Namibia Rare Earths Inc.

(A DEVELOPMENT STAGE ENTERPRISE)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
WITH MANAGEMENT DISCUSSION AND ANALYSIS

NOVEMBER 30, 2017 AND 2016

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 March 28, 2018 and provides an analysis of the Company's financial results and progress for the years ended November 30, 2017 and 2016. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended November 30, 2017 and 2016 and related notes thereto, which were prepared in accordance 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"). 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 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 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 pending. The property is subject to a 2% net smelter revenue royalty. 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 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.

Development Strategy for Lofdal

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 2017 has been on monitoring the progress of its application for a Mining License submitted for the Lofdal permit in November 2016, diversifying its property portfolio and securing a qualified strategic partner.

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 ("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 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.

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 ± 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").

TABLE 1 - In-Situ Mineral Resources[1] 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 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.

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.

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.

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).

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 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. 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.

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 was performed in 2017, 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 year ended November 30, 2017, the Company incurred $256,619 (2016: $926,330) 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.

Results of Operations

Selected Annual Information

The following table sets out selected financial information for the periods indicated.

	Fiscal Years Ended November 30		
	2017	2016	2015
	$	$	$
OPERATIONS			
Revenue	Nil	Nil	Nil
Net Income (Loss)	86,680	(1,229,676)	(1,624,478)
Basic and diluted (loss) per share	0.00	(0.02)	(0.02)
BALANCE SHEET			
Total assets	22,554,107	22,910,084	23,714,774
Total exploration and evaluation assets	22,369,360	22,112,741	21,186,411

The decrease in net loss in 2016 compared to 2015 is primarily due to ongoing cost reductions in 2016. The increase of net income in 2017 from a net loss in 2016 is primarily due to debt forgiveness of deferred salaries. The increase in exploration and evaluation assets each year reflects the capitalization of ongoing exploration expenditures on the Lofdal Rare Earths Project.

Years ended November 30, 2017 and 2016

For the year ended November 30, 2017, the Company capitalized exploration costs of $256,619 (2016 - $926,330) related to expenditures on the Lofdal Rare Earths Project.

For the year ended November 30, 2017, the Company reported a net income of $86,680 compared to a net loss of $1,229,676 for the prior year.

Expenses were $750,252 for the year compared to $1,235,494 for 2016, primarily due to the following:

Salaries and benefits deceased to $306,001 compared to $756,619 in 2016, due primarily to reductions in staff to ensure adequate funding for planned Lofdal activities;

Professional fees decreased to $59,266 compared to $67,803 in 2016, due primarily to higher fees in 2016 for financial advisory services to assist in exploring strategic options to maximize shareholder value;

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 $17,500 compared to $60,115 in 2016, due to a higher number of options issued in 2016; and

Property investigation expense increased to $67,314 compared to $Nil in 2016, primarily due to increased activities in management evaluating other mineral property acquisitions.

Gain on debt settlement increased to $831,019 from $Nil in 2016 due to the forgiveness of deferred salaries and wages of officers and directors during the year.

Summary of Quarterly Results

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

For the quarters ended	Nov. 30 2017	Aug. 31 2017	May 31 2017	Feb. 28 2017	Nov. 30 2016	Aug. 31 2016	May 31 2016	Feb. 29 2016
			$	$	$	$	$	$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	132,791	206,732	231,066	179,664	343,347	265,429	289,213	337,505
Interest income	2,641	1,766	559	947	409	1,174	1,590	2,645
Gain on debt settlement	831,019	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net and comprehensive (gain) loss	(700,869)	204,966	230,507	178,717	342,938	264,255	287,623	334,860
(Gain) Loss per share – basic and diluted	(0.01)	0.00	0.00	0.00	0.01	0.00	0.00	0.01
Total assets (millions)	22.5	22.8	22.9	22.8	22.9	23.0	23.2	23.4

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 seven quarters ended November 30, 2017 were related to reductions in overhead costs to ensure adequate funding for planned Lofdal 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.

Fourth Quarter

During the fourth quarter, the Company announced a private placement of $500,000 and an agreement to acquire a portfolio of critical metal properties in Namibia. Costs for the Lofdal program during the fourth quarter were $73,190, which is consistent with Lofdal expenditures in the previous quarters. The Company incurred $132,791 in administration expenses during the quarter. During the quarter the company recorded a reduction of Deferred amounts payable of $946,384, Gain on debt settlement of $831,019, a reduction of amounts receivable of $3,526 and reduction to Mineral Properties of $111,839 in relation to the elimination of all deferred amounts payable to officers and directors.

Liquidity and Capital Resources

At November 30, 2017, the Company had working capital of $78,615 compared to working capital deficit of $169,410 at November 30, 2016 as follows:

	November 30, 2017	November 30, 2016
	$	$
Cash	96,237	683,036
Taxes and other receivables	51,035	60,980
Deposits and prepaid expenses	37,475	44,537
Accounts payable and accrued liabilities	(106,132)	(957,963)
Working capital	**78,615**	**(169,410)**

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 agreed to a forgiveness of all deferral of their salary and fee payments. As at November 30, 2017, this deferral and forgiveness was $946,384. In addition, the Company announced on Nov. 10, 2017 a private placement of $500,000. This financing was increased to $550,000 and closed on Feb. 21, 2018.

During the year ended November 30, 2017, the Company used cash of $577,067 for operating activities (2016 – $722,532) and used cash of $407,992 for investing activities (2016 - $888,824). 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.

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 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.

Related party transactions

Transactions with key management personnel for the years ended November 30 are as follows:

	2017 $	2016 $
Salaries, director fees and benefits	181,671	579,704
Share-based payments	17,500	60,115
Consulting fees	68,146	68,974
Total charged to net and comprehensive loss	267,317	708,793
Consulting fees charged to exploration and evaluation assets	54,007	147,468
Share-based payments charged to exploration and evaluation assets	-	10,485
Deferred payable amounts forgiven	(946,384)	-
Total	(625,060)	866,746

Key management personnel include officers and directors and companies directly controlled by key management personnel, and payments are for salaries, director fees, and consulting fees and are directly related to their position in the organization.

Included in accounts payable and accrued liabilities are amounts owing to related parties of $23,119 (2016 - $845,533). Included in deposits and prepaid expenses is an amount of $3,500 (2016 - $3,500) representing a retainer on a services contract with an officer of the Company.

During the year the Company settled all deferred amounts payable to officers and directors in the amount of $946,384 for Nil consideration.

Related party transactions are in the ordinary course of business, and are measured at the exchange amount, which is the amount of consideration determined and agreed to by the parties.

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 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.

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 November 30, 2017, 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 November 30, 2017.

There have been no material changes in the Company's internal controls over financial reporting during the year ended November 30, 2017 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 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 $78,615. 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 of 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 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.

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Independent Auditor's Report

To the Shareholders of Namibia Rare Earths Inc.,

We have audited the accompanying consolidated financial statements of Namibia Rare Earths Inc. which comprise the consolidated statements of financial position as at November 30, 2017 and 2016, and the consolidated statements of gain (loss) and comprehensive gain (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Namibia Rare Earths Inc. as at November 30, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion we draw attention to Note 1 in the consolidated financial statements which indicates that Namibia Rare Earths Inc. has an accumulated deficit of $19,750,133. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about Namibia Rare Earths Inc.'s ability to continue as a going concern.

/s/ Deloitte LLP

Chartered Professional Accountants
Halifax, Canada
March 28, 2018

Namibia Rare Earths Inc.
Consolidated Statements of Financial Position

As at November 30, 2017 and 2016 (in Canadian dollars)

	November 30, 2017 $	November 30, 2016 $
Assets		
Current assets		
Cash	96,237	683,036
Taxes and other receivables	51,035	60,980
Deposits and prepaid expenses	37,475	44,537
	184,747	788,553
Equipment (note 4)	-	8,790
Exploration and evaluation assets (note 5)	22,369,360	22,112,741
Total Assets	22,554,107	22,910,084
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 1 and 6)	106,132	957,963
Total Liabilities	106,132	957,963
Equity		
Total Equity	22,447,975	21,952,121
Total Liabilities and Equity	22,554,107	22,910,084

Nature of operations and going concern (Note 1)
Commitments (Note 12)
Subsequent Events (Note 14)

Approved by the Board of Directors on March 28, 2018:

"Steve E. Kapp"
Director

"Gerald J. McConnell"
Director

See accompanying notes to the consolidated financial statements

Namibia Rare Earths Inc.

Consolidated Statements of Gain (Loss) and Comprehensive Gain (Loss)

For the years ended November 30, 2017 and 2016 (in Canadian dollars)

	Year ended November 30	
	2017	**2016**
	$	**$**
Expenses		
Salaries and benefits (note 6)	306,001	756,619
Office and administration	155,010	169,551
Consulting fees (note 6)	70,187	79,413
Professional fees	59,266	67,803
Share-based payments (notes 6 and 7)	17,500	60,115
Travel	7,441	37,466
Listing and filing fees	51,426	35,634
Shareholder communications	19,186	24,908
Foreign currency exchange (gain) loss	(3,079)	3,985
Property investigation	67,314	-
	(750,252)	(1,235,494)
Gain on amounts payable settlement (note 6)	831,019	-
Interest income	5,913	5,818
Net and comprehensive gain (loss) for the year	86,680	(1,229,676)
Gain (Loss) per share - Basic and diluted	0.00	(0.02)
Weighted average number of shares outstanding – Basic and diluted	81,224,733	77,828,500

See accompanying notes to the consolidated financial statements.

Namibia Rare Earths Inc.
Consolidated Statements of Changes in Equity

For the years ended November 30, 2017 and 2016 (in Canadian dollars)

	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
Issuance of shares	5,875,000	391,674				391,674
Share-based payments	-	-	17,500	-	-	17,500
Expired options	-	-	(64,760)	64,760	-	-
Net and comprehensive income	-	-	-	-	86,680	86,680
Balance, November 30, 2017	83,703,500	36,538,008	546,939	5,113,161	(19,750,133)	22,447,975

	Common Shares Without Par Value		Share-based Payments Reserve	Contributed Surplus	Deficit	Total Equity
	Number	$	$	$	$	$
Balance, November 30, 2015	77,828,500	36,146,334	3,207,742	2,364,258	(18,607,137)	23,111,197
Share-based payments			70,600			70,600
Expired options			(2,684,143)	2,684,143		-
Net and comprehensive loss	-	-	-	-	(1,229,676)	(1,229,676)
Balance, November 30, 2016	77,828,500	36,146,334	594,199	5,048,401	(19,836,813)	21,952,121

See accompanying notes to the consolidated financial statements.

Namibia Rare Earths Inc.
Consolidated Statements of Cash Flows

For the years ended November 30, 2017 and 2016 (in Canadian dollars)

	2017 $	2016 $
Cash provided by (used in)		
Operating activities		
Net Income (loss) for the period	86,680	(1,229,676)
Adjustments for:		
Unrealized foreign currency exchange loss	4,372	(21,935)
Interest income recognized in net loss	(5,913)	(11,322)
Share-based payments	17,500	60,115
Gain on debt settlement	(831,019)	-
	(728,380)	(1,202,818)
Net change in non-cash working capital balances related to operations		
Decrease (increase) in amounts receivable, deposits and prepaids	16,254	116,561
Increase in accounts payable and accrued liabilities	135,059	363,725
	(577,067)	(722,532)
Investing activities		
Interest income received	5,913	11,322
Proceeds on disposition of exploration equipment	-	28,895
Expenditures on exploration and evaluation assets	(407,992)	(929,041)
	(402,079)	(888,824)
Financing activities		
Issuance of share capital, net of costs	391,674	-
Effect of exchange rate changes on cash	673	(3,546)
Net change in cash during the period	(586,799)	(1,6,14,902)
Cash – Beginning of period	683,036	2,297,938
Cash – End of period	96,237	683,036

Supplemental cash flow information (note 8)

See accompanying notes to the consolidated financial statements.

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 rare earth 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 November 30, 2017 has an accumulated deficit of $19,750,133 and working capital of $78,615. Management and the Board of Directors are cognizant of difficult market conditions and have undertaken steps to minimize administrative costs and overhead and have agreed to a forgiveness of deferred salary and fee payments of $946,384. 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 year the Company completed a private placement of $391,674 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 March 28, 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.

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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Cash

Cash consists of cash on hand, demand deposits and money market funds.

b) Foreign Currency Translation

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

Transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions except for depreciation which is translated at historical exchange rates. At each statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of loss and comprehensive loss.

c) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study and the Company's decision to proceed with development, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to resource property and development assets in property, plant and equipment.

An impairment review of exploration and evaluation assets is performed, either individually or at the cash generating unit level, when there are indicators the carrying amount of the assets may exceed their recoverable amounts. One or more of the following facts and circumstances indicate that the Company should test exploration and evaluation assets for impairment: (a) the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. To the extent this occurs, the excess is fully provided against the carrying amount, in the period in which this is determined. Exploration and evaluation assets are assessed on an annual basis and these costs are carried forward provided at least one of the following conditions is met: (a) such costs are expected to be recovered through successful exploration and development and of the area of interest or by its sale; or (b) exploration and evaluation activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned in the future.

d) Equipment

Items of equipment are recorded at cost and depreciated over their estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Depreciation is recognized using the following rates and methods:

Motor vehicles	20% straight line
Exploration equipment	20% straight line
Office equipment	30% straight line

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

e) Impairment of Non-Financial Assets

The Company's non-financial assets are reviewed for an indication of impairment at each reporting date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the statement of loss and comprehensive loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

f) Share-based Payments

The fair value of options granted is recognized as expense or capitalized as exploration and evaluation assets as appropriate, with a corresponding increase in equity.

The fair value of options granted to employees or those providing similar services is measured using the Black-Scholes option pricing model. The fair value is determined at the grant date and is expensed over the period during which the share purchase options vest, and is based on the Company's estimate of the shares that will eventually vest.

The fair value of options granted to non-employees is measured at the fair value of the goods or services received, on the date they are received. If the fair value of the services received cannot be estimated reliably, the fair value of the share purchase options is measured using the Black-Scholes option pricing model.

At each financial position reporting date, the amount recognized is adjusted to reflect the actual number of options that are expected to vest. For share-based payment awards with no vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and is not adjusted for differences between actual and expected outcomes.

g) Income Taxes

Income tax consists of current and deferred tax and is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities of the same taxable entity are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, they relate to income taxes levied by the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis.

h) Gain (Loss) per Share

Gain (Loss) per share is computed by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the period. Diluted gain (loss) per share is computed similar to basic gain (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding and in-the-money stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

i) Financial Instruments

The Company does not have any derivative financial instruments.

All financial assets are classified into one of the following four categories: fair value through profit or loss ("FVTPL"), held to maturity ("HTM"), available for sale ("AFS") and loans and receivables.

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value and changes are recognized in the statement of income or loss. HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. AFS financial assets subsequent to initial recognition are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to the statement of income or loss. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company's cash, amounts receivable, and deposits have been classified as loans and receivables.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. The Company has the following non-derivative financial liabilities classified as other financial liabilities: amounts payable and accrued liabilities. Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Fair value hierarchy

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, default or delinquency in interest or principal payments, or the probability that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of income or loss.

j) Decommissioning Liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of loss over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of loss. The liability is assessed at each reporting date for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental liabilities as restoration and environmental compliance work related to exploration activities is completed on an ongoing basis and therefore the disturbance to date is minimal.

k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense (“notional interest”).

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

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 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.

For the years ended November 30, 2017 and 2016 (in Canadian dollars)

4. Equipment

Cost	November 30, 2015 $	Additions/ (Disposals) $	November 30, 2016 $	Additions/ (Disposals) $	November 30, 2017 $
Office equipment	10,140	-	10,140	-	10,140
Exploration equipment	88,012	-	88,012	-	88,012
Motor vehicles	303,268	(141,302)	161,966	(14,822)	147,144
	401,420	(141,302)	260,118	(14,822)	245,296

Accumulated Depreciation	November 30, 2015 $	Additions/ (Disposals) $	November 30, 2016 $	Additions/ (Disposals) $	November 30, 2017 $
Office equipment	10,140	-	10,140	-	10,140
Exploration equipment	49,904	29,318	79,222	8,790	88,012
Motor vehicles	303,268	(141,302)	161,966	(14,822)	147,144
	363,312	(111,984)	251,328	(6,032)	245,296

Net book value	November 30, 2015 $	November 30, 2016 $	November 30, 2017 $
Office equipment	-	-	-
Exploration equipment	38,108	8,790	-
Motor vehicles	-	-	-
	38,108	8,790	-

Depreciation charged on exploration equipment of $8,790 (2016 - $29,318) has been capitalized to exploration and evaluation assets.

5. Exploration and evaluation assets

	November 30, 2015 $	Expenditures $	November 30, 2016 $	Expenditures $	November 30, 2017 $
Lofdal rare earths property	21,186,411	926,330	22,112,741	256,619	22,369,360

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.

For the years ended November 30, 2017 and 2016 (in Canadian dollars)

6. Related party transactions

Transactions with key management personnel for the years ended November 30 are as follows:

	2017 $	2016 $
Salaries, director fees and benefits	181,671	579,704
Share-based payments	17,500	60,115
Consulting fees	68,146	68,974
Total charged to net and comprehensive loss	267,317	708,793
Consulting fees charged to exploration and evaluation assets	54,007	147,468
Share-based payments charged to exploration and evaluation assets	-	10,485
Deferred payable amounts forgiven	(946,384)	-
Total	(625,060)	866,746

Key management personnel include officers and directors and companies directly controlled by key management personnel, and payments are for salaries, director fees, and consulting fees and are directly related to their position in the organization.

Included in accounts payable and accrued liabilities are amounts owing to related parties of $23,119 (2016 - $845,533). Included in deposits and prepaid expenses is an amount of $3,500 (2016 - $3,500) representing a retainer on a services contract with an officer of the Company.

During the year the Company settled all deferred amounts payable to officers and directors in the amount of $946,384 for Nil consideration.

Related party transactions are in the ordinary course of business, and are measured at the exchange amount, which is the amount of consideration determined and agreed to by the parties.

7. Capital stock

Authorized capital stock

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

Issued and outstanding

During the year the Company issued 5,875,000 common shares at $0.07 per share for gross proceeds of $411,250 (2016 – Nil)

At November 30, 2017, there were 83,703,500 common shares issued and outstanding (2016 – 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 year ended November 30, 2017, share-based payments expense of $17,500 (2016: $60,115) was charged to the statement of loss and $Nil (2016 - $10,485) was charged to exploration and evaluation assets. The Company issued 300,000 stock options during the period (2016: 2,020,000) at an average exercise price of $0.08, the share price on the date of the grant. 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%.

For the years ended November 30, 2017 and 2016 (in Canadian dollars)

The change in stock options during the years ended November 30, 2017 and 2016 is as follows:

	Number	Weighted average exercise price $
At November 30, 2015	7,164,000	0.56
Expired	(4,534,000)	(0.76)
Issued	2,020,000	0.05
At November 30, 2016	4,650,000	0.14
Expired	(200,000)	(0.41)
Issued	300,000	0.08
At November 30, 2017	4,750,000	0.13

The following table summarizes information about options outstanding at November 30, 2017:

Exercise price $	Options outstanding and exercisable	Expiry date	Remaining contractual life (in years)
0.20	2,405,000	November 25, 2019	1.99
0.17	25,000	April 30, 2020	2.42
0.05	2,020,000	November 28, 2021	4.00
0.075	150,000	February 22, 2018	0.23
0.08	150,000	April 7, 2022	4.35
	4,750,000		2.86

8. 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 year ended November 30, 2017. Total managed capital was as follows:

	November 30, 2017 $	November 30, 2016 $
Working capital (deficiency)	78,615	(169,410)
Equity	22,447,975	21,952,121

There are no externally imposed capital requirements.

9. 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 November 30, 2017, the Company had the following amounts denominated in the above currencies and converted to Canadian dollars: $19,574 in cash, $22,336 in deposits, $41,652 in taxes receivable, and $27,882 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	9,219
All other currencies	912

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.

For the years ended November 30, 2017 and 2016 (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.

10. Supplemental cash flow information

During the year ended November 30, 2017, the Company made expenditures on exploration and evaluation assets of $48,324 which were recorded as a decrease in accounts payable (2016 - $13,619 decrease in accounts payable), $111,839 decrease in deferred amounts payable that were recorded to exploration and evaluation assets (2016 - $Nil) and $8,790 in amortization of equipment which was recorded to exploration and evaluation assets (2016 - $29,318). These items are non-cash transactions and have been excluded from the statements of cash flows

11. Income Tax

A reconciliation of income taxes at statutory rates with the reported income taxes is as follows:

	2017 $	2016 $
Combined tax rate	31.0%	31.0%
Computed tax recovery	26,871	(381,200)
Share-based payments	5,425	18,6366
Other	(17,496)	(13,036)
Non-recognition of deferred tax assets due to unused tax losses and deductible temporary differences	(14,800)	375,600
Total income taxes	-	-

Deductible temporary differences and unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	2017 $	2016 $
Canadian and foreign non-capital losses carried forward	14,062,131	14,048,762
Share issuance costs	0	75,362
Canadian and foreign exploration and related deferred costs	4,444,109	4,444,109
	18,506,240	18,568,233

The realization of benefits related to these future potential tax deductions is uncertain and cannot be viewed as probable. Accordingly, no net future income tax asset has been recognized for accounting purposes.

As at November 30, 2017, the Company has available business losses for income tax purposes of approximately $732,000 in Namibia (2016 - $663,000) which may be carried forward indefinitely and applied against future taxable income when earned in Namibia, and non-capital losses for income tax purposes of approximately $13,300,000 in Canada (2016 - $13,361,000) which may be carried forward and applied against future taxable income when earned in Canada.

For the years ended November 30, 2017 and 2016 (in Canadian dollars)

Expiration of the Canadian losses is as follows:

2030	$ 282,000
2031	$ 1,928,000
2032	$ 2,215,000
2033	$ 2,666,000
2034	$ 2,965,000
2035	$ 2,086,000
2036	$ 1,158,000

12. Commitments

The Company has a lease commitment for office space expiring on February 28, 2018. Remaining minimum lease payments to the end of the lease are $3,000.

13. 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.

14. Subsequent Event

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 Inc. ("Property Acquisition"). In conjunction with the acquisition the company closed a private placement with Gecko Namibia and Gerald J. McConnell, Chair of the Board of Namibia Rare Earths each in the amount of $275,000 at $0.05 per share for total gross proceeds to the Company of $550,000 ("Private Placement"). A total of 11,000,000 common shares of the Company were issued pursuant to the Private Placement.