

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 February 23, 2015 and provides an analysis of the Company's financial results and progress for the years ended November 30, 2014 and 2013. This MD&A should be read in conjunction with the Company's consolidated financial statements for the years ended November 30, 2014 and 2013 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.

Overall Performance

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

The major focus of the Company's activities since 2010 has been in relation to the Lofdal Rare Earths Project, which comprises an exclusive prospecting license ("EPL 3400") located approximately 450 kilometers northwest of the capital city of Windhoek and 25 kilometers northwest of the town of Khorixas in the Kunene Region of north-western Namibia. The Lofdal property covers a total area of 420 square kilometers centered on the Lofdal carbonatite complex, a regional geological feature known to be associated with numerous occurrences of rare earth mineralization hosted by carbonatitic dykes, dyke swarms and to a lesser extent by intrusive plugs. EPL 3400, which provides for mineral rights to base and rare metals, and precious metals, was originally granted in 2005. It was renewed by the Government of Namibia in November, 2014 and is in good standing until November, 2016. 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.

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Development Strategy

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

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

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

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

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

The Company has also engaged the services of Cutfield Freeman & Co. Ltd. ("CF&Co") as a financial advisor to assist in exploring strategic options to maximize shareholder value for its Lofdal asset. In addition to broad experience on transactions in the mining and metals processing sector, CF&Co has specific relevant expertise advising clients in the rare earths industry.

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Lofdal Rare Earths Project

Regional Assessment of Rare Earths Potential

The first systematic exploration for rare earths over Lofdal was initiated by Namibia Pty in 2008 and since that time exploration results have demonstrated the occurrence of rare earth mineralization on a district scale. In 2010, the Company completed the first comprehensive trenching and diamond drilling program on the property over a selected carbonatite dyke known as the 2B Zone to produce a technical report, entitled *Amended 43-101 Technical Report on the Rare Earths Element Occurrences in the Lofdal Carbonatite Complex, Kunene Region, Khorixas District, Namibia dated February 18, 2011, amended April 4, 2011* ("Technical Report"), which is available on SEDAR at www.sedar.com.

From the initial public offering in April 2011 to date, over 16,000 meters of exploration drilling has been completed on a number of planned targets within a 50 square kilometer portion of the Lofdal Carbonatite Complex. The drill program was augmented with detailed ground geophysical surveys with the objective of determining if a potential heavy rare earth enriched resource target could be identified. The most prospective target from this program was Area 4 which was selected for more detailed drilling to develop the initial resource which comprised an additional 10,025 meters of drilling.

Rare earth mineralization at Lofdal is hosted in carbonatite dykes, structural zones and plugs exhibiting grades between 0.2-3% total rare earths ("TREO" which includes yttrium) and often exhibiting exceptional heavy rare earth enrichment ("HREE") greater than 50%. Rare earth deposits containing greater than 10% heavy rare earths ("HREO") can be considered to be enriched in heavy rare earths. Mineralized zones in dykes or structures are variable in thickness from less than one meter to 15 meters at surface and can be traced in some cases up to three kilometers in strike length. The more significant mineralized structures have associated alteration haloes which can carry anomalous concentrations of rare earth elements. As per industry norms, heavy rare earths comprise europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Tm), ytterbium (Yb), lutetium (Lu) and yttrium (Y). Light rare earths comprise lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd) and samarium (Sm). "Heavy rare earth enrichment" is the ratio of HREO:TREO, expressed as a percentage.

In addition to the confirmation of heavy rare earth enrichment, drilling has provided a number of significant geological insights into the nature of the rare earth enrichment ("REE") mineralization at Lofdal, all of which impact positively upon the potential for multiple discoveries. Project geologists are now of an opinion that mineralization is more broadly associated with large scale hydrothermal systems rather than being restricted to discrete dykes. These hydrothermal systems can be characterized by either heavy or light rare earth enrichment, and zones can be traced laterally on surface in some instances for several kilometers. Many of the larger, lower grade "dykes" previously mapped on surface are in fact alteration zones associated with these systems which in some areas significantly increases the strike and width potential of the heavy rare earth exploration target. There are two intrusive carbonatite bodies on the property. The Main Intrusion is an early stage calcitic ("soelite") body some two kilometers in strike length which does not carry significant amounts of rare earths but has potential for niobium and uranium mineralization. The smaller Emanya plug is some 350 meters in diameter in outcrop and carries anomalous concentrations of rare earths typically in the range of 0.2-1% TREO but is not enriched in heavy rare earths.

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The results from exploration drilling in Area 4 indicated the highest potential for the rapid development of mineral resources. Detailed studies of Area 4 drill core confirmed that the principal heavy rare earth mineral at Lofdal is xenotime. The potential ore mineral assemblage is dominated by xenotime and subordinate zircon $\pm$ generally minor amounts of aeschynite, bastnasite group minerals (including synchysite-Y), thorite, and unidentified phases (Ca-Y silicate and Th-Zr silicate). In samples with high thorium (2,000-4,000 ppm) the potential ore mineral assemblage is dominated by xenotime and thorite. It should be noted that the average thorium content of the high grade metallurgical composite is 326 ppm and for the low grade metallurgical composite it is 674 ppm indicating that high thorium samples are likely localized. Grain size and habit are variable with ore minerals being generally fine- to very fine-grained with much of the potential ore minerals averaging 15-20 microns but locally reaching up to 150 microns.

Lofdal Area 4 Mineral Resource Estimate

In September 2012, the Company released an initial mineral resource estimate for Area 4 of the Lofdal Rare Earths Project as set out in the technical report *"NI 43-101 Technical Report and Mineral Resource Estimate for Area 4 of the Lofdal Rare Earth Element (REE) Project, Khorixas District, Republic of Namibia"* dated October 29, 2012 (the "Lofdal Initial Resource Report") a full copy of which is available on SEDAR at www.sedar.com. The mineral resource exhibits exceptional levels of HREE of between 75% and 93% HREE depending on cut-off grade with corresponding TREO ranging from 0.27-1.26% TREO. The resource drilling program has provided a mineral resource estimate extending from surface to a vertical depth of approximately 150 meters. Ongoing exploration drilling, however, has intersected the deposit to 200 meters further down-dip of the initial resource estimate. The geological database supporting the initial mineral resource estimate is detailed and is of a high quality, comprising over 10,025 meters of diamond drilling in 93 holes and 987 meters of trenching.

On November 13, 2014 the Company released a preliminary economic assessment of Area 4 of Lofdal ("PEA"). See "Area 4 Preliminary Economic Assessment" below for details. The PEA utilized the initial mineral resource estimate for the Area 4 deposit at a cut-off grade of 0.1% total rare earth oxides ("TREO") which provides 2.88 Mt of indicated mineral resources yielding 9,230 t of REO, of which 7,050 t are estimated to be heavy rare earth oxides ("HREO") and 3.28 Mt of inferred mineral resources yielding 8,970 t of REO, of which 6,700 t are estimated to be HREO (Table 1). These REO and HREO tonnages are rounded to the nearest 10 t but are shown as originally calculated in Table 1. The remainder of the REO is made up of Light Rare Earth oxides ("LREO").

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

In-situ Indicated Mineral Resource

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

In-situ Inferred Mineral Resource

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

¹ *Mineral resources which are not mineral reserves do not have demonstrated economic viability*

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

Area 4 Preliminary Economic Assessment

The Company released a PEA on Area 4 of Lofdal on November 13, 2014. The PEA concludes that the Lofdal Rare Earth Project currently has the potential to produce an average of 1,500 tonnes per annum of separated rare earth oxides ("REO") which would generate after tax cumulative cash flow of US\$259M with a net present value_{10%} ("NPV") of US\$148M and an internal rate of return ("IRR") of 42%. The PEA indicates that there is considerable potential to expand the current mineral resource and recommends that additional drilling be carried out to provide for an extended mine life in conjunction with a six month Prefeasibility Study ("PFS") program. Financial sensitivities of the Project are summarized in Table 2, financial highlights in Table 3, capital costs in Table 4, operating costs in Table 5 and REO pricing

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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.

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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.

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

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

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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).

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The Project is expected to pay back initial capital within the first two years.

In the year ended November 30, 2014, the Company incurred \$2,448,563 (2013: \$3,415,703) in exploration and evaluation expenditures on the Lofdal property, which was focused on the metallurgical program and the completion of the PEA. For 2015, the Company estimates its work program at approximately \$1.7 million, which will continue to be primarily focused on demonstrating through further metallurgical testing that the rare earths are amenable to extraction and thereby advancing the project sufficiently to attract a qualified partner to assist with mining extraction and processing.

Additional Lofdal Exploration

No significant exploration work was carried out on Lofdal in 2014 and none is ongoing or planned for 2015, as current efforts are focused on evaluation activities.

Other Prospecting Rights

Through Namibia Pty, the Company holds mineral rights on two other exclusive prospecting licenses ("EPLs") in Namibia. While the Company's focus is clearly on rare earths, the remaining EPLs hold potential for other commodities which will be evaluated in conjunction with future exploration related to these other permits.

Results of Operations

Selected Annual Information

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

Expressed in Canadian dollars, except per share amounts.

	Fiscal Years Ended November 30		
	2014	2013	2012
			\$
OPERATIONS			
Revenue	Nil	Nil	Nil
Net Loss	3,011,009	2,997,606	3,375,650
Basic and diluted loss per share	0.04	0.04	0.04
BALANCE SHEET			
Total assets	25,422,254	28,056,072	31,590,959
Total exploration and evaluation assets	19,628,730	17,508,722	13,862,198

The increase in net loss in 2014 compared to 2013 is primarily due to an increase in the write-down of exploration and evaluation assets, offset by decreases in professional fees, shareholder communications, travel, and wages and benefits. The decrease in net loss in 2013 compared to 2012 is primarily due to a decrease in the write-down of exploration and evaluation assets, partially offset by higher professional

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fees. The increase in exploration assets each year reflects the ongoing exploration expenditures, primarily on the Lofdal Rare Earths Project.

Years ended November 30, 2014 and 2013

For the year ended November 30, 2014, the Company capitalized exploration costs of \$2,449,365 (2013 - \$3,682,058) primarily related to expenditures on the Lofdal Rare Earths Project.

For the year ended November 30, 2014, the Company reported a net loss of \$3,011,009 compared to a net loss of \$2,997,606 for the prior year.

Expenses were \$3,097,511 for the year compared to \$3,151,211 for 2013, primarily due to the following:

Salaries and benefits decreased to \$979,079 compared to \$1,110,377 in the prior year, due to lower management incentive compensation;

Professional fees decreased to \$692,247 compared to \$842,475 in 2013, due primarily to fees in the prior year related to the sale of a control block of shares, partially offset by higher fees in 2014 for financial advisory services to assist in exploring strategic options to maximize shareholder value;

Travel expenses decreased to \$176,616 compared to \$324,096 for 2013, due primarily to higher travel expenses in the prior year related to shareholder communications and administrative travel to the Lofdal property;

Shareholder communications expense decreased to \$175,719 compared to \$302,371 in the prior year, primarily due to reduced attendance at conferences and trade shows;

Write-down of exploration and evaluation assets increased to \$329,357 compared to \$35,534 for 2013 due to the write-down of the Company's two EPL's outside of Lofdal. Because no active and significant operations in relation to the EPL's are continuing or planned in the future, expenditures to date were written off in accordance with the Company's accounting policy.

Share-based payments expense increased to \$257,500 in 2014 compared to \$Nil in 2013, as share purchase options were issued in 2014 and none were issued in 2013.

Interest income decreased to \$86,502 in the year ended November 30, 2014 compared to \$153,605 for the prior year, due to a decrease in the average cash balance available for investment.

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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 2014	Aug. 31 2014	May 31 2014	Feb. 28 2014	Nov.30 2013	Aug. 31 2013	May 31 2013	Feb. 28 2013
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	1,474,123	414,233	570,497	638,658	1,119,173	413,045	1,015,746	603,247
Interest income	18,941	19,114	23,047	25,400	30,373	36,941	41,054	45,237
Net and comprehensive loss	1,455,182	395,119	547,450	613,258	1,088,800	376,104	974,692	558,010
Loss per share – basic and diluted	0.02	0.01	0.00	0.01	0.02	0.00	0.01	0.01
Total assets (millions)	25.4	26.3	26.6	27.3	28.1	29.2	29.7	30.3

As the Company has capitalized all exploration expenditures to date in accordance with IFRS 6, the expenses are primarily related to administration and shareholder relations. Higher expenses in the quarter ended May 31, 2013 were related to professional fees incurred in the sale of a control block of shares. Higher expenses in the quarter ended November 30, 2013 were related to professional fees and staff remuneration. Higher expenses in the quarter ended November 30, 2014 were related to share-based payments expense for the issuance of share purchase options, consulting fees, staff remuneration, and a write-down of exploration and evaluation assets. Included in expenses are foreign exchange gains and losses arising mainly due to variations in the Canadian dollar and the Namibian dollar exchange rate during the periods, as certain of the Company's expenditures are paid in Namibian dollars, while the Company's functional and reporting currency is the Canadian dollar. The Company has interest revenue related to excess cash invested in an interest-bearing account with a major chartered bank.

Fourth Quarter

During the fourth quarter, the Company continued the metallurgical program on Lofdal. Costs for the program during the fourth quarter were \$703,124, which is slightly higher than Lofdal expenditures in the previous quarters, as the company was completing the PEA. In addition, the Company incurred \$1,474,123 in expenses during the quarter. The higher expenses in the quarter were related to consulting fees, staff remuneration, share-based payments, and a write-down of exploration and evaluation assets. There were no unusual events or items during the fourth quarter of 2014 that materially affected the Company's financial condition, cash flows or results of operations.

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Liquidity and Capital Resources

At November 30, 2014, the Company had working capital of \$5,052,015 compared to working capital of \$9,859,784 at November 30, 2013 as follows:

	November 30, 2014	November 30, 2013
	\$	\$
Cash	5,313,942	9,800,864
Taxes and other receivables	319,210	565,750
Deposits and prepaid expenses	108,042	112,158
Accounts payable and accrued liabilities	(689,179)	(618,988)
Working capital	5,052,015	9,859,784

During the year ended November 30, 2014, the Company used cash of \$1,991,748 for operating activities (2013 – \$3,262,797) and used cash of \$2,492,821 for investing activities (2013 - \$3,606,163). The decreased use of cash in operating activities was related to lower expenses. The decreased use of cash in investing activities was related to lower spending on exploration and evaluation assets.

The Company's principal asset is at an advanced exploration and evaluation stage and as a result the Company has no current source of operating cash flow. The Company has sufficient working capital to retain its interests in its mineral properties and fund its planned expenditures for the next twelve months.

Contractual Obligations

The Company has a lease commitment for office space expiring on August 31, 2017. Remaining minimum lease payments to the end of the lease are \$235,950.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Share Capital

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

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

Exercise price \$	Number of Shares	Expiry Date
0.80	2,575,000	April 14, 2016
0.82	300,000	April 26, 2016
0.72	1,300,000	June 12, 2016
0.56	525,000	November 2, 2016
0.41	200,000	February 23, 2017
0.20	2,480,000	November 25, 2019
	7,380,000	

NAMIBIA RARE EARTHS INC.
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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 allocation of exploration costs to cash-generating units;
- (iii) The determination of functional currency;
- (iv) The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage;
- (v) Whether exploration and evaluation costs are eligible for capitalization; and
- (vi) The assessment of the Company's ability to continue as a going concern.

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Related party transactions

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

	2014	2013
	\$	\$
Salaries and benefits	784,250	913,300
Share-based payments	254,900	-
Consulting fees	190,750	182,407
Consulting fees charged to property investigation	1,998	3,643
Total charged to net and comprehensive loss	1,231,898	1,099,350
Consulting fees charged to exploration and evaluation assets	274,326	210,838
Share-based payments charged to exploration and evaluation assets	37,100	-
Total	1,543,324	1,310,188

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 \$432,460 (2013 - \$277,094). Included in deposits and prepaid expenses is an amount of \$3,500 (2013 - \$3,500) representing a retainer on a services contract with an officer of the Company.

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

The following accounting standards have been adopted in the current year and have had no material impact on the Company's financial results.

IFRS 10, *Consolidated financial statements*, requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11, *Joint arrangements*, requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionally consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Joint Ventures.

IFRS 12, *Disclosure of interests in other entities*, establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

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IFRS 13, *Fair value measurement*, is a comprehensive standard for fair value measurement and disclosure requirements across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

International Accounting Standard 28, *Investments in Associates and Joint Ventures* ("IAS 28"), has been amended as a consequence of the issuance of IFRS 10, IFRS 11, and IFRS 12, IAS 28 and provides accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard is applied by the Company when there is joint control or significant influence over an investee.

IFRS Interpretations Committee Interpretation 20, *Stripping costs in the production phase of a surface mine* ("IFRIC 20"), sets out the criteria for the capitalization of production stripping costs to non-current assets, and states that stripping activity is recognized as a component of the larger asset to which it relates. In addition, IFRIC 20 requires companies to ensure that capitalized costs are amortized over the useful life of the component of the ore body to which access has been improved due to the stripping activity.

Amendments to International Financial Reporting Standards 7, *Financial Instruments: Disclosure* ("IFRS 7") outline new disclosure requirements that enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US Generally Accepted Accounting Principles.

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.

Amendments to International Accounting Standard 32, *Financial Instruments: Presentation* ("IAS 32") clarify the application of the requirements for offsetting financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

In May 2013, the IASB issued International Financial Reporting Interpretations Committee ("IFRIC") 21, *Levies*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

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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, 2014, 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, 2014.

There have been no material changes in the Company's internal controls over financial reporting during the year ended November 30, 2014 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 liquidity risk, exchange rate risk, interest rate risk and commodity price risk. Liquidity risk arises as the Company will continue to require equity financing and there is no assurance that it can continue to raise the capital required to maintain liquidity. Exchange rate risk arises as the Company's functional currency is the Canadian dollar while the majority of exploration expenditures are denominated in Namibian dollars. 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. Fluctuations in interest rates therefore impact the value of cash. The Company does not have any interest-bearing liabilities. Commodity price risk arises as the value of the Company's mineral resource properties is highly dependent on the market price of certain rare earth elements. Rare earth elements prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control,

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including, but not limited to, industrial and retail demand, speculators, levels of worldwide production, short-term changes in supply and demand, and other factors.

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. Exploration for minerals and development of mining operations involve many risks, many of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, the Company has the following risks specific to conducting its exploration activities in Namibia: there is no assurance that the supportive political and economic conditions that currently exist in Namibia will remain; the Company's ability to obtain, sustain, renew or vary the necessary licences, permits and authorizations to carry on the activities that it is currently conducting on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental bodies and there can be no assurance that the Company will be able to obtain, sustain, renew or vary any such licences, permits or authorizations on acceptable terms or at all; 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, including the Company's Annual Information Form, are available on SEDAR at www.sedar.com.