CRITICAL ELEMENTS CORPORATION

(an exploration company)

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine-month period ended May 31, 2012

(Third quarter)

This management discussion and analysis (”MD&A”) of Critical Elements Corporation (“Critical Elements” or the “Company”) complies with Rule 51-102A of the Canadian Securities Administrators regarding continuous disclosure.

The MD&A is a narrative explanation, through the eyes of the management of Critical Elements, of how the Company performed during the nine-month period ended May 31, 2012, and of the Company financial condition and future prospects. This discussion and analysis complements the unaudited condensed interim consolidated financial statements for the nine-month period ended May 31, 2012 but does not form part of them. Therefore, this discussion and analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements as at May 31, 2012 and notes thereto, as well as the audited consolidated financial statements and notes thereto and the MD&A for the year ended August 31, 2011.

These unaudited condensed interim consolidated financial statements have been prepared by the Company's management in accordance with International Financial Reporting Standards ("IFRS"), and in accordance with IAS 34 "Interim Financial Reporting". They do not include all the information required in annual financial statements in accordance with IFRS. These condensed interim financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its August 31, 2012 financial statements. Those accounting policies are based on the IFRS standards that the Company expects to be applicable at that time. The policies described in Note 3 of the unaudited condensed interim consolidated financial statements were consistently applied to all the periods presented. They have also been applied in the preparation of an opening IFRS statement of financial position as at September 1, 2010, as required by IFRS 1.

The Company's financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP"). The transition date from Canadian GAAP to IFRS was September 1, 2010. Canadian GAAP differs in some areas from IFRS.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at www.sedar.com. The shares of Critical Elements are listed on the TSX Venture Exchange under the symbol CRE, on the American Over-The-Counter QX stock exchange (OTCQX) under the symbol CFECF and on the Frankfurt Exchange under the symbol F12.

DATE

The MD&A was prepared on the basis of information available as at July 25, 2012.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that reflect the Company's current expectations regarding future events. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. There are many factors that could cause such differences, particularly: volatility and sensitivity to market metal prices; impact of change in foreign currency exchange rates and interest rates; imprecision in reserve estimates; environmental risks including increased regulatory burdens; unexpected geological conditions; adverse mining conditions; changes in government regulations and policies, including laws and policies; failure to obtain the necessary permits and approvals from government authorities; and other development and operating risks.

While the Company believes that the assumptions underlying in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. The Company disclaims any intention or obligation to update or revise any forward-

looking statement, whether or not it should be revised because of new information, future events or otherwise, unless required to do so by the applicable securities laws.

NATURE OF ACTIVITIES

Critical Elements is incorporated under the Canada Business Corporations Act. The Company was involved in the acquisition, exploration and development of mining properties. The Company is active in Canada.

OVERALL PERFORMANCE

MATCHI-MANITOU – COPPER, ZINC, GOLD AND SILVER PROJECT

The property consists of 29 claims in Tavernier and Pershing townships, in the Abitibi region of Quebec.

Person In Charge of Technical Disclosure

Jean-Sebastien Lavallee (OGQ #773), geologist, shareholder, President and Chief Executive Officer of the Company and a Qualified Person under *NI 43-101 on standards of disclosure for mineral projects*, has written and approved the technical content of this MD&A for the Matchi-Manitou property.

CROINOR 1 – GOLD PROJECT

The Croinor project includes a mining lease of 90 hectares situated approximately 75 km by road east of Val-d'Or.

Having satisfied the required conditions, Critical Elements earned into a 50% joint venture interest in the project with X-Ore.

On May 31, 2012, a 43-101 compliant resource estimate and prefeasibility study (the "Prefeasibility Study") was completed by InnovExplo. The plan outlines a 5 year (58 months) production plan operating at 425 tonnes per day ramping up to 675 tonnes per day in year 4 with a proven and probable mining reserve of 566,872 tonnes containing 120,883 oz of gold. Annual production at full production will reach 41,578 oz of gold. The overall cost is $1,064 per oz of gold with an operating cost component of $786 per oz of gold. The Prefeasibility Study also highlighted the excellent potential to expand the resource with further surface and underground drilling, thereby extending the life of the mine and improving the already robust economics of the project.

The Prefeasibility Study includes updated mineral resources/reserves with respect to Measured and Indicated resources. In order to evaluate the impact of the Inferred resources on the project economics with the assumption that the Inferred resources would be converted into Indicated Resources, a second study was completed. A preliminary economic assessment (the "PEA") that includes Inferred resources potentially viable to mining was completed by InnovExplo on April 4, 2012. The Inferred resources are all in the immediate vicinity of the Indicated resources. The bulk of the Inferred resources represent a fringe around the Indicated resources and extend to a maximum of 70m and do not have enough drill holes intersects to be categorized as Indicated although It would be relatively easy to convert all or parts of the Inferred into Indicated category by definition drilling*****.

The PEA outlines a 5 year (65 months) production plan operating at 425 tonnes per day ramping up to 760 tonnes per day in year 3 with ***resources potentially viable to mining**** of 583,285 tonnes (Measured+Indicated) containing 124,503 oz of gold and 105,876 tonnes (Inferred) containing 24,287 oz of gold. Annual production at full production will reach 47,477 oz of gold. The overall cost is $992 per oz of gold with an operating cost component of $756 per oz of gold.

***The reader is cautioned that the results of the PEA is preliminary in nature; it includes Inferred mineral resources that are too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. The existing mineral reserves and Prefeasibility Study are still current and valid in light of the key assumptions and parameters used in the PEA.**

The results obtained by Blue Note for the 2011 drill program clearly demonstrate the potential to increase the Croinor mineral resource to the east of the current reserve, within the current reserve block and to the west of the current reserves. The results also indicate the potential to increase the Croinor mineral resources at depth. There is also a strong indication of gold mineralization at depth in the form of multiple lenses at depth. Intersections from holes drilled on Section 750W include 21.70 g/t gold over 1.0 meter and 28.15 g/t gold over 1.0 meter in CR-11-395, 9.62 g/t gold over 2.5 meters including 17.83 g/t gold over 0.8 meter in CR-11-398 and 44.04 g/t gold over 0.5 meter in CR-11-400. The drill holes on Section 750W are 50 meters west of planned development in the current ore reserves. Step-out drilling on Section 880W intersected 4.04 g/t gold over 1.3 meters that included 6.88 g/t gold over 0.5 meter, indicating continuity of gold mineralization further to the west. Hole CR-11-408 was drilled from south to north to follow the diorite sill at depth to investigate new potential mineralized zones. The hole was drilled to 751 meters (660 meters vertical). Numerous mineralized zones were encountered throughout the hole from a vertical depth of 51 meters through 654 meters. Results from hole CR-11-408 clearly demonstrate that Croinor's type and density of mineralization extend to 654m at depth and is still open in all directions.

In November 2011, Blue Note released the results of the 3,000-metre drilling program carried out recently at Croinor. The drill program was aimed at extending the boundaries of the mineralized lenses of the current deposit to allow better delineation for mine planning purposes. A major zone grading from 1.10 g/t Au to 50.76 g/t Au was intersected in each hole of the program (see news release dated October 20, 2011). As for earlier drilling carried out near the current mineral reserves, the results for this drill program continue to demonstrate the continuity of the mineralized lenses and the possibility of increasing the reserves at Croinor.

With respect to the permitting and engineering projects initiated in 2010 in anticipation of a positive production decision, the Certificate of Authorization from the Department of Sustainable Development, Environment and Parks (MDDEP) for the Croinor gold project was received from the Quebec government which allows for mine development and underground production. The crown pillar stability study has been completed and finalized in April 2011. The site reclamation plan has also been completed. Both reports will be filed with the Quebec government when a positive decision is reached to commence dewatering of the underground workings.

Person Responsable for the Technical Information

Stéphane Dubois, P. Eng., Vice President, Operations for Blue Note Mining Inc., is the Qualified Person under *NI 43-101 on standards of disclosure for mineral projects*, has written and approved the technical content of this MD&A for the Croinor 1 property.

ROSE TANTALUM-LITHIUM PROJECT

Property Description

The Rose Tantalum-Lithium property consists of 439 claims covering a total area of 228.51 km². It lies in the northeastern part of Superior Province, within the Eastmain greenstone belt (NTS 33C/1). Boisvert (1989) described a variety of regional lithologies, including biotite schists, gneiss, basalts, dacites, quartzites, conglomerates, gabbros, granites and pegmatites. The lithologies are generally well foliated and strike southeast, except for the massive, unfoliated pegmatites and granites. The Lac Pivert and Rose properties host pegmatites that occur as irregular but generally continuous lenses

within the biotite schists. The pegmatite lenses can be up to 60 metres thick and 100 metres long. Collectively, they form an assembly several kilometres long and up to 300 metres thick.

Carlson (1962; MRNFQ report RP 483) identified pegmatites enriched in rare metals in the area. In 1961, additional work by Quebec's Ministry of Natural Resources and Wildlife (the "MRNFQ") identified the Rose and Lac Pivert mineralized showings, which exhibited a metallogenic setting similar to Lithium One's Cyr Lithium discovery.

The Lac Pivert showing (MRNFQ Deposit Sheet 33C/01-0005) hosts a pegmatite containing 20% spodumene (an aluminum/lithium silicate), beryl (an aluminum/beryllium silicate) and trace molybdenite (a molybdenum sulphide). Grab samples returned up to 1.16% Li (2.5% Li_2O) and 74 ppm Be (MRNFQ, 2001).

The Rose showing consists of en-echelon and individual pegmatite dikes up to 15 metres thick, cut by centimetric quartz veins. The spodumene and lepidolite (a potassium, aluminum and lithium silicate) can form centimetric lenses representing up to 40% of the pegmatites locally (MRNFQ, 2001). Grab samples returned grades of up to 0.21% Li (0.452% Li_2O) and 129 ppm Be.

Historical regional work on the Rose and Lac Pivert properties (Carlson, 1962) returned rare earth grades of up to 2.5% Li_2O, 1,300 ppm rubidium, 130 ppm beryllium, 70 ppm niobium and 50 ppm tantalum, which is typical of albite-spodumene pegmatites (Cerny, 1991). This type of pegmatite is also associated with the Preissac-Lacorne batholith in the southern Abitibi region near Val-d'Or, where it was the source of production from the Québec Lithium mine (Boily, 1995; Mulja et al., 1995; Ste-Croix and Doucet, 2001).

A total of 26,176 metres have been drilled on the property to date. The results obtained to date can be found on the Company's website and on Sedar.

In July 2011, the Company published a new resource estimate by InnovExplo of Val-d'Or, shown in the following table:

	Tonnes (x 1,000)	Li_2O equivalent (%)	Li_2O (%)	Ta_2O_5 (ppm)	Rb (ppm)	Cs (ppm)	Be (ppm)	Ga (ppm)
Indicated resource	**26,500**	**1.30%**	**0.98%**	**163**	**2 343**	**92**	**128**	**66**
Inferred resource	**10,700**	**1.14%**	**0.86%**	**145**	**1 418**	**74**	**121**	**61**

Work done during a brief 15-day prospecting program identified at least five new zones that returned grades of up to 806 ppm Ta_2O_5 and 2.27% Li_2O in grab samples. All samples were taken from an area of approximately 10 square kilometres, at spacings of from a few metres to a few kilometres. (Grab samples are selective by nature and are unlikely to represent average grades of the deposits). All the results can be found in the news release dated October 27, 2011

The Company has also awarded a contract to GENIVAR Inc. (GENIVAR) of Montreal, Quebec, to carry out an Environmental Impact Assessment (EIA) for the Rose Tantalum-Lithium project (Rose project). The study, which is expected to be completed by the summer of 2012, will cover all the environmental concerns and constraints associated with the Rose project, as well as the proposed mitigation measures.

The EIA will cover the following aspects:

- Climate and Air Quality
- Noise and Vibrations
- Geology and Geomorphology
- Hydrogeology
- Hydrology and Hydraulic Conditions
- Water, Sediments and Benthos
- Soil Quality
- Vegetation
- Wildlife and bird inventories
- Wildlife and habitat
- Fish and Semi-Aquatic Populations and Habitat
- Land Use by Indigenous Peoples
- Economic and Social Environment
- Archaeology and Heritage
- Landscape

In keeping with its local approach, GENIVAR intends to involve the local Cree community in its field activities.

On November 21, 2011, the Company received the positive results of a Preliminary Economic Assessment ("PEA") for its Rose project in the James Bay Area of northern Quebec. Critical Elements is the sole owner of the Rose project. The PEA was conducted by GENIVAR in conjunction with BUMIGEME and InnovExplo.

The Rose project is located in area designated by Quebec's Plan Nord, where the government is fast-tracking the construction of new infrastructure, accelerating permitting and assisting project financing on a case-by-case basis.

HIGHLIGHTS OF THE PRELIMINARY ECONOMIC ASSESSMENT:

The financial analysis of the Rose Project was based of price forecasts of US $260/kg ($118/lb) for Ta_2O_5 contained in a tantalite concentrate and US $6,000/t for lithium carbonate (Li_2CO_3).

The after-tax internal rate of return (IRR) for the Rose project is estimated at 25%, with a net present value (NPV) of CA $279 million at an 8% discount rate. The payback period is estimated at 4.1 years. The pre-tax IRR is estimated at 33% and the NPV at $488 million at a discount rate of 8%.

NPV AS A FUNCTION OF DISCOUNT RATE
Critical Elements Corporation - Rose Project

DISCOUNT RATE	NPV (pre-tax)	NPV (after-tax)
0%	CA $1,078,611,885	CA $665,122,755
5.0%	CA $651,789,479	CA $387,145,131
8.0%	CA $488,360,406	CA $279,358,227
10.0%	CA $403,744,658	CA $223,097,949
12.0%	CA $333,626,451	CA $176,175,210

The economic analysis is based on a mine life of 17 years, estimated capital costs of CA $268.6 million and operating costs of CA $67.65/tonne of ore milled. Sustaining capital was estimated at CA $36.8

million. Calculations include a 10% contingency and assumed parity between the Canadian and American dollars.

A sensitivity analysis was done on the Rose project cash flow using a ± 15% variance on commodities prices, capital expenditures, operating costs and the US$/CA$ exchange rate. It demonstrates that the Rose project is highly sensitive to changes in lithium carbonate price but has a low sensitivity to fluctuations in the tantalite concentrate price, operating costs and the US$/CA$ exchange rate.

MINERAL RESOURCE ESTIMATE

Based on an extensive drilling campaign (181 holes) carried out on the Rose property in 2010-2011, InnovExplo updated the mineral resource estimate using a cut-off grade of $66/t. The mineral resource estimate took into consideration Li and Ta recovery and current market prices. A summary of the National Instrument 43-101-compliant mineral resources for the Rose Tantalum-Lithium deposit is as follows:

MINERAL RESOURCES ESTIMATE - July 20, 2011
Critical Elements Corporation - Rose Project

Mineral Resource	Tonnes (x 1,000)	Li_2O equivalent (%)	Li_2O (%)	Ta_2O_5 (ppm)	Rb (ppm)	Cs (ppm)	Be (ppm)	Ga (ppm)
Indicated Mineral Resource	**26,500**	**1.30%**	**0.98%**	**163**	**2 343**	**92**	**128**	**66**
Inferred Mineral Resource	**10,700**	**1.14%**	**0.86%**	**145**	**1 418**	**74**	**121**	**61**

PEA

The parameters used for the PEA include:

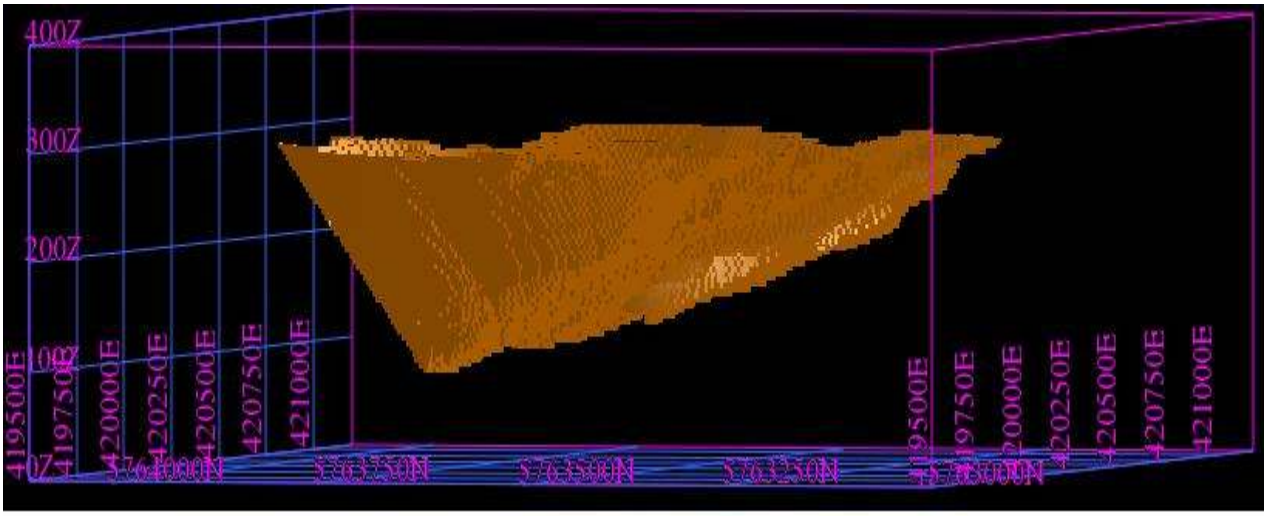
- A 1,500,000 tpy open-pit mine using diesel hydraulic equipment
- A concentrator at the Rose site (crushing, grinding, flotation circuits) with a nominal capacity of 4,600 tpd of ore at 90% availability
- A lithium carbonate plant at the Rose site to convert the lithium oxide ore (Li_2O) to lithium carbonate (Li_2CO_3).

MINING

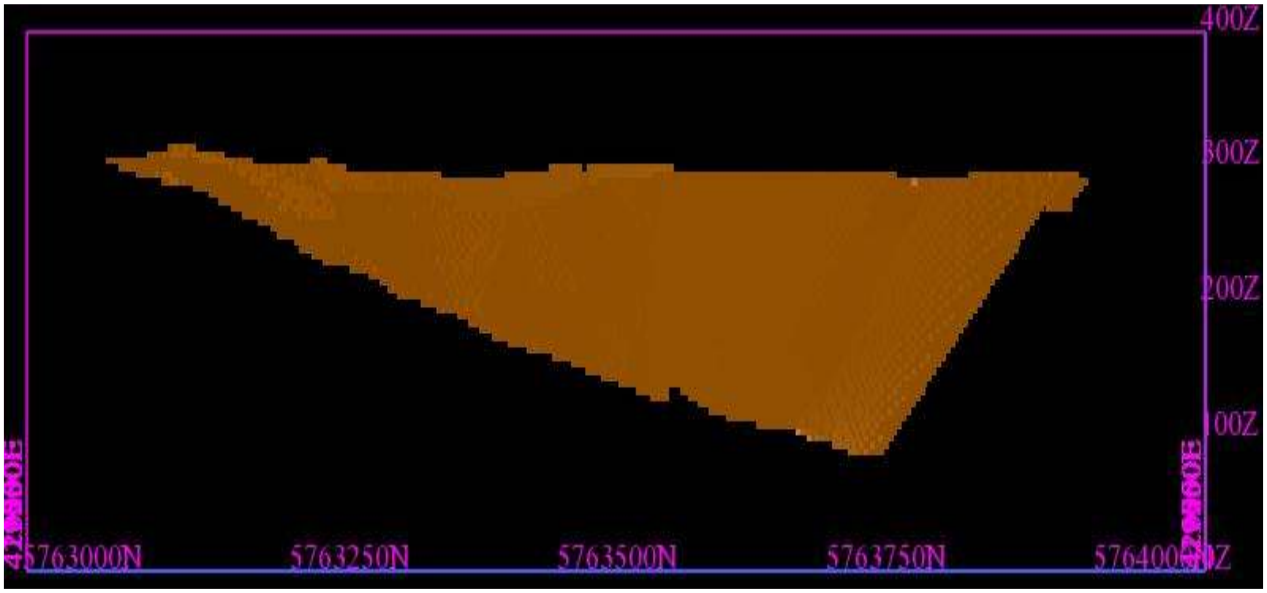
The Rose deposit is a thick, flat-lying multi structure located near surface. The ore will be mined using a conventional open-pit approach to a depth of 200 m. Whittle software, a numerical 3D mine optimization tool, was used to assess numerous scenarios. Parameters used to optimize the pit geometry and maximize profitability included a bench face angle of 50°, a triple benching arrangement, and an overall slope angle of 50°. The proposed open-pit design did not include geotechnical test results.

The following figure shows an isometric view of the open-pit outline retained for the PEA. The total amount of material to be mined is estimated at 193 Mt, consisting of 24 Mt of ore and 169 Mt of waste, for a stripping ratio of 7:1. Mining equipment will include down-the-hole ("DTH") drill rigs well suited to large-scale production work and capable of drilling holes ranging from 110 to 203 mm in diameter. 33-tonne hydraulic shovels and 27-tonne backhoes will be used to load ore and waste into 150-tonne trucks. The proposed pit will be approximately 1.8 km long by 0.8 km wide.

OPEN-PIT OUTLINE FOR THE ROSE TANTALUM-LITHIUM PROJECT



Looking South



Looking North

The facilities to be built on the Rose property include ore, waste and overburden stockpiles, a tailings pond, an explosives mixing plant, administrative offices, telecommunications facilities, mechanical shops, haulage and access roads and a water management system.

Based on a preliminary rock mass characterization that indicates that the ground is competent, and on preliminary overburden test results, a positive approach was adopted in the design of the various stockpiles, the tailings management facility and the mine closure plan.

The proposed mining plan includes drainage of two small lakes and the construction of a retaining dyke across a third lake.

Talks have been initiated with Hydro-Québec concerning the relocation of transmission towers that currently cross the Rose property.

MINERAL PROCESSING

A standard flotation process will be used to concentrate the lithium and tantalum ores into a high-grade mixed concentrate. The tantalite will be separated from this concentrate by high gradient magnetic separation. The non-magnetic fraction containing the lithium ore (spodumene) will be treated to produce pure lithium carbonate (99.5% Li_2CO_3) using the same industrial process employed at the Quebec Lithium mine while it was part of the Sullivan Mining Group in the 1960s, and later refined by the Quebec Ministry of Natural Resources and Wildlife's Centre de Recherches Minérales (CRM).

ENVIRONMENTAL IMPACT ASSESSMENT

Initial site characterization programs have already been done at the Rose project site. A number of meetings have also been held with the local communities, and further discussions are planned.

Unusually, preliminary results from the environmental impact study were available while the PEA was being carried out. This information was used to minimize the ecological footprint of the project infrastructure.

CAPITAL COSTS

Capital and operating costs were estimated in Canadian dollars. An economic analysis was carried out by means of an undiscounted cash flow analysis expressed in constant dollars on a pre-tax and after-tax basis. Pre-production costs for the Rose project are estimated at CA $268.6 million and include all the facilities listed under the Mining and Mineral Processing sections of this MD&A.

The total quantity of payable commodities is estimated at 1.6 Mkg Ta_2O_5 (1.3 Mkg of tantalum) and 452 Mkg Li_2CO_3 (85 Mkg of lithium). The following table presents a summary of the major criteria applicable to the Rose project.

ROSE PROJECT CRITERIA

Item	Unit	Quantity
Production including dilution		
Ta-Li bearing ore (pit only)	tonnes	24,260,534
Diluted metal grades		
Tantalum	ppm	108
Lithium	ppm	4,131
Ta_2O_5	ppm	132
Li_2O	%	0.89
Plant overall recoveries		
Tantalum	%	50
Lithium	%	84.8
Total payable commodities produced		
Ta_2O_5	'000 kg	1,597
Li_2CO_3	'000 kg	452,306
Tantalum	'000 kg	1,308
Lithium	'000 kg	84,981
Preproduction capital costs (contingencies included)		
Site preparation	CA$ '000	22,102
Mining equipment and development	CA$ '000	55,312
Power and indirect costs	CA$ '000	62,590
Surface facilities	CA$ '000	128,581
Total preproduction costs	CA$ '000	**268,584**
Sustaining capital over 17 years	CA$ '000	**36,818**

Revenues generated by the recovery of rubidium (Rb), cesium (Cs), beryllium (Be) and gallium (Ga) were not factored into the estimated revenues stream for the Rose project considered in the PEA.

OPERATING COSTS

Operating costs are estimated at CA $67.65 per tonne of ore milled and comprise:

- CA $24.25 per tonne of ore milled for mining cost;
- CA $7.17 per tonne of ore milled for general and administrative expenses;
- CA $36.23 per tonne of ore milled for mineral processing (concentrator and lithium carbonate plant).

A sensitivity analysis was done on the Rose project cash flow using a ± 15% variance on commodities prices, capital expenditures, operating costs and US$/CA$ exchange rate. It demonstrates that the Rose project is highly sensitive to changes in lithium carbonate price and has a low sensitivity to fluctuations in the tantalite concentrate price, operating costs and the US$/CA$ exchange rate.

On January 17, 2012, the Company announced that it had decided to proceed directly to feasibility study without doing a prefeasibility study, on the basis of the positive results of the Preliminary Economic Assessment (PEA) published on December 21, 2011. The Company is presently in the bidding process for the various aspects of the feasibility study.

Critical Elements Corporation also announced the appointment of Paul Bonneville, mining engineer, as the project manager. Mr. Bonneville will be responsible for supervising Critical Element Corporation's feasibility study on the Rose Project, and for subsequent project construction and development.

On January 30, 2012, the Company announced that it had hired AMBUCK Associates to lead the feasibility study and do mine design for the study.

The mine design study is an integral part of the feasibility study that includes:

- Reviewing the block model and importing it into optimization software, as well as analysis of the mine model for underground mine assessment and optimization;
- Analyzing and modelling the geotechnical design for open pit and underground mining. Recommendations will be used in the open pit slopes and underground mine and stope design. Stope/pillar designs will be looked at and modelled using 3D elastic modelling to assess stope/pillar stability;
- Open pit optimization, mine design, waste dump design, tailings site design, equipment selection and production scheduling.
- Underground mine design, mining method selection, equipment selection and detailed development and production scheduling.
- Determining mine infrastructure requirements for the open pit and underground, including, but not limited to: mine water pumping, ore transport systems, crushing and loading facilities, ventilation systems, underground maintenance facilities, fuel and lube systems, backfill facilities, concentrator and carbonate plant, mine process and discharge water handling systems and compressed air and electrical distribution.
- Determining surface infrastructure requirements, including site access, required site services and transportation corridors, and producing a site surface general layout drawing.
- Determining, using costing spreadsheets, mine capital and operating costs (approximately ±10-15% accuracy) on a yearly basis. Costs will be based on budget quotes obtained from suppliers for all major cost component items.
- Determining other mine service operating costs based on development and production schedules.
- Estimating electrical loads for the surface and underground mines. The power distribution system will be evaluated accordingly.

- Determining surface infrastructure capital expenditures, in conjunction with Critical Elements personnel and its other consultants on surface infrastructure.
- Completing cash-flow model.
- Preparing the mining sections of the feasibility study report.

STUDY COORDINATION

Malcolm Buck of AMBUCK Associates will also act as consultant project coordinator. He will aid Paul Bonneville in ensuring that all aspects of the feasibility study are completed and the report prepared in compliance with NI 43-101, so it can be filed with the appropriate regulatory authorities.

On February 28, 2012, the Company retained the services of SECOR to carry out a strategic analysis in connection with the construction of a secondary transformation plant. SECOR will work in conjunction with the Critical Elements management team to determine the key success factors and optimal operating framework for the plant. The results of this mandate will be submitted to the Critical Elements Board of Directors at the end of May 2012.

On April 18, 2012, the Company retained the services of GENIVAR to carry out a feasibility study on the surface facilities required to operate the Rose mine. The study will cover the engineering of the surface facilities, as well as estimates by category, including a budget compilation.

The main infrastructure elements covered by the mandate are: site preparation; buildings; power supply; communication and information technology systems; process and drinking water supply; waste water treatment and the septic system; tailings transportation from the mill to the tailings management facility and process water recirculation; the waste rock and overburden piles; diesel fuel, gas, oil and coal storage; explosives magazine; and the management of used oil and other used toxic products. The study will also include the preparation of a closure plan and an estimate of carbon emissions for the mining project

On April 25, 2012, the Company announced an update on the work done to produce lithium carbonate using the concentrate from the Rose deposit.

A 91% recovery of lithium carbonate has been achieved so far from the spudomene concentrate from the Rose deposit. It is expected that further test work will allow this recovery to be increased to the 94% range.

Particular emphasis has been put on the purity of the lithium carbonate produced. The intent is to have all of the lithium carbonate production meeting battery grade specifications. High purity lithium carbonate with a grade of 99.9% Li_2CO_3 has easily been achieved to date. The major impurities usually encountered in lithium carbonate produced from salars or the old sulfuric acid pugging process (magnesium, calcium, sodium, potassium) are absent or at level of less than 10 ppm for Rose. We do not expect any major difficulty in achieving a higher grade product. To merit the "battery-grade" designation, lithium carbonate product must be at least 99.5% pure.

Work is progressing also on the recovery of tantalum. Overall recovery achieved so far by flotation followed by a combination of high gradient magnetic separation and gravity has been 60%, 10% higher than used in the original PEA. Additional work is also being carried out for the production of pure tantalum oxide from the Rose deposit concentrate.

The mineralogy of the Rose deposit is highly homogeneous. Nevertheless, test work is continuing on the primary flotation of spodumene to characterize the variability (if any), including comminution from a series of composites from all parts of the deposit.

A flotation pilot plant will be run during the coming weeks to produce large quantities of spodumene concentrate to complete work on the production of high purity lithium carbonate and tantalum oxide. This work is required to produce the detailed specifications for the future production equipment as required for the feasibility study.

Person In Charge of Technical Disclosure

Jean-Sebastien Lavallee (OGQ #773), geologist, shareholder, President and Chief Executive Officer of the Company and a Qualified Person under *NI 43-101 on standards of disclosure for mineral projects*, has written and approved the technical content of this MD&A for the Rose Tantalum-Lithium property.

BRITISH COLUMBIA PROPERTIES

The British Collumbia Rare Earth properties consist of 50 claims covering an area of 235.68 km^2 in the following seven separate blocks: Trident, Kin, Hiren, IRC, Claire, Landmark and Munroe. These properties lie in southeastern British Columbia, along what is known as the Rocky Mountain Rare Metal Belt. The bulk of these properties is composed of nephaline syenite.
The airborne survey is now complete and the Company has received preliminary airborne Mag and radiometrics data from Aeroquest, and is actively using this data to plan traverses for Hiren, Trident, Kin and IRC.

To date, the program has consisted of the collection of silt-stream samples for the Kin, Trident and Hiren properties. The silt program went very well, with an average sample density of 1.6 silts per square kilometre, resulting in a total of 312 silt samples. A portable XRF was used at the field camp to analyse the silt samples, and greatly assisted the direction of the 2011 field traverses.

Both the airborne data and infield XRF silt-stream analysis are proving of great assistance to the program. The traverses at the Kin property have revealed significant new in-situ mineralization discoveries. The mineralization is in the form of molybdenite, columbite or allanite and phosphate mineralization associated with aplitic granite, syenite and quartz veins. Most of these mineralized systems are associated with thorium radiometric anomalies, with very similar characteristics to the mineralization noted in the high-grade REE boulder samples collected in 2010, which returned up to 5.26% TREO and 2.7% Nb_2O_5. Similar ±5-metre wide molybdenite-bearing sills have also been discovered this season at the Trident property.

On February 13, 2012, the Company announced the results of its 2011 exploration program at its Terres Rares properties in British Columbia. The $650,000 exploration program included airborne magnetic and radiometry surveys of the Trident-Kin, Hiren and IRC properties and helicopter-assisted stream-silt geochemical surveys of the Trident-Kin, Hiren and Munroe properties, followed by prospecting, regional mapping and rock sampling on the Trident-Kin, Hiren and IRC properties.

The results for the Trident-Kin property were very encouraging, with the discovery of new in situ mineralization as follow-up to the 2010 discovery of high-grade REE boulder samples that returned up to 5.26% TREE and 2.7% Nb_2O_5 (see press release dated December 15, 2010). The 2011 exploration program has greatly increased the known extent of the Trident Mountain syenite, from 15 linear km to over 25 km, across the contiguous Trident and Kin properties. The syenite sills, which range in thickness from 5 to 300 metres, have associated economic potential for rare earth elements (REE), niobium (Nb) and molybdenum (Mo). The 2011 assay results covering a 1.5 kilometre linear stretch of the syenite trace on the Trident property, plus another 3.5 linear kilometres of the syenite on the Kin property, are very encouraging.

The best values from the 23 samples of rock collected along the 1.5 km trace on the Trident property were 5.93% TREE, 0.246% Nb_2O_5 and >2 000 ppm Mo (from different samples). Twenty-two percent of the 23 samples returned over 1.0% TREE, and four samples returned over 0.1% Nb_2O_5. The samples were distributed over a large area (700 m x 700 m) with significant downdip (downhill) areas still to be prospected.

At the Kin property, a total of 43 rock samples (including 23 channel samples) were collected from the Amy-Carmen quartz syenite trend, covering a strike length of about 1 km. The samples returned results of up to 8.66% TREE, 3.02% Nb_2O_5 and 62,900 ppm Mo. Some 45% of the 43 samples

returned over 0.5% TREE, with the top 11 samples all returned better than 1.0% TREE. Fifty-three percent of the 43 samples returned over 0.1% Nb_2O_5. Other elements of interest from the Amy-Carmen include values of up to 0.12% HREE+Y, 166 g/t Ag, 181 g/t Ta and 1,417 ppm Pb. In the area of the Amy-Carmen channel samples, tight folding of the strata has resulted in fold repetition of the syenite sills, and generated a repeated stack of mineralized syenite approximately 250 m wide. The table below shows the values returned by the representative channel samples from this area.

Channel 1:		**MKKNR016 to MKKNR029, over ~10 m**	
	%TREE	**% Nb_2O_5**	**PPM Mo**
Min.	0.015	0.023	11
Max.	0.874	0.627	853
Average	**0.296**	**0.171**	**214**
n	14	14	14
Channel 2:		**MKKNR030 to MKKNR033. over 4 m**	
	%TREE	**% Nb_2O_5**	**PPM Mo**
Min.	0.143	0.046	15.2
Max.	1.675	0.434	62,900
Average	**1.014**	**0.156**	**26,613**
n	4	4	4
Channel 4:		**MKKNR036 to MKKNR041. over 4 m**	
	%TREE	**% Nb_2O_5**	**PPM Mo**
Min.	0.009	0.005	7.2
Max.	3.163	1.774	200
Average	**0.793**	**0.674**	**114**
n	5	5	5

A second, parallel trend of mineralized syenite, quartz veins and associated alteration occurs approximately 500 m south of the Amy-Carmen trend. This parallel zone, dubbed the “Carmen”, consists of a broad zone (~250 metres wide) of elevated radiometric response. Results from nine samples collected over a 1-km strike length of this zone returned up to 12.63 % TREE, 4,97 % Nb, 16,4 ppm Mo and 0.50% HREE+Y. The 2011 work resulted in the discovery of very significant REE, niobium and molybdenum mineralization traced over a 5-km strike length. The continuous mineralization lies within a very promising 25-kilometre long alkaline intrusion sequence that remains relatively unexplored.

Person In Charge of Technical Disclosure

Jean-Sebastien Lavallee (OGQ #773), geologist, shareholder, President and Chief Executive Officer of the Company and a Qualified Person under *NI 43-101 on standards of disclosure for mineral projects*, has written and approved the technical content of this MD&A for the British Columbia properties.

QUEBEC RARE EARTH PROPERTIES

Gatineau

The Gatineau property is in the Outaouais region, with its southern boundary lying 5 km north of Hull. The area covers Buckingham, Hull, Masham, Portland, Templeton and Wakefield townships. The property consists of six claims covering an area of 361.25 hectares.

The rocks of the region are essentially Precambrian in age. They comprise a mixed assemblage of metamorphic, igneous and sedimentary rock belonging to the Grenville Supergroup, and include quartzites, paragneiss, crystaline limestones or marble, calco-silicate rocks and orthogneiss. The Grenville Supergroup is considered as a metasedimentary ensemble. During the Grenville orogenesis, the original sediments underwent moderate to high metamorphism marked by a strongly developed

petrofabric. All these rocks are cut by syenite granite intrusions, like the Wakefield syenite batholith. Evidence of recent glaciation can be seen throughout the region.

J6L1

The J6L1 property lies about 48 kilometres north-northwest of Port-Cartier, on the north shore of the St. Lawrence. It consists of nine claims covering an area of 329.19 hectares.

The J6L1 property is composed of gneiss outcrops and three major geochemical anomalies called the East, Centre and West showings. These showings are lake-bottom sediment geochemical anomalies.

The East showing is a mineralized zone in paragneiss striking N110° and dipping subvertically to the south. Mineralization is discontinuous with erratic values of rare earths and thorium. The best intersection from trenching returned 0.47% Nb_2O_5, 0.021% Ta_2O_5, 0.0296% U_3O_8 and 0.0591% ThO_2.

The Centre showing is a radiometric anomaly corresponding to a 50-metre long mineralized zone containing a number of mineralized horizons one metre wide or more. The best grades obtained were 1.08% Y, 0.455% La, 9.45% Zr, 0.032% U_3O_8 and 0.025% ThO_2.

The West showing is a very narrow mineralized zone lying in a quartz-feldspath gneiss and a strongly migmatized granite gneiss. Radioactivity is continuous, and the mineralization is concentrated in quartz-rich veins with microcline, albite and accessory zircon. The best grades obtained were 0.22% Ta_2O_5, 3.11% La and 7.8% Zr.

Lac Sévigny NE

The Lac Sévigny-NE property lies about 1,000 kilometres northeast of Quebec City and 220 kilometres north-northwest of Schefferville. More precisely, the property is located northwest of Lac Castignon and south of Lac De La Magnétite. It consists of rocks of the Castignon carbonatite complex. These rocks outcrop at some 60 different sites, scattered over a stretch of about 85 running north-northwest. The complex is composed of pyroclastic and volcanoclastic levels (tuffs, pyroclastic breccias and tuffaceous sediments), diatreme breccias and dikes and sills. The volcanosedimentary units are primarily carbonatitic or melititic. The diatreme breccias are carbonatitic. The dikes and sills are composed of micaceous carbonatites or massive micaceous ultramafic rocks. The carbonate is generally ankerite. The Lac Sévigny-NE property is composed of 38 claims covering an area of 1,812.43 hectares.

The mineralization lies about three kilometres northeast of Lac Sévigny, within a diatreme mass of about 0.5 km^2. This diatreme is surrounded by five satellites several decametres in diameter within a one kilometre radius. All these diatremes cut through Savigny Formation slates and are injected with carbonatite. Many calcite-rich carbonatite samples returned significant rare-earth values. Grades of 0.19% La, 0.15% Nd, 0.026% Pr, 0.016% Sm, 0.28% Ce and 0.002% Eu were measured in surface samples. The presence of flourine and apatite was also noted.

Melasse

The Melasse property lies on the north shore of the St. Lawrence River, in the Lanaudière region, jjust over 100 kilometres northeast of Montreal. The Melasse property is made up of 50 claims covering an area of 2,969.99 hectares.

The entire region underwent recent glaciation, and the valleys, depressions and shoreline are covered with abundant glacial material of varied composition. The Melasse property is located in the Morin Series and the Grenville Group.

There are three metallic deposits in the vicinity of the Melasse property. The Pegmatite I deposit lies on the property, about 500 metres east of Lac À La Melasse, on Lot 25 of Range IV, Cartier Township. The mineralization is disseminated in a pegmatite lens contained in a gabbro-pyroxenite intrusive. A sample returned a rare earth grade of 4 618 ppm (Ce + La + Nd + Sm + Tb + Eu + Yb), or, by

individual element, grades of 2,380 ppm Ce, 1,170 ppm La, 943 ppm Nd, 116 ppm Sm, 6 ppm Tb, 2 ppm Eu and 1 ppm Yb. This sample also returned a grade of 1,150 ppm Th.

The Lac à la Mélasse deposit and the Lac Long deposit lie on the properrty in an area where the claims are not held by Critical Éléments, a few hundred metres northwest of Lac à la Mélasse, on Lot 23 of Range IV, Cartier Township, and 1,100 metres northeast of Lac Long, on Lot 26 of Range V, Cartier Township, respectively.

The mineralization of the Lac à la Mélasse deposit is disseminated in sulphide-bearing gneiss, near the contact with a gabbro intrusion. The mineralization consists of 2% to 5% pyrite and disseminated pyrrhotite. Graphite is also present. One sample returned grades of 1,107 ppm Cu, 3,547 ppm Ni and 924 ppm Co, and another, taken 500 metres to the east-northeast in the same setting, yielded 1,818 ppm Cu, 1,157 ppm Ni and 679 ppm Co.

At the Lac Long deposit, the mineralization occurs as a sulphide lens in a gabbro intrusion. It is made up of 10% sulphides. A sample returned grades of 1,176 ppm Cu, 1,107 ppm Ni and 446 ppm Co.

Reine

The Reine property lies about 39 kilometres from Sept-Îles. For all intents and purposes it is a few thousand metres from the contact between the Sept-Îles anorthosite massif and the Grenville migmatized, granitic grey gneiss. This property has excellent potential for dimension stone and crushed rock; there are many quarries in the area. The property hosts three showings: Reine, Gauthier and Zircon-Reine. The J2R1 radiometric anomaly, an isolated, predominantly thorium occurrence in granitic gneiss, is also found on the property. The Reine property consists of 43 claims covering an area 2,591.83 hectares.

The J2R1 anomaly is composed of mineralization occurring in thin radioactive beds in a pegmatite. It returned grades of 1.7% Ce + La and 0.33% ThO_2. Another analysis returned 0.28% ThO_2, 0.6% Ce, 0.28% La and 1,073% total rare earths. The Zircon-Reine anomlay lies on the north side of the Chemin du Radar, about one kilometre northwest of Lac Labrie, near the Reine showing. One sample returned over 10,000 ppm Zr, 261 ppm Ta and 220 ppm Th. Another zircon showing located about 750 metres north returned 4,700 ppm Zr, 740 ppm Rb, 145 ppm de Th, 180 ppm Hf and 55 ppm Ta.

The Reine showing outcrops 900 metres northwest of Lac Labrie. The showing occurs in a gossan, and is encased in gabbros. The Reine showing mineralization occurs in the form of disseminated and massive sulphides (pyrrhotite, chalcopyrite) and native copper. Grades of 5.6% Cu, 0.27% Ni, 0.11% Co and 226 ppb Au were obtained from this granophyre. Many samples taken within a 400-metre radius returned copper grades, but nickel only exceeded threshold values in the two main showings. A sample in the same area returned over 20,000 ppm Mo, along with 0.12% Cu and 0.04% Ni. Another sample taken 400 metres north of the Reine showing yielded 0.35% Zn, 0.06% Cu, 0.02% Ni and 3.1 ppm Ag. The Gauthier showing is characterized by massive sulphides (pyrrhotite>chalcopyrite) hosted by a leucotroctolite. The mineralization occurs in the form of a lens or vein of massive sulphides consisting of pyrrhotite, chalcopyrite and highly-altered bornite. Analyses performed on grab samples returned values of 1.9% Cu and 0.3% Ni.

Seigneurie

The Seigneurie property is located on the north shore of the St. Lawrence River, about 15 kilometres east of the point where the Saguenay flows into the St. Lawrence. The Seigneurie property is made up of 28 claims covering an area of 1,593.44 hectares. It is entirely located on private land of the Mille-Vache seigneury, which by law owns all of the dimension stone.

The various units on the Seigneurie property include a basic migmatic complex, the Tadoussac complex and a top volcanosedimentary group, the Saint-Siméon group. The entire region underwent recent glaciation, and the valleys, depressions and shoreline are covered with abundant glacial material of varied composition.

Two holes were drilled in the pegmatite dike that hosts the uranium anomaly. The first hole returned average values of 0.025% U_3O_8 and 0.023% ThO_2, and the second returned average grades of 0.022% U_3O_8 and 0.023% ThO_2. Rare metal grades were also seen on the property, with values of 0.319% Nb, 131 ppm Ta_2O_5, 0.22% Y and 0.84% Zr.

Sophie

The Sophie property lies about 125 km north of Chicoutimi or the Escoumins and, more precisely, 65 kilometres northwest of Labrieville and about 140 kilometres from Forestville. It lies to the east of the Pipmuacan reservoir and Lac Betchie. The Sophie property consists of 46 claims covering an area of 2,567.52 hectares.

According to the tectonic division of Grenville province, the rocks of the Sophie property belong to the Lac Joseph terrane of the Allochthonous Polycyclic belt. The Allochthonous Polycyclic belt is an assembly of multiple terranes for the most part composed of high-grade metamorphic orthogneiss and paragneiss (upper amphibolite to granulite) with granite, gabbro and anorthosite intrusions. The Lac Joseph terrane is essentially composed of polycyclic paragneiss of the suppor amphibolite to granulite facies, cut by gabbro and granite intrusions.

In 2010, Gemme Manicouagan Inc. and Guy Barrette visited the Sophie property to search for rocky outcrops and mineralized showings. Geochemical analyses were done on the samples collected. The samples returned values of 3.57% TREE (1.67% Ce, 0.94% La, 0.68% Nd, 0.184% Pr, 0.078% Sm) and 0.27% Th, 0.05% Y, 0.016% Sr and 0.63% Zr.

Weres

The Weres property lies about 50 kilometres south of Quebec City and about 5 kilometres southeast of St-Sylvestre, at the foot of Mont Handkerchief. The property consists of four claims covering an area of 237.84 hectares.

The Wares property lies in the Oak Hill Group, which is subdivided into the following five formations, from base to top: Tibbit Hill, Call Mill, Pinnacle, White Brook and West Sutton. The entire region underwent recent glaciation, and the valleys, depressions and shoreline are covered with abundant glacial material of varied composition.

The Weres property hosts two metal deposits. The first, the Weres deposit, lies at the base of the Pinnacle Formation of the Oak Hill Group, about 7.2 kilometres south-southeast of St-Sylvestre and 3.5 kilometres southwest of Le Radar. The second deposit, Handkerchief, lies about 5.7 kilometres south-southeast of St-Sylvestre, on the north slope of Mont Handkerchief. The Wares deposit returned grades of up to 6,064 ppm Zr, 568 ppm Nd, 1,540 ppm Ce, 1,900 ppm Th and 917 ppm La, and the Handkerchief deposit yielded grades of up to 1.2 g/t Au, 1.9 g/t Ag, 0.9% Cu and 6.7% native Cu.

Person In Charge of Technical Disclosure

Jean-Sebastien Lavallee (OGQ #773), geologist, shareholder, President and Chief Executive Officer of the Company and a Qualified Person under *NI 43-101 on standards of disclosure for mineral projects*, has written and approved the technical content of this MD&A for the Quebec Rare Earth Properties.

RESULTS OF OPERATIONS

Critical Elements anticipates that, for the foreseeable future, quarterly results of operations will primarily be impacted by several factors, including the timing of exploration and the efforts and timing of expenditures related to the development of the Company. Due to fluctuations in these factors, the Company believes that the period-to-period comparisons of operating results are not a good indication of its future performance.

The following discussion and analysis are based on Critical Elements' results of operations for the nine-month period ended May 31, 2012. The selected financial information below was taken from the unaudited consolidated financial statements for each of the nine-month periods shown.

FINANCIAL HIGHLIGHTS

	May 31 (9 months)	
	2012	**2011**
Revenues	**$ 18,583**	$ 13,391
General administrative expenses, salaries and short-term benefits	**$ 282,757**	$ 139,951
Registration, listing fees and shareholders' information	**$ 104,386**	$ 98,821
Professionnal and consultant fees	**$ 572,341**	$ 376,591
Stock-based compensation	**$ 240,723**	$ 629,025
Amortization of fixed assets	**$ 8,158**	$ 214
Part XII.6 taxes	**$ (10)**	$ 9,758
Net loss from discontinued operations	**$ -**	$ 38,497
Write-off of deferred exploration expenses and of a mining property	**$ -**	$ 347,079
Loss before income taxes	**$ (1,189,772)**	$(1,626,545)
Deferred income and mining taxes	**$ (342,104)**	$ (420,391)
Total comprehensive loss for the period	**$ (1,531,876)**	$(2,046,936)
Cash & cash equivalents	**$ 1,146,782**	$ 1,878,586

Revenues

Revenues for the nine-month period ended May 31, 2012, amounted to $18,583 ($13,391 - 2011) and consisted of interest revenues. Given its status as a mining exploration company, Critical Elements does not generate any steady income, and must issue equity to conduit.

General Administrative Expenses and Salaries

General administrative expenses and salaries for the nine-month period ended May 31, 2012, consisted mainly of general office expenditures, traveling expenses, promotion activities, salaries and expenses incurred to maintain the Company's website. Administrative changes at the Company resulted in a $45,000 decrease in salary expenses. Under the agreement with Blue Note Mining Inc., some of the administrative expenses for the Croinor property are recognized under general administrative expenses. A nil amount was recorded for the nine-month period ended May 31, 2012, compared to $19,000 at May 31, 2011. The increase resulted from a higher level of promotional activity, and claim renewal expenses of $92,063 compared to $9,076 in 2011. In May 2011, the Company took possession of its new offices and thus began incurring additional expenses, including an increase in rent and office supplies.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the nine-month period ended May 31, 2012, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The $5,565 increase from the prior period was mainly due to lower shareholders' information expenses.

Professional and Consultant Fees

Professional and consulting fees for the nine-month ended May 31, 2012, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. The $195,750 increase from to the previous period was due in expenses related to investor relations and consulting fees.

Stock-Based Compensation

Stock-based compensation for the nine-month period ended May 31, 2012, represents the value of the 1,550,000 options granted to directors, officers and consultants. A compensation charge of $240,723 ($629,025 in 2011) was therefore attributed during the period in connection with stock options grants, using the Black-Scholes pricing model.

SUMMARY OF QUARTERLY RESULTS

The following discussion and analysis are based on Critical Elements' results of operations for the three-month period ended May 31, 2012. The selected financial information below was taken from the unaudited consolidated financial statements for each of the three-month periods shown.

FINANCIAL HIGHLIGHTS

	May 31 (3 months)	
	2012	**2011**
Revenues	**$ 4,156**	$ 7,329
General administrative expenses, salaries and short-term benefits	**$ 146,084**	$ 30,914
Registration, listing fees and shareholders' information	**$ 46,160**	$ 24,570
Professionnal and consultant fees	**$ 274,016**	$ 108,542
Stock-based compensation	**$ -**	$ 447,875
Amortization of fixed assets	**$ 2,965**	$ 214
Part XII.6 taxes	**$ -**	$ 3,054
Loss before income taxes	**$ (465,069)**	$ (607,840)
Deferred income and mining taxes	**$ (288,672)**	$ (206,081)
Total comprehensive loss for the period	**$ (753,741)**	$ (813,921)
Cash & cash equivalents	**$ 1,146,782**	$ 1,878,586

Revenues

Revenues for the three-month period ended May 31, 2012, amounted to $4,156 ($7,329 - 2011) and consisted of interest revenues. Given its status as a mining exploration company, Critical Elements does not generate any steady income, and must issue equity to conduit.

General Administrative Expenses and Salaries

General administrative expenses and salaries for the three-month period ended May 31, 2012, consisted mainly of general office expenditures, traveling expenses, promotion activities, office expenses and the renewal of the Company's claims. The increase resulted from a higher level of promotional activities and of $54,000 of claims ($907 in 2011) In May 2011, the Company took possession of its new offices and thus began incurring additional expenses, including an increase in rent and office supplies.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the three-month period ended May 31, 2012, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The change from the prior period was mainly due to a increase in expenses related to shareholder communications, which resulted in a net increase of $21,590.

Professional and Consultant Fees

Professional and consulting fees for the three-month ended May 31, 2012, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management

expenses. The change of $165,000 relative to the prior period resulted from a $36,500 decrease in investor relations and a $197,500 increase in expenses related to business development, professional and consulting fees.

Stock-Based Compensation

No options were granted during the three-month period ended May 31, 2012, compared to 3,050,000 granted during the period ended May 31, 2011. A compensation charge of $447,875 $ in 2011 was therefore attributed during the period in connection with stock options grants, using the Black-Scholes pricing model.

The selected financial information below was taken from Critical Elements' unaudited consolidated financial statements for each of the following quarters:

$000s of $ except for share data	May 31 2012	Feb. 29 2012	Nov, 30 2011	Aug. 31 2011	May 31 2011	Feb. 28 2011	Nov, 30 2010	Aug. 31 2010	May 31 2010
Revenues	4	9	5	11	7	3	3	1	-
Net profit (loss)	(754)	(431)	(347)	(959)	1,160	354	1,343	1,751	850
Basic and diluted net loss per share	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.01)	$ 0.01	$ 0.00	$ 0.02	$ 0.02	$ 0.01

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as at May 31, 2012, totalled $1,146,782 compared to $1,878,586 as at May 31, 2011. It is management's intention to secure further capital funding in the form of equity to support current and future exploration and evaluation assets development.

Date	Financing		Commercial Goals	
March 2011	Common shares	$1,624,200	Working Capital and exploration expenditures	

For the next year, the Company has budgeted $940,000 for administrative expenses. Management is of the opinion that, even if it is unable to raise additional equity financing, the Company will be able to meet its current exploration obligations and keep its properties in good standing for the next 12 months. Advanced exploration of some of the mineral properties would require substantially more financial resources. There is no assurance that such financing will be available when required, or under terms that are favourable to Critical Elements. The Company may also select to advance the exploration and development of exploration and evaluation assets through joint ventures. Management is currently considering opportunities for further financing.

CASH FLOWS

	May 31 (9 months) 2012	2011
Operating activities	**$ (589,405)**	$ (872,306)
Financing activities	**$ 8,300**	$ 4,937,447
Investing activities	**$ (496,342)**	$(4,173,674)
	$ (1,077,447)	$ (108,533)
Cash & cash equivalents	**$ 1,146,782**	$ 1,878,586

During the nine-month period ended May 31, 2012, funds used for operating activities were spent primarily on improving operations and promotion of the Company.

During the nine-month period ended May 31, 2012, the Company's financing activities consisted of the exercise of warrants.

During the nine-month period ended May 31, 2012, investing activities consisted primarily of exploration work on the Rose Tantalum-Lithium and several properties in British Columbia.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET ARRANGEMENTS

Commitments with a key executive

A) In August 2009, the Company signed an agreement with individuals to acquire a total 85% undivided interest in the Rose Tantalum-Lithium property in Quebec in three steps. First, to acquire an undivided 51% interest in the property, the Company had to make a cash payment of $30,000, issue 3,000,000 common shares and carry out $300,000 in exploration by August 2010.

Once these conditions were met, the Company could then acquire an additional 14% undivided interest by carrying out additional exploration in the amount of $500,000 by August 2011 and issuing 1,000,000 common shares

Once these conditions were met, the Company could acquire the 20% residual undivided interest by carrying out additional exploration in the amount of $1,000,000 and issuing 1,000,000 common shares. Since the conditions related to exploration expenses had already been met, the Company issued the shares in October 2010 for a total of $350,000. Of these, 375,000 shares were issued to a director who became the president of the Company in November 2010.

In addition, in relation with the agreement, the Company had to issue 3,000,000 shares on production of a resource estimate of at least 125,000 tons of Li_2O at a grade of 0.8% Li_2O, for a total of at least 220,000,000 pounds of LI_2O. An evaluation report confirmed these levels and the Company therefore completed the issuance of such shares in December 2010 for a total of $975,000. Of these, 1,125,000 shares were issued to the president of the Company.

In October 2010, the Company entered into a new agreement to acquire the residual 15% undivided interest in the property to become the sole owner of the property. The Company paid $225,000 in cash and issued 7,500,000 common shares representing an amount of $2,625,000. The president of the Company received $75,000 in cash and 2,500,000 shares in relation with the transaction.

Under the terms of the agreement, the property remains subject to a 2% NSR royalty payable to the vendors, half of which (1%) can be purchased by Critical Elements Corporation in consideration of a cash payment of $1,000,000.

Commitments with a Board Member

B) In addition, in March 2011, the Company retained the services of Paradox Public Relations Inc. ("Paradox") to handle public relations. Paradox focuses on developing and expanding the Company's communications with the financial community through a full investor relations program. The services provided include marketing to the financial community, an inbound email service, the use of an exclusive Paradox database, organization of meetings and presentation and service calls on behalf of the Company. The agreement covers a 24-month period at monthly fee of $7,000. Paradox also received 450,000 share purchase options to purchase the same number of common shares of the Company at a price of $0.30 per share for a 2 year period.

Other commitments

C) In February 2009, the Company signed a joint venture agreement with the public company X-Ore Resources Inc. (a subsidiary of Blue Note Mining Inc.) whereby the interest of each partner was established at 50%. According to this agreement, the joint venture was created to perform exploration and development work and, if appropriate, to put a mine into production on the Croinor 1 property.

In July 2010, the Company and Blue Note Mining Inc. entered into an agreement for the acquisition by X-ORE, a wholly-owned subsidiary of Blue Note Mining Inc., of all of Critical Elements Corporation's interest in the Croinor gold project (therefore the remaining 50% interest), and all of its interest in the Matchi-Manitou property, which represents a 71% interest.

In relation with this agreement, the Company received an amount of $20,000 in cash as at August 31, 2010 and a total of $80,000 in cash from September to December 2010. In addition, the Company will receive $2,250,000 in cash and also 17,500,000 common shares of Blue Note Mining Inc. to be released from escrow on a monthly basis from the closing date of the transaction over a thirty-five (35) month period. The original closing date was December 31, 2010.

Last year, the initial agreement was extended three times, bringing the expected date of closing of the transaction to December 31, 2011. As consideration, the Company received cash amounts totaling $105,000 and Blue Note Mining Inc. will continue payment of monthly compensation of $10,000 in cash until the transaction is completed. Since December 2010, Blue Note has assumed all of the exploration expenses and related management fees.

Since January 2012, the initial agreement was extended two times, bringing the expected date of closing of the transaction to Mai 31, 2012. As the closing did not take place on that date, the benefits, costs, expenses, liabilities, obligations and risks will again be shared between the parties in proportion to their respective interest as of June 1st, 2012.

D) In November 2009, the Company signed a joint venture agreement with the public company Brionor Resources Inc. (as successor of the rights and obligations of Normabec Mining Resources Ltd on the Matchi-Manitou property). The purpose of the joint venture is to perform exploration and development work and, if appropriate, bring in operation a mine on the Matchi-Manitou property. Critical Elements Corporation holds a 71% interest. During the year, no exploration expense was incurred in relation with the joint venture agreement. In July 2010, the Company sold its interest in the property.

E) In December 2010, the Company signed an option agreement to acquire 100% interest in Kin, Trident, IRC, Munroe, Hiren, Claire and Lindmark properties located in British Columbia in consideration of $125,000 in cash and the issuance of 2,000,000 shares at a price of $0.325 for a total amount of $650,000. To fulfill its obligation, the Company will also have to issue 1,000,000 shares in January 2012 and 1,000,000 additional shares in January 2013.

Under the terms of the agreement, the properties remains subject to a 2% NSR royalty payable to the vendors, half of which (1%) can be purchased by Critical Elements Corporation in counterpart of $1,000,000 and the other half (1%) can be purchased for an amount of $5,000,000.

F) In February 2011, the Company signed an agreement to acquire a 100% interest in eight rare earth elements, niobium and tantalum properties named Weres, Seigneurie, Sophie, Reine, J6L1, Lac-Sévigny-NE, Gatineau and Melasse located in Quebec in consideration of $10,000 in cash at the signature date. The Company also issued 1,000,000 common shares five days after the approval of regulatory authorities.

Furthermore, for each $1,000,000 exploration expenses done, the Company will have to issue 50,000 common shares to the vendors. The Company will pay a 1.5% NSR royalty, half of which may be

purchased for an amount of $500,000 and the other half for $5,000,000.

G) In June 2011, the Company signed a lease contract for its Montreal office, expiring in June 2014. Minimum payments are totalling $153,479 and include the following payments over the next 3 years: 2012: $54,169; 2013: $54,169 and 2014: $45,141.

ROYALTIES ON THE MINING PROPERTIES

PROPERTY	ROYALTY		DESCRIPTION
	Name	Percentage	
Croinor 1	Successors of Fred D. Corcoran and Denis R. Agar	7.5% each	of net profit from commercial production from 92 claims of which $7,500 is payable to each successor in September of each year as an advanced payment on royalties
	Canadian Spooner Resources Inc.	5%	of net income from production on 97 claims that become payable only after all expenditures costs have been recouped
Rose Tantalum-Lithium	Jean-Sébastien Lavallée	37,5%	2% NSR of which 1% may be purchased for an amount of $1,000,000
	Jean-Raymond Lavallée	37,5%	
	Fiducie familiale St-Georges	25%	
Matchi-Manitou	Soquem	100%	1% NSR
Kin, Trident, IRC, Munroe, Hiren, Claire et Lindmark	Zimtu Capital Corp.	50%	2% NSR of which 1% may be purchased for an amount of $1,000,000 and the other 1% may be purchased for an amount of $5,000,000
	Cathro Resources Corp.	25%	
	Cazador Resources Ltd	25%	
Weres, Seigneurie, Sophie, Reine, J6L1, Lac Sevigny-NE, Gatineau et Melasse	Gemme Manicouagan	50%	1,5% NSR of which 0.75% may be purchased for an amount of $500,000 and the other 0.75% may be purchased for an amount of $5,000,000
	Mario Bourque	25%	
	Guy Barrette	25%	

RELATED-PARTY TRANSACTIONS

Transactions with key Executives

During the period, the Company has incurred professional fees amounting to $10,836 ($11,366 in 2011) and administrative expenses for $2,941 (Nil in 2011) with its chief financial officer.

During the period, the Company incurred $59,669 in exploration and evaluation assets ($658,055 in 2011), claims for $47,854 (Nil in 2011) and administrative expenses for 175,033 (25,633 in 2011) with Consul-Teck Exploration minière inc., a company controlled by the President and Chief Executive Officer of the Company. In relation with these transactions, $104,800 was payable as at May 31, 2012 ($250,564 in 2011 included in accounts payable and accrued liabilities).

The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

During the period ended November 2010, the Company acquired the remaining 35% interest in the said property. The president of the Company received in counterpart 4,000,000 common shares of the Company and $75,000 in cash. The president of the Company also owns 37.5% royalty of the 2% NSR royalty on the property Rose Tantalum-Lithium. Half of the royalty can be redeemed by the Company for the sum of $1,000,000.

These transactions are not concluded in the normal course of the Company's activities and therefore are measured at the exchange amount.

Transactions with Board members

During the period, the Company incurred $39,000 in consulting fees (Nil in 2011) with Cansource International Enterprise, a company controlled by a director of the Company. In relation with these transactions, no amount was payable as at May 31, 2012.

During the period, the Company incurred $21,000 in investor relations (Nil in 2011) with Paradox Public Relations, a company controlled by a director of the Company. In relation with these transactions, no amount was payable as at May 31, 2012.

The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited condenses interim consolidated financial statements of Critical Elements Corporation were prepared by management in accordance with IFRS, as issued by the IASB. Critical Elements Corporation's results and financial position are presented under IFRS. The current financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting* and IFRS 1, *First-time Adoption of IFRS*. These unaudited condenses interim consolidated have been prepared in accordance with the accounting policies Critical Elements Corporation expects to adopt in its annual financial statements for the year ended August 31, 2012. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that Critical Elements Corporation expects to be applicable at that time.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in the preparation of an opening IFRS statement of financial position as at September 1, 2010, as required by IFRS 1.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these condensed financial statements will be finalized only when the first annual IFRS financial statements will be prepared for the year ending August 31, 2012.

Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP.

Consolidation Principles

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, ''Ruth Silver and Metal Corp. S.A. DE C.V.''. The subsidiary was incorporated June 9, 2010. All inter-company transactions have been eliminated.

Joint Venture

The Company's interest in a joint venture is accounted for by the proportionate consolidation method.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Transaction date accounting is used.

Financial assets at fair value through profit or loss

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in earnings. Cash and cash equivalents and cash reserved for exploration and evaluation are classified as Financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method. Receivable from an exploration partner and advances on exploration expenses are classified as loans and receivables.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities. Accounts payable and accrued liabilities and assets retirement obligations are classified as other liabilities.

Transaction costs

Transaction costs related to financial assets at fair value through profit or loss are treated as expenses at the time they are incurred. Transaction costs related to available-for-sale financial assets and loans and receivables are added to the carrying value of the asset and transaction costs related to other liabilities are netted against the carrying value of liability. They are then recognized over the expected life of the instrument using the effective interest method.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Mining Duties and Refundable Tax Credit relating to Resources

Quebec refundable credits on mining duties are recorded in the statement of income (loss) as current income tax recovery. The Company is entitled to a refundable tax credits on qualified mining exploration and evaluation expenses incurred in the province of Québec which are recorded against the deferred exploration and evaluation assets expenditures reported at statement of financial position.

Fixed assets

Fixed assets are accounted for at cost. Amortization is based on their useful life using the declining balance method at the following rates :

	Rate
Computer equipment:	40%
Office furniture:	20%

Impairment of Long-lived Assets

Exploration and Evaluation Assets

The Company assesses each exploration and evaluation asset periodically to determine whether any indication of impairment exists. If indicators of impairment exist, the Company test the mining assets for impairment by comparing the fair value to the carrying amount, without first performing a test for recoverability since it does not have sufficient information about its exploration properties to estimate future cash flows. The fair value correspond to best estimate of market prices. The estimated market prices requires the use of estimates and assumptions such as long-term commodity prices, future capital requirements, exploration potential and operating performance.

For mineral assets subject to an impairment test, management has assessed its cash generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets.

Other long-lived assets

An impairment loss is recognized when the carrying amount of long-lived asset is not recoverable and exceeds its fair value. The impairment loss is the excess of carrying amount over its fair value.

Exploration and Evaluation Assets

Costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property until the commencement of commercial production. If commercially viable, ore reserves are developed, capitalized costs of the related exploration and evaluation asset are reclassified as mining assets in development and amortized according to the unit of production method. If it is determined that capitalized acquisition, exploration costs are not recoverable over the estimated economic life of the exploration and evaluation asset, or if the project is abandoned, the project is written down to its net recoverable value. The Company's management reviews the carrying values of assets on a regular basis to determine whether any write-downs are necessary. The recoverability of amounts recorded for exploration and evaluation assets depends on the discovery of economically recoverable reserves, confirmation of the Company's interest in the mining claims, the ability of the Company to obtain the necessary financing to complete the development, and future viable production or proceeds from the disposition thereof. The amounts shown for exploration and evaluation assets do not necessarily represent present-time or future values.

Revenue Recognition

Interest revenue are recognized using the accrual basis. It is accrued based on the number of days the investment is held during the year.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Other assets and liabilities as well as items from the statements of earnings and deficit are translated at the exchange rates in effect on each transaction date. The resulting translation gains or losses are reflected in the earnings.

The Company's subsidiary is considered an integrated foreign operation. Consequently, the accounts of the subsidiary are translated into the functional currency using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect on the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the average rate for the period. The translation gains or losses are reflected in the earnings.

Flow-through Shares

IFRS do not specifically address the accounting for flow-through shares or the related tax consequences arising from such transactions. The Company has adopted the view expressed by the Mining Industry Task Force on IFRSs created by the Canadian Institute of Chartered Accountants (CICA) and the Prospectors and Developers Association of Canada (PDAC).

The Company considers that the issue of flow-through shares is in substance an issue of common shares and the sale of tax deductions. The sale of tax deductions is measured using the residual method. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented as other liabilities in the statement of financial position. When eligible expenditures are incurred (as long as there is the intention to renounce them), the sale of tax deductions is recognized in the income statement as a reduction of deferred tax expense and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base. Deferred tax liabilities resulting of the renouncement of expenditures related to flow-through shares can be reduced by the recognition of previously unrecognized deferred tax assets.

Capital Stock

Shares issued in consideration of non-monetary items are recorded at their trading value. Common shares issued in counterpart of cash are recorded at their selling price.

Fair Value of the Warrants

Proceeds from the issued units are allocated between the shares and warrants issued using the residual method; proceeds are first allocated to shares based on the market price at the time of issuance, and the residual amount is then allocated to the warrants.

Share Issuance Expenses

Share issuance expenses are recorded as an increase of the deficit in the year in which they are incurred.

Cash Reserved for Exploration

Cash reserved for exploration represent proceeds of public financing not yet incurred in exploration. The Company must use these amounts for mining exploration activities in accordance with restrictions imposed by those financing. As at May 31, 2012 the Company had spent all amounts reserved for exploration and evaluation.

Cash and Cash Equivalents

The Company's policy is to present cash and temporary investments having a term of three months or less from the acquisition date in cash and cash equivalents.

Non-monetary transactions

In a non-monetary transaction, the Company evaluates an asset exchanged or transferred at the fair value of the asset transferred or the fair value of the asset received, whichever evaluation is the most reliable. In the event that neither the fair value of the asset received nor the fair value of the asset given up is reliably measurable, the Company evaluates an asset that is exchanged or transferred through a non-monetary transaction using carrying amount (after reduction, as appropriate, for loss of value) of the asset transferred.

Basic and Diluted Loss per Share

The basic loss per share is calculated using the weighted average of shares outstanding during the period, representing 110,718,981 common shares for three-month period and 110,219,249 common shares for nine-month period ended May 31, 2012 (109,057,089 common shares for three-month period and 96,101,942 common shares for nine-month period ended May 31, 2011).

The diluted loss per share, which is calculated with the treasury method, is equal to the basic loss per share due to the anti-dilutive effect of stock options and warrants.

Stock-based Compensation and Other Stock-based Payments

The Company records stock-based compensation expense over the vesting period of share purchase options. The share purchase options granted to employees and directors and the cost of services received in counterpart are evaluated and recognized at fair value using the Black-Scholes option pricing model.

The Company accounts for goods or services received or acquired from non-employees in a share-based payment transaction when it obtains the goods or when the services are received. The Company records an increase in its equity in counterpart for goods or services received in a share-based payment transaction and is settled in equity instruments. These transactions are measured at fair value of equity instruments granted.

Evaluation and Exploration Assets Options Agreements

Options on interests in mining properties acquired by the Company are recorded at the value of the consideration paid, including other future benefit given up but excluding the commitment for future expenditures. Commitment for future expenditures does not meet the definition of a liability and thus are not accounted for immediately. Expenditures are accounted for only when incurred by the Company.

When the Company sells interest in a mining property, it uses the carrying amount of the interest before the sale of the option as the carrying amount for the portion of the interest retained, and credits any cash consideration received and also fair value of other financial assets against the carrying of this portion. The Company does not record evaluation and evaluation expenditures on the property incurred by the transferee.

Deferred Income and Mining Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates that are expected to apply to taxable income in the years during which those temporary differences are likely to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the enactment date. When it is more likely than not, that the Company will have sufficient future taxable income to enable the realization of a future tax assets not recognized, the future tax assets is recorded in the amount of taxable income. Inversely, the Company establishes a valuation allowance against deferred income tax assets if, based on available information, it is more likely than not that some or all of the future tax assets will not be realized.

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured on the basis

of tax rates that have been enacted or substantively enacted by the end of the reporting period and which, expected to apply to taxable income in the years during which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income or loss in the year that includes the enactment date. The Company establishes a valuation allowance against deferred income tax assets if, based on available information, it is probable that some or all of the deferred tax assets will not be realized.

CERTIFICATION OF INTERIM FILINGS

The President and Chief Executive Officer and Chief Financial Officer have signed the official basic certificates for venture issuers as required by *Regulation 52-109 respecting certification of disclosure in issuers' annual and interim filings*, confirming the review, absence of untrue or misleading information and fair presentation of the interim documents filed.

The President and Chief Executive Officer and Chief Financial Officer have confirmed that they have reviewed the interim financial statements and the interim MD&A (collectively referred to as the "interim filings") of the Company for the nine-month period ended May 31, 2012.

The President and Chief Executive Officer and Chief Financial Officer have confirmed that, based on their knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings

The President and Chief Executive Officer and Chief Financial Officer have confirmed that, based on their knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings for these periods.

OTHER REQUIREMENTS IN THE MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information data is derived from the unaudited condensed interim consolidated financial statements at the periods indicated.

EXPLORATION AND EVALUATION ASSETS

	May 31 (9 months)	
	2012	**2011**
Balance, beginning of period	**$ 13,135,812**	$ 5,244,322
Add:		
Acquisition of exploration and evaluation assets	**140,000**	5,563,301
Drilling	**70,866**	2,029,977
Pre-feasibility studies	**327,153**	-
Impact studies	**360,099**	-
Feasability studies	**332,063**	-
Mineral resource estimate	**(15,000)**	-
Airbone survey	**41,400**	-
Metallurgical test		42,260
Supervision	**61,938**	74,154
Geology and geophysics	**298,465**	240,889
Analysis	**222,855**	-
General exploration expenses	**22,142**	49,478
	1,861,981	8,000,059
Balance, before deduction	**14,997,793**	13,244,381
Tax credit and mining duties	**380,461**	397,988
Cancellation of an amount receivable from an exploration partner	-	83,557
Disposal	**40,000**	115,000
Write-off	-	285,000
	420,461	881,545
Balance, end of period	**$ 14,577,332**	$ 12,362,836

MATERIAL COMPONENTS

	May 31 (9 months)		
	2012	**2011**	**2010**
Statements of Comprehensive Income			
Professional and consultant fees	**$ 572,341**	$ 376,591	$ 590,222
Stock-based compensation	**$ 240,723**	$ 629,025	$ 625,529

	May 31		
	2012	**2011**	**2010**
Statements of Financial Position			
Cash reserved for exploration and evaluation	**$ -**	$ 2,102,643	$ 485,784
Exploration and evaluation assets	**$ 14,577,332**	$ 12,362,836	$ 4,187,709

The following selected financial information is derived from the Company's unaudited consolidated financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA (as at July 25, 2012)

Common shares outstanding:	110,761,372	
Options outstanding:	5,650,000	
Average exercise price of:	$ 0.26	
Expiry date	**Number of shares**	**Exercise price**
		$
April 2013	450,000	0.30
April 2014	200,000	0.15
October 2014	300,000	0.15
March 2015	400,000	0.40
December 2015	100,000	0.32
December 2015	400,000	0.335
March 2016	2,250,000	0.30
January 2017	1,550,000	0.15
	5,650,000	

RISKS AND UNCERTAINTIES

Critical Elements is subject to a variety of risks, some of which are described below. If any of the following risks occur, the Company's business, results of operations or financial condition could be adversely affected in a material manner.

Exploration and mining risks. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company from time to time increases its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing gold and other mineral properties is affected by many factors, including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, nor any known bodies of commercial ore. Programs conducted on the Company's mineral property would be an exploratory search for ore.

Titles to property. While the Company has diligently investigated title to the various properties in which it has an interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

Permits and licenses. The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Metal prices. Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

Competition. The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

Environmental regulations. The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Conflicts of interest. Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Stage of development. The Company's properties are in the exploration stage, and to date none of them have a proven ore body. The Company does not have a history of earnings or providing a return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Industry conditions. Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

Uninsured hazards. Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards which cannot be insured against or against which the Company may elect not to insure because of the high cost of premiums or for other reasons. The payment of any such liability could result in the loss of Company assets or the Company's insolvency.

Future financing. Completion of future programs may require additional financing, which may dilute the interests of existing shareholders.

Key employees. Management of the Company rests on a few key officers and members of the board of directors, the loss of any of whom could have a detrimental effect on its operations.

Canada Revenue Agency. No assurance can be made that Canada Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).