when the decision was made to focus instead on the graphite deposit at Okanjande. Okanjande was brought into production in 2017 by Gecko in a joint venture with Imerys Graphite and Carbon.

Black Range is slightly lower grade than the producing Okanjande Graphite Mine but the potential resource is much larger than the 1 km of strike length that has been tested to date (Figure 4). The data cannot be used in its present form for reporting under NI 43-101, however a similar problem was encountered at Okanjande and was addressed by a program of twinning of old drill holes and assaying of the core with full QAQC. The near-term focus for Black Range will be on metallurgical test work and, with a viable flowsheet, the project could be taken rapidly to a compliant PEA stage.

Figure 4 – General geology of the Black Range deposit showing historic area drilled by Rossing and the potential untested extent of the graphitic horizon

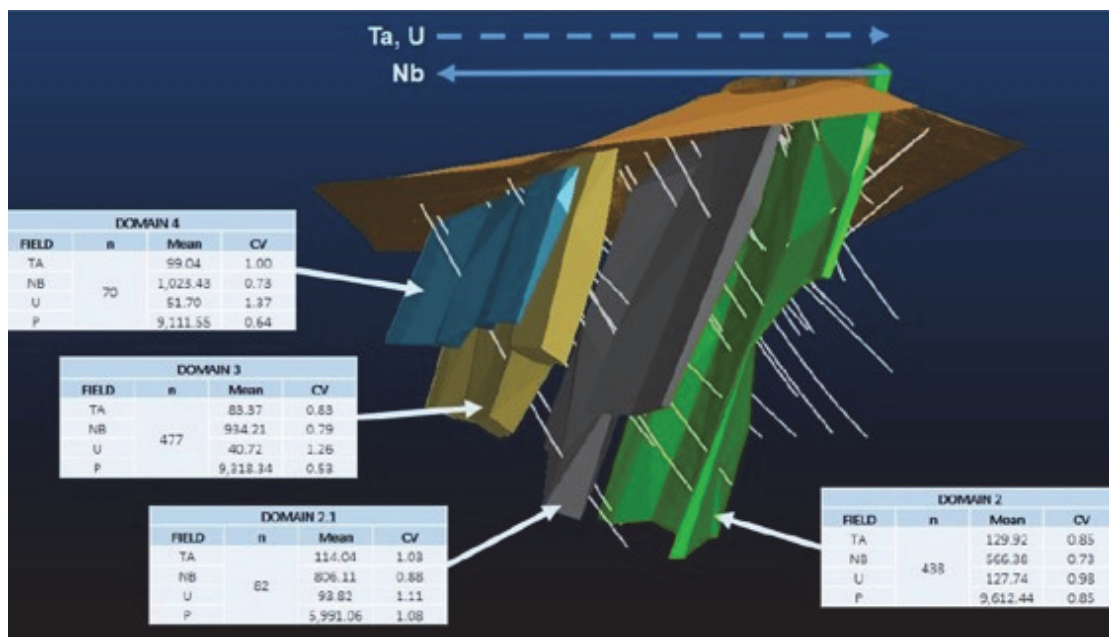


NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Epembe Tantalum-Niobium property

Epembe is an advanced stage exploration project with a well-defined, very large multiphase carbonatite dyke that has been mapped and sampled at surface over a strike length of 10 kilometers of which at least 7 km of strike length is mineralised. Detailed mapping and over 11,000 meters of drilling has been completed on the dyke, along with preliminary mineralogical and metallurgical studies. The carbonatite contains variable concentrations of pyrochlore which is unusually enriched in tantalum. The other commodities of interest are niobium (hosted in pyrochlore) and apatite. Drilling covered only 15% of the pyrochlore hosting carbonatite. Grades of the drilled portion of the carbonatite average on the order of 150 ppm Ta₂O₅, 1,300 ppm Nb₂O₅ and 2.4% P₂O₅ (Figure 5). Initial sorting tests (XRT) indicate the potential for significant physical upgrading. Planned work will focus on improving grade by optimizing XRT sorting and investigating amenability to XRF sorting. There is potential to delineate a substantial open pit resource by further exploration, both by extending known mineralized zones along strike and vertically.

Figure 5 – Modeled mineralized zones at Epembe from historic drilling



Warmbad Lithium property

The Warmbad project is located in southern Namibia near the South African border in an area of historic small-scale pegmatite mining known as the Tantalite Valley. The Tantalite Valley pegmatites have been mined since about 1946 for beryl, columbite-tantalite, lithium and bismuth minerals. Mining has been re-activated by Kennedy Ventures Plc who control African Tantalite (Pty) Ltd. and are producing concentrates of >40% Ta₂O₅ being sold into global markets. Initial production of 20M tpa concentrate is ramping up to 120M tpa. An initial lithium resource estimate is being prepared by MSA Group for early 2018 following the sampling of lepidolite bearing pegmatites grading >1.6% Li₂O.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Warmbad EPL covers 605 km² and hosts three pegmatite occurrences of undetermined extent from government maps. There are no records of any systematic exploration over the EPL. The area has recently been mapped by the Geological Survey of Namibia and the Council of Geosciences (South Africa) which has provided updated geological information. A key result of the mapping campaign is the delineation of previously unknown extensive pegmatite swarms of up to 13 km strike length. None of these pegmatites have ever been sampled and assayed. This new data will be utilized to undertake systematic sampling of the pegmatites.

Grootfontein Nickel and Zinc-Lead-Vanadium Project

Grootfontein is an early stage conceptual target based on geophysical and historical evidence for a large buried mafic-ultramafic intrusive complex. It is a poorly explored geological complex due to the extensive coverage with Kalahari sands and calcrete.

Based on historic drill holes and airborne magnetic survey interpretations, Grootfontein constitutes a huge mafic complex covering 360 km² with the potential to host magmatic nickel, copper, vanadium, platinum group elements and chromite mineralisation as cumulates or late magmatic disseminations and stockworks. Previous work demonstrated that the main intrusive phases are depleted in nickel and copper. The metals were likely fractionated as sulphides during the intrusive phase, gravitationally accumulated in the magma and intruded in the adjacent, pre-existing rocks. As in other mafic hosted copper-nickel deposits such as Norilsk and Voisey's Bay, sulphidization by scavenging of sulphur from country rocks and tectono-magmatic concentration of the sulphide-rich melts are the key for the formation of this type of magmatic copper nickel deposits. Only two shallow drill fences (total of 1,386 m) were drilled by Anglo American in 1988 leaving 55 km of strike length untested.

There is also potential for zinc-lead-vanadium Mississippi Valley-type mineralization similar to the Berg Aukas deposit bordering the mafic complex, which according to historical records, produced 1.6 MT of ore grading 16.77% Zn, 4.04% Pb and 0.93% V₂O₅ during the period 1967-1975.

Otjiwarongo Carbonatite property

Otjiwarongo is another early stage conceptual target based on remote sensing data in proximity to known alkaline intrusive complexes, most notably the Okorusu complex which hosts the Okorusu fluorspar deposits. The area of interest is completely hidden by cover. The circular anomaly measures one kilometer in diameter and can be easily tested by drilling to determine if in fact a carbonatite body is the source and what styles of mineralization might be associated with it (fluorspar, rare earths, tantalum, niobium etc.).

Erongo Gold property

The Erongo gold project covers an area of over 600 km² within the Navachab-Ondundu gold trend. There are numerous mineral occurrences within the project area including at least two gold occurrences. The area has been prospected but not systematically explored. Potential targets include skarn and greisen gold-(copper-bismuth) and tin-tungsten mineralization; pegmatites formed during the late Damaran orogeny hosting lithium minerals and semi-precious stones and structurally controlled gold mineralisation. Historical figures indicate small scale mining for all of those deposit types on the property.

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Kunene Expenditures

For the three months ended February 28, 2018, the Company incurred \$82,049 (2017: \$Nil) in exploration and evaluation expenditures on the Kunene property, which was focused on soil sampling and analyses. For 2018, the Company estimates its work program at approximately \$1.625 million, which will focus on exploration of the property through geological mapping, sampling, airborne electromagnetics and a drilling programs.

Other Property Expenditures

For the three months ended February 28, 2018, the Company incurred \$23,242 (2017: \$Nil) in exploration and evaluation expenditures on its other properties recently acquired from Gecko, which was focused on rock sampling and metallurgical studies. For 2018, the Company estimates its work program at approximately \$0.65 million, which will focus on selected exploration programs and metallurgical studies.

Results of Operations

Three months ended February 28, 2018 and 2017

For the three months ended February 28, 2018, the Company capitalized acquisition and exploration costs of \$3,391,255 (2017 - \$114,698) related to expenditures on the following properties: Lofdal Rare Earths Project - \$85,964 (2017 - \$114,698); Kunene Cobalt-Copper Project - \$2,322,049 (2017- \$nil) and Other Properties - \$983,242 (2017- \$nil)

For the three months ended February 28, 2018 the Company reported a net loss of \$136,798 compared to a net loss of \$178,717 for the same three months in the prior year.

Expenses were \$150,241 for the period compared to \$179,664 for 2017, primarily due to the following:

Salaries and benefits decreased to \$34,514 compared to \$80,123 in 2017, due primarily to reductions in staff to ensure adequate funding for exploration activities;

Office and administration decreased to \$18,175 compared to \$40,276 in 2017, due primarily to reductions costs to ensure adequate funding for exploration activities;

Travel decreased to \$7,441 compared to \$37,466 in the prior year, due primarily to reductions in overhead costs to ensure adequate funding for planned Lofdal activities;

Share-based payments decreased to \$Nil compared to \$5,700 in 2017, due to a higher number of options issued in 2017; and

Acquisition costs expense increased to \$37,073 compared to \$Nil in 2017, primarily due to increased, fees for financial advisory services to assist in closing of strategic metals portfolio of properties

Other income increased to \$13,443 from \$Nil in 2017 due to the short term rental of fixed assets

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	Feb. 28 2017	Nov. 30 2017	Aug. 31 2017	May 31 2017	Feb. 28 2017	Nov. 30 2016	Aug. 31 2016	May 31 2016
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	150,241	132,791	206,732	231,066	179,664	343,347	265,429	289,213
Interest/Other income	13,443	2,641	1,766	559	947	409	1,174	1,590
Gain on debt settlement	Nil	831,019	Nil	Nil	Nil	Nil	Nil	Nil
Net and comprehensive (gain) loss	136,798	(700,869)	204,966	230,507	178,717	342,938	264,255	287,623
(Gain) Loss per share – basic and diluted	0.00	(0.01)	0.00	0.00	0.00	0.01	0.00	0.00
Total assets (millions)	26.3	22.5	22.8	22.9	22.8	22.9	23.0	23.2

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 eight quarters ended February 28, 2018 were related to reductions in overhead costs to ensure adequate funding for planned exploration activities. A net gain in quarter ended November 30, 2017 is due to gain on settlement of deferred wages and salaries to officers and directors. 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 February 28, 2018, the Company had working capital of \$290,993 compared to \$78,615 at November 30, 2017 as follows:

	February 28, 2018	November 30, 2017
	\$	\$
Cash	477,791	96,237
Taxes and other receivables	73,239	51,035
Deposits and prepaid expenses	9,371	37,475
Accounts payable and accrued liabilities	(269,408)	(106,132)
Working capital	290,993	78,615

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's principal assets are 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. On February 21, 2018 the Company completed a private placement of \$550,000. In addition, on March 28, 2018 and April 19, 2018 the Company announced an additional private placement of up to \$4,000,000.

During the three months ended February 28, 2018, the Company used cash of \$97,492 for operating activities (2017 – \$118,493) and used cash of \$61,385 for investing activities (2017 - \$135,995). During the period the Company increased cash of \$540,431 from financing activities (2017-\$Nil). The decreased use of cash in operating activities was related to lower expenses due to cost reductions, a reduction in taxes receivable, and 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 prior year and an increase in amounts payable.

Contractual Obligations

There are no contractual obligations.

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 158,703,500 common shares.

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

Exercise price \$	Number of Shares	Expiry Date
0.20	1,755,000	November 25, 2019
0.17	25,000	April 30, 2020
0.05	1,720,000	November 28, 2021
0.08	150,000	April 7, 2022
	3,650,000	

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

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

- (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 determination of functional currency;
- (iii) The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage;
- (iv) The determination of when an exploration and evaluation asset is impaired;
- (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

Accounting Standards Adopted in the Current Year

The following accounting standard, effective for annual periods beginning on or after January 1, 2016, has been adopted in the current period and has had no material impact on the Company's financial results.

Amendments to IAS 1 Disclosure Initiative clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

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.

IAS 7, Disclosure Initiative (Amendment to IAS 7) requires an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities resulting from financing activities. The amendments apply prospectively for annual periods beginning on or after January 1, 2017 with earlier adoption permitted.

IAS 12, Income Taxes (Amendments to IAS 12) provides guidance on the recognition of deferred tax assets. In January 2016, the International Accounting Standards Board issued amendments to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is not yet permitted as they have not been incorporated into the CPA Canada Handbook, Part 1 – IFRS.

IFRS 2, Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2). In June 2016, the International Accounting Standards Board (IASB) published final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. The amendments clarify guidance on accounting for cash-settled share-based payment transactions that include a performance condition, classification on share-based payment transactions with net settlement features and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments apply prospectively and are effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted.

IFRS 16, Leases, was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and financing leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted if IFRS 15 has also been applied.

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 February 28, 2018, 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 February 28, 2018.

There have been no material changes in the Company's internal controls over financial reporting during the three months ended February 28, 2018 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, British Pounds, Australian

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

In conducting its business, the principal risks and uncertainties faced by the Company relate primarily to exploration results and, to a lesser extent, metal and commodity prices. In addition, the Company has a working capital of \$290,993. The Company's ability to continue as a going concern is dependent on a number of factors, including the ability of the Company to arrange financing for 2018. Exploration for minerals and development of mining operations involve many risks, many of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, the Company has the following risks specific to conducting its exploration activities in Namibia: there is no assurance that the supportive political and economic conditions that currently exist in Namibia will remain; the Company's ability to obtain, sustain, renew or vary the necessary licences, permits and authorizations to carry on the activities that it is currently conducting 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; in particular, the Company currently has an application pending for a mining permit over Area 4 of the Lofdal property and there is no guarantee that the permit will be granted; environmental legislation and permitting requirements are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees, and any failure by the Company to comply with applicable environmental regulations or the stoppage of exploration or production activities could have a materially adverse effect on the Company's business, financial condition and results of 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, and 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; as a result of a substantial portion of the Company's assets being located in Namibia, there may be difficulties in enforcing against the Company judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities legislation for misrepresentations contained in the Company's public disclosure documents and, in particular, it may be practically impossible to enforce foreign court judgments against the Company in Namibia; and Namibia is part of the South African Rand Common Monetary Area ("CMA") which has exchange controls that require that dividends, loans, repayment of loans and payment of all invoices to parties outside the CMA require prior approval of the Bank of Namibia and there can be no assurance that the Company will obtain

NAMIBIA RARE EARTHS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

the requisite approvals in the future to repay loans or pay invoices to parties outside the CMA, thereby potentially restricting the Company from repatriating funds and using those funds for other purposes.

Additional Information

The financial statements and additional information regarding the Company are available on SEDAR at www.sedar.com.

NOTICE TO READER

Under National Instrument 51-102 “Continuous Disclosure Obligations”, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice to this effect.

The accompanying unaudited condensed consolidated interim financial statements of Namibia Rare Earths Inc. have been prepared by management. Management have compiled the condensed consolidated interim statement of financial position of Namibia Rare Earths Inc. as at February 28, 2018, the condensed consolidated interim statements of net and comprehensive loss for the three months ended February 28, 2018 and February 28, 2017, the condensed consolidated interim statements of changes in equity as at February 28, 2018 and February 28, 2017, and the condensed consolidated interim statements of cash flows for the three months ended February 28, 2018 and February 28, 2017. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of these condensed consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

Namibia Rare Earths Inc.

Unaudited Condensed Consolidated Interim Statements of Financial Position

As at February 28, 2018 and November 30, 2017 (in Canadian dollars)

	February 28, 2018 \$	November 30, 2017 \$
Assets		
Current assets		
Cash	477,791	96,237
Taxes and other receivables	73,239	51,035
Deposits and prepaid expenses	9,371	37,475
	<u>560,401</u>	<u>184,747</u>
Equipment	-	-
Exploration and evaluation assets (note 4)	<u>25,760,615</u>	<u>22,369,360</u>
Total Assets	<u>26,321,016</u>	<u>22,554,107</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	269,408	106,132
Total Liabilities	<u>269,408</u>	<u>106,132</u>
Equity		
Total Equity	<u>26,051,608</u>	<u>22,447,975</u>
Total Liabilities and Equity	<u>26,321,016</u>	<u>22,554,107</u>

Nature of operations and going concern (Note 1)

Subsequent Events (Note 14)

See accompanying notes to the condensed consolidated interim financial statements

Namibia Rare Earths Inc.

Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three months ended February 28, 2018 and 2017 (in Canadian dollars)

	Three months ended	
	February 28, 2018	February 28, 2017
	\$	\$
Expenses		
Salaries and benefits	34,514	80,123
Office and administration	18,275	40,276
Consulting fees	23,728	16,170
Professional fees	17,209	21,920
Share-based payments	-	5,700
Travel	633	-
Listing and filing fees	3,837	13,909
Shareholder communications	12,364	3,041
Foreign currency exchange (gain) loss	2,608	(1,475)
Acquisition costs	37,073	-
	150,241	179,664
Other income	13,443	
Interest income	-	947
Net and comprehensive loss for the period	136,798	178,717
Loss per share - Basic and diluted	0.00	0.00
Weighted average number of shares outstanding – Basic and diluted	89,536,833	77,828,500

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Namibia Rare Earths Inc.

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

For the three months ended February 28, 2018 and 2017 (in Canadian dollars)

	Common Shares Without Par Value		Share-based Payments Reserve	Contributed Surplus	Deficit	Total Equity
	Number	\$	\$	\$	\$	\$
Balance, November 30, 2017	83,703,500	36,538,008	546,939	5,113,161	(19,750,133)	22,447,975
Issuance of shares by private placement (Note 5)	11,000,000	540,431				540,431
Issuance of shares for mineral properties (Note 5)	64,000,000	3,200,000				3,200,000
Share-based payments	-	-	-	-	-	-
Expired options	-	-	(96,653)	96,653	-	-
Net and comprehensive income	-	-	-	-	(136,798)	(136,798)
Balance, February 28, 2018	158,703,500	40,278,439	450,286	5,209,814	(19,886,931)	26,051,608

	Common Shares Without Par Value		Share-based Payments Reserve	Contributed Surplus	Deficit	Total Equity
	Number	\$	\$	\$	\$	\$
Balance, November 30, 2016	77,828,500	36,146,334	594,199	5,048,401	(19,836,813)	21,952,121
Share-based payments			5,700			5,700
Expired options			(64,760)	64,760		-
Net and comprehensive loss	-	-	-	-	(178,717)	(178,717)
Balance, February 28, 2017	77,828,500	36,146,334	535,139	5,113,161	(20,015,530)	21,779,104

See accompanying notes to the condensed consolidated interim financial statements.

Namibia Rare Earths Inc.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the three months ended February 28, 2018 and 2017 (in Canadian dollars)

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Net Income (loss) for the period	(136,798)	(178,717)
Adjustments for:		
Unrealized foreign currency exchange loss	2,635	(1,597)
Interest income recognized in net loss	-	(947)
Share-based payments	-	5,700
	(134,163)	(175,561)
Net change in non-cash working capital balances related to operations		
Decrease (increase) in amounts receivable, deposits and prepaids	5,899	19,347
Increase in accounts payable and accrued liabilities	30,772	37,721
	(97,492)	(118,493)
Investing activities		
Interest income received	-	947
Proceeds on disposition of exploration equipment	-	-
Expenditures on exploration and evaluation assets	(61,385)	(135,995)
	(158,877)	(135,048)
Financing activities		
Issuance of share capital, net of costs	540,431	-
Effect of exchange rate changes on cash	-	292
Net change in cash during the period	381,554	(253,249)
Cash – Beginning of period	96,237	683,036
Cash – End of period	477,791	429,787

Supplemental cash flow information (note 8)

See accompanying notes to the condensed consolidated interim financial statements.

Namibia Rare Earths Inc.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2018 and 2017 (in Canadian dollars)

1. Nature of operations and going concern

Namibia Rare Earths Inc. (the "Company") was incorporated pursuant to the Canada Business Corporations Act on April 26, 2010. The Company is a public company listed on the TSX Venture Exchange (the "TSXV"), trading under the symbol "NRE". The address of the Company's corporate office and principal place of business is Suite 802, 1550 Bedford Highway, Halifax, Nova Scotia, Canada.

The Company is in the business of exploring and developing a diversified portfolio of critical metals properties in Namibia. The amount shown as exploration and evaluation assets, all of which are located in Namibia, represents costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and future profitable production or proceeds of disposition thereof.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as the liabilities come due.

The Company has reported losses to date and at February 28, 2018 has an accumulated deficit of \$19,866,931 and working capital of \$290,993. Management and the Board of Directors are cognizant of difficult market conditions and have undertaken steps to minimize administrative costs and overhead. Whether and when the Company can attain profitability is uncertain. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern. During the period the Company completed a private placement of \$540,431 net of costs for general working capital purposes. The Company's ability to continue as a going concern is dependent upon rare earths prices, successful results from its mineral property acquisitions and exploration and evaluation activities, its ability to maintain title and beneficial interest in the mineral properties, and its ability to raise additional financing or finalize a transaction with a strategic partner. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Basis of Preparation

a) Statement of Compliance

These consolidated financial statements, including comparative figures, have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were authorized for issue by the Audit Committee of the Board of Directors on April 26, 2018.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies.

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company's wholly-owned subsidiary, Cayman Namibia Rare Earths Ltd., incorporated under the laws of the Cayman Islands, and its wholly-owned subsidiary, Namibia Rare Earths (Pty.) Ltd., incorporated under the laws of Namibia. All inter-company balances and transactions are eliminated upon consolidation.

Namibia Rare Earths Inc.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2018 and 2017 (in Canadian dollars)

d) Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and the effect of changes in these estimates in future periods could be material. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Revisions to estimates are accounted for prospectively. The more significant areas requiring the use of management estimate and judgments are as follows:

Critical accounting estimates

The amounts recorded for share-based payments are based on estimates. The Black Scholes model is based on estimates of assumptions for expected volatility, expected number of options to vest, dividend yield, risk-free interest rate, expected forfeitures and expected life of the options. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and warrants.

The recoverability of amounts shown for exploration and evaluation assets is dependent on the discovery of economic reserves, the ability of the Company to obtain financing to complete development of the properties, and future production or proceeds from disposition, and may be based on assumptions about future events and circumstances.

The Company makes estimates of future site restoration costs based on current legislation, technical reports, and management's estimates. These estimates will be affected by actual legislation in place, actual exploration or mining activity to be performed, and actual conditions of the relevant sites when the restoration activity is to be performed in future periods. Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that existed during the year.

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values. Deferred income tax assets also result from unused loss carry-forwards and other deductions. The valuation of deferred income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

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

3. Significant Accounting Policies

These condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements and accompanying notes for the year ended November 30, 2017. These condensed consolidated interim financial statements have been prepared using the same accounting policies and judgments and estimates as described in the Company's November 30, 2017 annual consolidated financial statements.

Accounting Standards Adopted in the Current Year

The following accounting standard, effective for annual periods beginning on or after January 1, 2016, has been adopted in the current period and has had no material impact on the Company's financial results.

Namibia Rare Earths Inc.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2018 and 2017 (in Canadian dollars)

Amendments to IAS 1 Disclosure Initiative clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

Accounting Standards Issued But Not Yet Effective

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.

IAS 7, Disclosure Initiative (Amendment to IAS 7) requires an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities resulting from financing activities. The amendments apply prospectively for annual periods beginning on or after January 1, 2017 with earlier adoption permitted.

IAS 12, Income Taxes (Amendments to IAS 12) provides guidance on the recognition of deferred tax assets. In January 2016, the International Accounting Standards Board issued amendments to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is not yet permitted as they have not been incorporated into the CPA Canada Handbook, Part 1 – IFRS.

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.

IFRS 2, Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2). In June 2016, the International Accounting Standards Board (IASB) published final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. The amendments clarify guidance on accounting for cash-settled share-based payment transactions that include a performance condition, classification on share-based payment transactions with net settlement features and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments apply prospectively and are effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted.

IFRS 16, Leases, was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and financing leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted if IFRS 15 has also been applied.

Namibia Rare Earths Inc.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2018 and 2017 (in Canadian dollars)

4. Exploration and evaluation assets

	November 30, 2017 \$	Acquisitions and Expenditures \$	February 28, 2018 \$
Lofdal rare earth	22,369,360	85,964	22,455,324
Kunene Cobalt-Copper		2,322,049	2,322,049
Other properties		983,242	983,242
Totals	22,369,360	3,391,255	25,760,615

Lofdal rare earths property

The Lofdal rare earths property comprises an exclusive prospecting license ("EPL 3400") located approximately 450 kilometres northwest of the capital city of Windhoek and 25 kilometres northwest of the town of Khorixas in the Kunene Region of north-western Namibia. 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 February 2017 for a further two-year period to November 16, 2018. In November 2016, the Company submitted an application to the Ministry of Mines and Energy for a Mining License. The property is subject to a 2% net smelter revenue royalty.

Property Acquisitions

On February 21, 2018 the Company completed the acquisition of a portfolio of critical metal properties (the "Properties") from Gecko Namibia (Pty) Ltd. ("Gecko Namibia") in consideration for the issuance of 64,000,000 common shares of Namibia Rare Earths ("Property Acquisition"). Namibia Rare Earths has acquired Gecko Namibia's 95% interest in a portfolio of exploration properties consisting of 14 exploration prospecting licences ("EPLs") four of which are pending, one mineral deposit retention licence ("MDRL") and Gecko Namibia's rights under an option agreement to acquire a 60% interest in a further exploration prospecting licence which interest may, subject to the terms of the option agreement, be increased to 80%.

Kunene Cobalt-Copper property

Consists of 8 EPL's covering approximately 2925 square kilometres

Grootfontein Nickel-PGE property

Consists of 2 EPL's covering approximately 1,638 square kilometres

Otjiwarongo Carbonatite property

Consists of 1 EPL covering approximately 92 square kilometres

Warmbad Lithium property

Consists of 1 EPL covering approximately 605 square kilometres

Erongo Gold property

Consists of 1 EPL covering approximately 607 square kilometres

Epembe Tantalum-Niobium property

Consists of 1 EPL and 1 MDRL covering approximately 348 square kilometres

Black Range Graphite property

Consists of 1 EPL under option covering approximately 427 square kilometres. Under an option agreement to acquire a 60% interest in a further exploration prospecting licence which interest may, subject to the terms of the option agreement, be increased to 80%.

Namibia Rare Earths Inc.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2018 and 2017 (in Canadian dollars)

5. Capital stock

Authorized capital stock

An unlimited number of common shares without nominal or par value.

Issued and outstanding

During the period the Company issued 11,000,000 common shares at \$0.05 per share for gross proceeds of \$540,431 (2017 – Nil)

During the period the Company issued 64,000,000 common shares for the acquisition of critical metal properties in Namibia.

At February 28, 2018, there were 158,703,500 common shares issued and outstanding (2017 – 77,828,500).

Stock option plan

The Company has a stock option plan providing for the issuance of options equal to up to 10% of the outstanding shares. The Company may grant options to its directors, officers, employees, consultants and management company employees. The exercise price of each option cannot be lower than the market price of the shares at the date of grant of the option. The number of shares optioned to insiders may not exceed 10% of the issued and outstanding shares at the date of grant. The options are generally exercisable immediately for up to a ten-year period from the date of grant.

For the three months ended February 28, 2018, share-based payments expense of \$Nil (2017: \$5,700) was charged to the statement of loss. The Company issued Nil stock options during the period (2017: 300,000). The assumptions used to fair value the options were a risk-free rate of 0.5%, expected volatility of 159% (based on actual historical volatility), expected life of 5 years, and a dividend yield of 0%.

The following table summarizes information about options outstanding at February 28, 2018:

Exercise price \$	Options outstanding and exercisable	Expiry date	Remaining contractual life (in years)
0.20	1,755,000	November 25, 2019	1.74
0.17	25,000	April 30, 2020	2.17
0.05	1,720,000	November 28, 2021	3.75
0.08	150,000	April 7, 2022	4.10
	3,650,000		2.78

6. Capital Disclosures

The Company manages its capital to maintain adequate levels of funding to support the acquisition and exploration of mineral properties and to maintain the necessary corporate and administrative functions to facilitate these activities. The capital structure consists of working capital and equity. The Company raises capital, as necessary, to meet its needs and to take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. The Company invests all capital that is surplus to its immediate operational needs in highly liquid financial instruments such as high interest cash accounts. There were no changes to the Company's approach to capital management during the three months ended February 28, 2018. Total managed capital was as follows:

	February 28, 2018 \$	November 30, 2017 \$
Working capital	290,993	78,615
Equity	26,051,608	22,447,975

There are no externally imposed capital requirements.

Namibia Rare Earths Inc.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2018 and 2017 (in Canadian dollars)

7. 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, 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's risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk

The Company's credit risk is primarily attributable to cash. The Company's exposure to credit risk on its cash is limited by maintaining these assets in a high-interest savings account with a high-credit quality financial institution.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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 (Note 1). Financial liabilities are due within one year.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates, interest rates and commodity prices.

Foreign exchange risk

Certain of the Company's expenditures are denominated in Namibia dollars (which are equal to the South African rand), US dollars, British Pounds, Australian dollars, and Euros. The Company's cash, amounts receivable, deposits, and accounts payable and accrued liabilities include amounts denominated in foreign currencies. Accordingly, the results of the Company's operations are subject to currency transaction risk and currency translation risk.

At February 28, 2018, the Company had the following amounts denominated in the above currencies and converted to Canadian dollars: \$152,832 in cash, \$5,935 in deposits, \$49,372 in taxes receivable, and \$135,492 in accounts payable. A ten percent change in the exchange rates would impact the Company's working capital as follows:

	\$
Namibia dollars and South African rand	6,142
All other currencies	463

The operating results and financial position of the Company are reported in Canadian dollars in the Company's consolidated financial statements. The fluctuation of the Canadian dollar primarily in relation to other currencies, primarily the Namibian dollar, will consequently have an impact on the profitability of the Company and the value of the Company's assets and equity. The Company does not currently undertake any hedging activities to mitigate foreign exchange risk.

Interest rate risk

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest. Cash reserves are maintained in cash and cash equivalents to maintain liquidity while achieving a satisfactory return for shareholders. The impact of fluctuations in interest rates is not significant.

Namibia Rare Earths Inc.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2018 and 2017 (in Canadian dollars)

Commodity price risk

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.

8. Supplemental cash flow information

During the three months ended February 28, 2018, the Company made expenditures on exploration and evaluation assets of \$129,870 which were recorded as an increase in accounts payable (2017 - \$23,495 decrease in accounts payable) and \$Nil in amortization of equipment which was recorded to exploration and evaluation assets (2017 - \$2,198). These items are non-cash transactions and have been excluded from the statements of cash flows

9. Commitments

The Company has no outstanding commitments.

10. Segmented Reporting

The company has one reportable operating segment, being that of acquisition, exploration and evaluation activities. All exploration and evaluation assets are located in Namibia.

11. Subsequent Event

On March 28, 2018 the Company announced a non-brokered private placement to raise total gross proceeds of \$3,000,000 at \$0.185 per share and on April 19 announced an increase to \$4,000,000. A total of 21,621,621 common shares of the Company will be issued pursuant to the Private Placement.