CRITICAL ELEMENTS CORPORATION

(an exploration company)

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine-month period ended May 31, 2014

(Third quarter)

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2014, and of the Company financial condition and future prospects. This discussion and analysis complements the unaudited condensed interim financial statements for the nine-month period ended May 31, 2014 but does not form part of them.

The unaudited consolidated financial statements have been prepared by the Company's management in accordance with International Financial Reporting Standards ("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 OTCQX International 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 28, 2014.

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 is involved in the acquisition, exploration and development of mining properties. The Company is active in Canada.

OVERALL PERFORMANCE

RESULTS OF OPERATIONS

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

Property Description

The property consists of 29 claims in Tavernier and Pershing townships, in the Abitibi region of Quebec. The Company holds a 71% interest in this property.

Work done during the period

During the year ended August 31, 2013, the Company decided to impair this property to focus its energies and capital on its most promising properties. The Company nevertheless retains all its property rights.

CROINOR 1 – GOLD PROJECT

On May 14, 2014, the Company completed with Monarques Resources Inc. ("Monarques") the sale of a 50% undivided interest in the Croinor property near Val-d'Or. Monarques is offering to purchase the Croinor property from Critical Elements Corporation in exchange for the Amiral, Arques, Bourier, Caumont, Dumulon, Duval, Lemare, Nisk, Rosebay and Valiquette properties in James Bay and 500,000 common shares of Monarques Resources Inc. at a deemed price of $0.15 per common share (subject to voluntary hold periods). This transaction was initially announced by the parties on December 17, 2013.

AMIRAL – GOLD PROJECT

Property Description

The Amiral property is composed of one block of 8claims covering an area of 424 ha. The project is located 80 km NE of Nemiscau airport and can only be accessed by helicopter.

The Amiral property mainly covers the Beryl south pluton, a tonalitic intrusion with pegmatites of tonalitic to granodioritic composition. The western part of the property is in contact with the Auclair Formation which is included in the Eastmain Group. This group is composed of volcanic and sedimentary rocks.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

ARQUES – RARE EARTH, NIOBIUM AND TANTALUM PROJECT

Property Description

The Arques Property is composed of one block totaling 135 claims covering an area of 6,731 ha for some 18 kilometers of length in a SW-NE direction. It is contiguous to the Lemare property on its South East border. The property is traversed in a NE direction by a Hydro-Québec power line and a permanent gravel road that heads North to the Eastmain River and further to the La Grande River areas. Secondary roads running from these last also give access through the property.

The Lac des Montagnes volcano-sedimentary formation is running just within the South East limit of the Arques Property. The primary observed geology is mainly composed of orthogneisses formed of metamorphosed felsic intrusives. In the winter 2011 a major alkaline intrusion, the Arques Complex, was identified by diamond drilling.

The recently identified Arques Alkaline Complex shows similar characteristics of other deposits which are known for Rare Earth Elements (REE), Niobium (Nb) and Tantalum (Ta) mineralization.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

BOURIER – COPPER, ZINC, GOLD AND SILVER PROJECT

Property Description

The Bourier Property is composed of one block totaling 235 claims covering an area of 11,790 ha for some 30 kilometers in length. It is located just along the east side of the new Rupert hydroelectric complex.

The Lac des Montagnes volcano-sedimentary formation crosses the Bourier Property in a NE direction. It is composed of paragneiss, amphibolites and granitic intrusions. To the North of the Lac des Montagnes Formation, mainly orthogneiss formed of metamorphosed granite has been observed, while the South area of this formation is composed mainly of paragneiss, also intruded by granites.

In the Bourier Lake area, what has been identified as an exhalative massive sulphide horizon in felsic rocks was discovered during fieldwork conducted North of Bourier Lake in summer 2010 and 2011. Soil samples taken over an 8 km strike length of this horizon returned anomalous values for Ni, Cu, Zn and Pb. Some channel samples and other grab samples returned anomalous values for Au, As, Ni and Cu. This exhalative horizon in felsic rocks is now known to extend for more than 25 km over the property.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

CAUMONT – COPPER, NICKEL, PGE AND GOLD PROJECT

Property Description

The Caumont Property is made of four non-adjacent claim blocks totaling 94 claims spread over 40 kilometers in the eastern part of the Lac des Montagnes volcano-sedimentary formation. These blocks are identified as Nemiscau Lake, Kename, Caumont West and Caumont East and are covering an area of 5,024 ha. A Hydro-Quebec power line crosses the southern part of the Nemiscau Lake block in a NW/SE direction. This block can easily be accessed by road up to the Lac Nemiscau, located close to the west boundary of the block, and then by boat. The Kename block is located East of Lac Kanamakuskacik and South West of Lac de la Sicotière. It can also be accessed by road. The Caumont West block can be accessed by plane, landing on Lac Caumont, or directly by helicopter. The Caumont East block can be accessed by helicopter.

The four blocks forming the property are located in the eastern part of the Lac des Montagnes volcano-sedimentary formation. The formation is locally composed of amphibolite quartz-rich paragneiss, biotite and sillimanite-bearing schist, pegmatite, basalt and ultramafic intrusives.

The property is currently recognized for its magmatic nickel (Ni), copper (Cu) and platinum group elements (PGE) potential. Geophysical surveys show the signature and extent of ultramafic intrusions and iron formations, with some of them confirmed by historic geological reports. In addition, some areas of the property show potential for gold mineralization associated with shear zone:

- Associated to the Tent showing, aplitic dykes overlapping the mafic and ultramafic rocks show a gold potential. The best values returns up to 4.29% Cu, 4.34 g/t Au, 16.65 g/t Ag and 1.74 g/t Pd. Mineralization could be due to remobilization of the host rock mineralization.
- 100 m east of the Tent showing, the grab sample L943057, collected in a muscovite rich metasediment with 15% arsenopyrite and quartz veins, returned 1.6 g/t Au.

- A dozen meters from this sample, the grab sample L943077, collected in a metasediment with 20% garnet porphyry, 5% arsenopyrite and 5%pyrite returned 0.219 g/t Au.
- At the west end of the Caumont West block, a metasediment with mineral segregation (alternating silicified bands with chloritic bands) with traces of sulphides was sampled. The grab samples L943046 and L943418 returned respectively 0.239 g/t and 0.167 g/t Au.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

DUMULON – ZINC, LEAD AND GOLD PROJECT

Property Description

The Dumulon property consists of 31 contiguous cells, covering a total area of 1,615 ha. The project is located 20 km south of the Nemiscau airport and can be accessed by helicopter.

The property is located in the central part of the Lac des Montagnes volcano-sedimentary formation. The geology covered by the property is mainly composed of paragneiss with local granitic intrusions. South of Indian Lake, discontinuous lenses of metabasalts and amphibolites are mapped. Strong EM anomalies are associated with plurikilometric magnetic bands oriented NO70°.

The property is currently known for its SEDEX type deposits and disseminated and replacement gold deposits potential. All conductive anomalies appear to be caused by a graphitic shear zone mineralized in pyrite and pyrrhotite. The Dumulon showing is associated with a carbonate dyke, 60 cm wide, embedded in an outcrop of metasediments. The sphalerite and galena mineralization has returned four grab samples with values between 1.2 and 4.6% Zn, associated with Pb levels between 0.4 and 3.0%. In addition, three grab samples returned gold values of 0.19 g/t, 0.25 g/t and 0.29 g/t Au.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

DUVAL – GOLD, COPPER, NICKEL AND PGE PROJECT

Property Description

The Duval Property is composed of two blocks totaling 45 claims covering a total area of 2,405 ha. The first block, the Duval main block is composed of 46 claims and measuring about 9 kilometers in a SW-NE direction. This block is contiguous North East to the Valiquette main block. The second block, Nemiscau Station is composed of 7 claims and located four kilometers North West of the Duval main block. The Nemiscau Station block is located approximately 1 km South of Route du Nord road and is serviced by a Hydro-Quebec power line and gravel road, which cross the southern part of the block in a NW/SE direction. The Duval main block can be accessed by the same road up to the Lac des Montagnes and then by boat. An old winter road along the SE shore of Lac des Montagnes has been refurbished and can be used for winter drilling on the main block.

The property is located in the middle part of the Lac des Montagnes volcano-sedimentary formation. In the vicinity of the Duval block the formation width is about 8 km and its orientation NE. It is locally composed of amphibolite quartz-rich paragneiss, biotite and sillimanite-bearing schist, pegmatite, basalt and ultramafic intrusives. Geophysical surveys show the signature and extent of ultramafic intrusions and iron formations, with some of them confirmed by historical drilling.

As the Duval property is located in the same geological environment than the Valiquette property, it is currently recognized for its magmatic nickel (Ni), copper (Cu) and platinum group elements (PGE) potential.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

LEMARE – GOLD, COPPER, NICKEL, PGE AND LITHIUM PROJECT

Property Description

The Lemare Property is composed of one block totaling 195 claims covering an area of 9,171 ha for over 20 kilometers in length in a SW-NE direction. It is contiguous to the Nisk property on its North West border. Secondary roads running from a Hydro-Québec power line and permanent gravel roads that run along its North West boundary give access all through the property.

The Lac des Montagnes volcano-sedimentary formation crosses the Lemare Property in a NE direction. It is composed of paragneiss (gneiss formed of metamorphosed sediment), amphibolites and granitic intrusives. The North of the Lac des Montagnes formation is mainly composed by orthogneisses intruded by granites, while the South area of this formation is composed principally of paragneisses, also intruded by felsic to intermediate intrusives.

Several areas of the property show potential for gold mineralization. The evidence of hydrothermal activity are numerous, for example: the many silicified and oxidized corridors of mineralization associated with pyrite and pyrrhotite, the presence of quartz-tourmaline veins and the arsenopyrite and tourmaline mineralization hosted in shear zones. The showings of the property are summarized below:

- The Lac de la Chlorite showing is hosted in a metabasalt with 10 to 15% arsenopyrite and returned gold values of 1.645 g/t, 0.726 g/t and 0.532 g/t.
- The Lac de la Sillimanite showing, having previously returned 4.7 g/t Au (Raymond, 2009) was resampled and three grab samples returned 0.877 g/t, 0.368 g/t and 0.125 g/t Au.
- On the target NI-8, quartz-tourmaline veins returned values of 0.33 and 0.23 g/t Au.
- SE of target NI-1, an outcrop of metasediment with 5% pyrite as returned 0.15 g/t Au. Two boulders in the area returned grades of 0.17 g/t and 0.09 g/t Au.
- To the east of Post Albanel, the Ancre showing located in the Lac Voirdye area, a grab sample in a mineralized metabasalt with 1% pyrite returned 0.53 g/t Au, 1.55 g/t Ag and 0.12% Cu.

The possibility of nickel-copper-PGE mineralization is confirmed by the presence of Nisk-1 deposit, located close to the Lemare property. Several magnetic anomalies are present on the property and these have not been drill tested.

The GRAAB showing, a spodumene pegmatite with an apparent thickness of 5 to 14 meters by 200 meters has been identified. A total of 43 samples have been gathered on 62 meters of channels. Among these samples, 11 show a Li2O content superior to 2%. This discovery proves that there is always a possibility to find new lithium pegmatites on the Lemare property.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

NISK – COPPER, NICKEL, PGE AND GOLD PROJECT

Property Description

The Nisk Property is composed of one block totaling 144 claims covering an area of 7,465 ha for over 20 kilometers in length. The route du Nord from Chibougamau runs within the South border of the property. The property is also traversed in a NE direction by a Hydro-Québec power line and a road that heads North to the Eastmain River and further to the La Grande River areas.

The Lac des Montagnes volcano-sedimentary formation crosses the property in a NE direction. The geology covered by the property is mainly composed of biotite, sillimanite, staurotide and garnet-bearing gneisses and granites, pegmatites, amphibolites and ultramafic intrusive rocks. Geophysical surveys show the signature and extent of ultramafic intrusions, some of which have been historically confirmed by drilling. The North of the Lac des Montagnes formation is mainly composed by orthogneisses intruded by granites, while the South area of this formation is composed principally of paragneisses, also intruded by granites.

The property is currently known for its magmatic nickel-copper sulphide deposits associated with ultramafic intrusion potential. It notably holds the Nisk-1 Ni-Cu-PGE deposit.

Nisk-1 Ni-Cu-PGE deposit

The Nisk-1 deposit is located at UTM coordinates 459,950 mE / 5,728,500 mN. It is hosted in an elongated body of serpentinized ultramafic rocks that intrude the Lac des Montagnes paragneiss and amphibolite sequence. The ultramafic rock intrusion is a sill bordered by paragneisses and amphibolites. Quite similar on either side of the ultramafic sill, they still can be subdivided into a lower paragneiss sequence ("LPS") to the NW of the sill (stratigraphically older) and an upper paragneiss sequence ("UPS") to the SE of the sill (stratigraphically younger).

The ultramafic sill is not a single intrusion. At least two distinct lithological units can be identified. The first, a grey serpentinized peridotite with magnetite veinlets, does not contain any sulphide minerals. The second is a black serpentinized peridotite with chrysotile veinlets. The Ni-Cu-Co-Fe sulphide mineralization is invariably associated with this black serpentinite.

In summary and on average, the sequence intersected by drilling, (striking N164°E with a 50° to 70° plunge to the SE) in the ultramafic body is as follows: (i) 35 meters of unmineralized grey serpentinite; (ii) 4 meters of unmineralized black serpentinite; (iii) 12 meters of massive to disseminated sulphides in black serpentinite; and (iv) 27 meters of unmineralized black serpentinite, sometimes alternating with the grey serpentinite, also unmineralized.

The Nisk-1 deposit is the only mineralized zone with estimated resources on the property. This resource calculation NI43-101 as been performed in 2009 by Pierre Trudel, PH.D., P. Eng. from RSW Inc. The resource stands as follows:

- Measured resource: 1,255,000 tonnes at 1.09% Ni; 0.56% Cu; 0.07% Co; 1.11 g/t Pd and 0.20 g/t Pt;
- Indicated resource: 783,000 tonnes at 1.00% Ni; 0.53% Cu; 0.06% Co; 0.91 g/t Pd and 0.29 g/t Pt;
- Inferred resource: 1,053,000 tonnes at 0.81% Ni; 0.32% Cu; 0.06% Co; 1.06 g/t Pd and 0.50 g/t Pt.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

ROSEBAY – GOLD PROJECT

Property Description

The Rosebay property is composed of one block of 12 claims covering an area of 635 ha. The project is located 110 km NE of village of Nemaska.

The rock covering the Rosebay property is mainly migmatized biotite paragneiss belonging to the Laguiche Group. Several intrusive rocks (tonalite-granodiorite) are also present. Banded iron formations were observed in the northern portion of the property. Moreover, a Proterozoic diabase dyke is present in the NE portion of the property.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

VALIQUETTE – COOPER, NICKEL, PGE AND GOLD PROJECT

Property Description

The Valiquette Property is composed of one block totaling 116 claims covering an area of 6,204 ha. It is measuring about 13 kilometers in a SW-NE direction and is contiguous South West to the Duval main block. The property can be accessed by a Hydro-Quebec gravel road up to the Lac des Montagnes, and then by boat. An old winter road along the SE shore of Lac des Montagnes can be used for works.

The property is located in the middle part of the Lac des Montagnes volcano-sedimentary formation. In the vicinity of the Duval block the formation width is about 8 km and its orientation NE. It is locally composed of amphibolite quartz-rich paragneiss, biotite and sillimanite-bearing schist, pegmatite, basalt and ultramafic intrusives. Geophysical surveys show the signature and extent of ultramafic intrusions and iron formations, with some of them confirmed by historical drilling. (This is copied from above and needs to be adjusted)

The property is currently recognized for its magmatic nickel (Ni), copper (Cu) and platinum group elements (PGE) potential and host the Valiquette showing. The Valiquette showing is associated with a peridotite intrusions at the contact of the volcanogenic sediment of the Lac des Montagne formation. Historical results of surface sampling returned up to 1.75% Ni and 1.42% Cu (grab samples) and the best intersections returned from the 2011 drilling campaign are 2.66% Ni and 0.71% Cu over 3.2 meters, 0.78% Ni and 0.47% Cu over 4.8 meters, 1.15% Ni and 0.39% Cu over 8.3 meters and 1.47% Ni and 0.26% Cu over 2.5 meters.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

ROSE TANTALUM-LITHIUM PROJECT

Property Description

The Rose Tantalum-Lithium property consists of 333 claims covering a total area of 177.33 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).

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 in 2014, 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.

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:

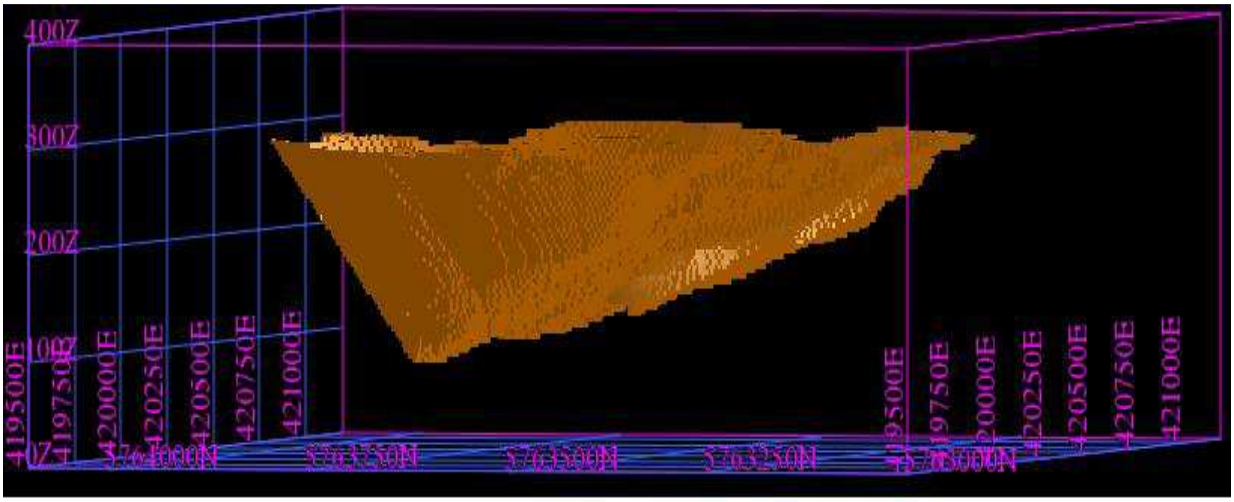
- A 1,500,000 tpy open-pit mine using diesel hydraulic equipment
- A concentrator at the Rose site (crushing, grinding, flotation circuits) with a nominal capacity of 4,600 tpd of ore at 90% availability
- A lithium carbonate plant at the Rose site to convert the lithium oxide ore (Li_2O) to lithium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

MINING

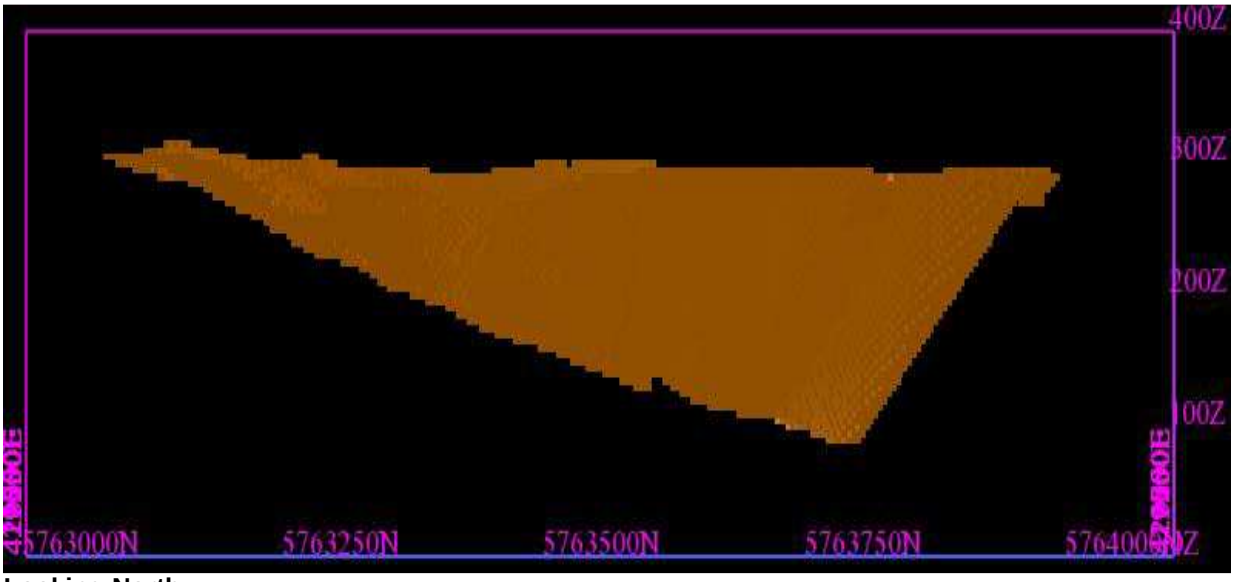
The Rose deposit is a thick, flat-lying multi structure located near surface. The ore will be mined using a conventional open-pit approach to a depth of 200 m. Whittle software, a numerical 3D mine optimization tool, was used to assess numerous scenarios. Parameters used to optimize the pit geometry 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.

On November 12, 2012, the Company announced the signing in Val-d'Or (Québec) of a pre-development agreement ("PDA") with the Grand Council of the Crees (Eeyou Istchee), the Cree Regional Authority and the Cree First Nation of Eastmain regarding the Company's development activities on its Rose Tantalum-Lithium deposit, located in James Bay, Québec.

Through this agreement, the parties have agreed to promote a cooperative and mutually respectful relationship concerning the exploration and pre-development activities of the Company in respect of the project. Critical Elements has undertaken to provide preferential treatment to Cree enterprises in the awarding of certain contracts for the supply of goods. The Crees have agreed to cooperate with the Company in the preparation of all necessary environmental and social impact assessment studies for all components of the project. The Crees have also committed to use their best efforts to ensure that the project proceeds through the environmental and social assessment process provided for in the *James Bay and Northern Quebec Agreement*, and, if the environmental and social concerns are met, to assist Critical Elements Corporation in obtaining the required governmental approvals.

Finally, the parties agreed to pursue discussions to create and sign an impacts and benefits agreement for the Rose tantalum-lithium project.

On February 12, 2013, the Company announced the discovery of a new zone that appears to be the extension of the JR zone. The new outcrop was discovered more than 500 metres west of the main JR zone. This extention is substantial, and channel sampling on the new zone returned high lithium and tantalum values. Full results are as follows:

Year	Channel name	Location		Azimuth	Length (m)	Li_2O (%)	Ta_2O_5 ppm (g/t)
		Easting	Northing				
2012	JR ext1	421287	5764652	270	5.00	0.9447	226
2012	JR ext2	421274	5764650	270	10.00	1.0763	215

All samples were sent for analysis in sealed containers to the ALS Chemex laboratory in Val-d'Or by employees of the Company. ALS Chemex is the laboratory used for analysis of all samples from programs on the Rose property. The samples are weighed and identified prior to sample preparation. The samples are crushed to 70% minus 2 mm, then separated and pulverized to 85% passing 75 µm. All samples are analyzed using ICP-MS, with full analysis for 47 elements.

On September 5, 2013, the Company reported the latest results of the optimization metallurgical program underway at SGS Canada Inc. (Lakefield) for its Rose deposit in James Bay, Quebec. Phase 1 of the study was carried out on a representative sample from Rose deposit, as well as samples from across the deposit to test its variability. The goal of Phase 1 was to optimize the process flowsheet for the production of spodumene concentrate with a minimum purity of 6% LiO_2 and about 90% lithium recovery for the hydrometallurgy operation.

The program has resulted in the successful optimization of recovery rates and grades of Li_2O in the concentrate, with an average recovery of 90.88% at 6.20% Li_2O in batch flotation tests (see table below), but most importantly, the flow sheet has been simplified significantly. Moreover, the reagents used in the optimization program are significantly cheaper. This should dramatically reduce the mill construction costs (CAPEX) and the operating costs (OPEX) to produce the Li_2O concentrate.

Test No.	Assay %	Distribution %
	Li_2O	Li
F11	6.06	90.1
F12	6.12	90.7
F13	6.43	91.9
AVERAGE	**6.20**	**90.88**

In addition to recovery and grade testing, the iron content of spodumene grains and the flotation concentrate as a whole have been determined. Analytical results indicated that the average

spodumene grain contains 0.13% Fe_2O_3 as solid solution in its crystal structure. To the best of our knowledge, this is the lowest spodumene iron substitution that has been seen in Quebec and Ontario lithium deposits. As a result, the flotation concentrate contained <0.3% Fe_2O_3 as a whole. Due to the low iron content of spodumene as solid solution, the lithium concentrate may also be appropriate for use in the ceramics industry. The roasted concentrate is white as opposed to the light reddish color normally seen with spodumene concentrates containing high iron.

A small batch of flotation concentrate has been collected and roasted and submitted for hydrometallurgical testing to start the carbonation optimization program. Multiple tests have been conducted for tantalite recovery.

The next stage, Phase 2 of the program, was aimed at optimizing the purity of the lithium carbonate produced by bicarbonation to create a final flowsheet. Another objective was to improve the recovery of tantalum as a by-product, currently at about 60%. The final flowsheet will be used to advance the pilot plant for the feasibility study. Some of the Phase 2 results, from the tantalum metallurgical optimization program, carried out by SGS Canada Inc. of Lakefield on the Rose deposit in James Bay, Quebec, were announced on September 23, 2013.

This program has resulted in significant tantalite optimization recoveries, achieving tantalum recoveries of up to **84%** with a concentration grade of 11,713 g/t Ta (14,303 g/t Ta_2O_5) in laboratory batch tests using wet high intensity magnetic separation (WHIMS). The average Ta recovery rate for the program stands at **77.6%** with a concentration grade of 10,700 g/t Ta (13,066 g/t Ta_2O_5) in batch magnetic separation tests (see table below).

The Corporation expects these results to dramatically increase the projected amount of tantalite (Ta_2O_5) produced from the Rose project, although additional testing is needed to confirm this with greater certainty. The initial economic numbers from the December 2011 PEA analysis were based on a tantalum recovery of 50%. The latest results indicate a **27.6%** increase in average recovery compared to the PEA figures, which could potentially mean more than **100,000** additional pounds of tantalite (Ta_2O_5) produced per year. The estimated final recovery rate and quantity of tantalite to be produced will be better defined by pilot plant testing, as well as in the upcoming feasibility study.

Results of Batch Magnetic Separation Tests to Recover Ta Concentrate

Test No.	Assay	Assay	Distribution %
	Ta g/t	Ta_2O_5 g/t	Ta
F10	11,713	14,303	80.3
F11	10,388	12,685	84.0
F12	11,200	13,676	73.9
F13	10,200	12,455	77.6
F14	10,000	12,211	72.2
AVERAGE	**10,700**	**13,066**	**77.6**

The tests were carried out on a representative sample from the Rose deposit, which lies on surface.

The recent results from the optimization program are very positive and will be used to finalize the flow sheet for the pilot plant program. The pilot plant program will produce enough material to proceed with

a flotation or other suitable beneficiation methods aimed at increasing the grade of the tantalite concentrate.

On May 14, 2014, the Company announced that it has started shipping samples of lithium concentrate to a number of users for analysis and validation of the product specifications. The concentrate samples have a low iron content, which is specifically required by certain users. Validation of the Rose project material by some of the largest consumers of lithium concentrate with low iron content is part of the process of setting up long-term off-take contracts. Concurrently, the Critical Elements Corporation team will launch a program over the coming months to produce a number of lithium carbonate samples. These samples will be shipped to battery manufacturers that the Company met with in the past year, for specification analysis and validation.

Work done during the period

Metallurgical work was done during the quarter to optimize the mineral processing circuit in preparation for pilot plant testing.

The Critical Elements Corporation team continues discussions in recent months with a number of potential buyers of lithium carbonate and tantalum. The Corporation is presently negotiating clauses relating to long-term sales and risk-sharing with buyers.

BRITISH COLUMBIA PROPERTIES

Property Description

The British Columbia Rare Earth properties consist of 43 claims covering an area of 204.02 km^2 in the following four separate blocks: Trident-Kin, Hiren, Lindmark and IRC. These properties lie in southeastern British Columbia, along what is known as the Rocky Mountain Rare Metal Belt. The bulk of these properties are 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.

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.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

During the year ended August 31, 2013, the Company decided to impair this property to focus its energies and capital on its most promising properties. The Company nevertheless retains all its property rights.

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, Matchi-Manitou, Croinor and British Columbia 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, 2014. The selected financial information below was taken from the unaudited condensed interim financial statements for each of the three-month periods shown.

FINANCIAL HIGHLIGHTS

	May 31 (9 months)	
	2014	**2013**
Revenues	**$ 4,306**	$ 6,380
General administrative expenses	**$ 189,042**	$ 109,547
Registration, listing fees and shareholders' information	**$ 65,091**	$ 132,650
Professionnal and consultant fees	**$ 451,247**	$ 758,553
Stock-based compensation	**$ 247,912**	$ 112,931
Depreciation of property, plant and equipment	**$ 5,378**	$ 7,293
Part XII.6 taxes	**$ (1,271)**	$ -
Exchange loss	**$ 719**	$ 2,884
Impairment of exploration end evaluation assets	**$ 43,996**	$ 578,379
Loss before income taxes	**$ 997,808**	$ 1,695,857
Deferred income and mining taxes	**$ (56,326)**	$ 266,026
Total comprehensive loss for the period	**$ 1,054,134**	$ 1,429,831
Cash & cash equivalents	**$ 175,009**	$ 659,048

Revenues

Revenues for the nine-month period ended May 31, 2014, amounted to $4,306 ($6,380 - 2013) and consisted of interest revenues and amounts for administrative services rebilled out to other companies. Given its status as a mining exploration company, Critical Elements does not generate any steady income, and must finance its activities by issuing equity.

General Administrative Expenses

General administrative expenses for the nine-month period ended May 31, 2014, consisted mainly of general office expenditures, travel expenses, promotional activities and the Company's claim renewal expenses. The change from the previous period consisted primarily of higher claim renewal expenses, promotional and entertainment expenses and a rent adjustment.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the nine-month period ended May 31, 2014, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The change from the previous period consisted primarily of lower shareholder information expenses and higher transfer agent fees.

Professional and Consultant Fees

Professional and consulting fees for the nine-month ended May 31, 2014, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. The $307,306 decrease from the previous period was due to a decline in consulting and professional fees, as well as the restatement of certain expenses previously included in business development expenses.

Stock-Based Compensation

Share-based payments and compensation for the nine-month period ended May 31, 2014, represented the charge related to the value of the 1,400,000 stock options granted to directors, officers and consultants during the period, as well as recognition of the charge for the 2,250,000 stock options granted in the previous quarter (1,100,000 in May, 2013). A compensation charge of $247,912 was therefore assigned during this period in relation to the new stock options granted and options that vest by tranche over time using the Black-Scholes model.

SUMMARY OF QUARTERLY RESULTS

The comments below provide an analysis of the operating results for the three-month period ended May 31, 2014. The selected financial information shown below is taken from the condensed unaudited interim consolidated financial statements for each of the three-month periods indicated.

FINANCIAL HIGHLIGHTS

	May 31 (3 months)	
	2014	**2013**
Revenues	$ **1,700**	$ 903
General administrative expenses	$ **91,524**	$ 44,482
Registration, listing fees and shareholders' information	$ **26,057**	$ 53,274
Professionnal and consultant fees	$ **167,898**	$ 282,744
Stock-based compensation	$ **60,101**	$ 27,857
Depreciation of property, plant and equipment	$ **1,853**	$ 2,668
Exchange loss	$ **23**	$ 1,254
Impairment of exploration end evaluation assets	$ **43,996**	$ 578,379
Loss before income taxes	$ **389,752**	$ 989,755
Deferred income and mining taxes	$ -	$ 155,904
Total comprehensive loss for the period	$ **389,752**	$ 833,851
Cash & cash equivalents	$ **175,009**	$ 659,048

Revenues

Revenues for the three-month period ended May 31, 2014, amounted to $1,700 ($903 - 2013) and consisted of interest revenues and amounts for administrative services rebilled out to other companies. Given its status as a mining exploration company, Critical Elements does not generate any steady income, and must finance its activities by issuing equity.

General Administrative Expenses

General administrative expenses for the three-month period ended May 31, 2014, consisted mainly of general office expenditures, travel expenses, promotional activities and the Company's claim renewal expenses. The change from the previous period consisted primarily of higher entertainment, promotional and travel expenses and a rent adjustment.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the three-month period ended May 31, 2014, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The change from the previous period consisted primarily of an increase in transfer agent fees and lower shareholder information expenses and listing fees.

Professional and Consultant Fees

Professional and consulting fees for the three-month ended May 31, 2014, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. The $68,221 decrease from the previous period was due to a decline in business development expenses, investor relations expenses and professional fees.

Stock-Based Compensation

Share-based payments and compensation for the three-month comparison period ended May 31, 2013, represented the charge related to the 1,100,000 stock options granted to directors, officers and consultants. A compensation expense of $60,101 ($27,857 in 2013) calculated using the Black-Scholes option pricing model was allocated during that period in relation to the stock options granted.

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

$000s of $ except for share data	**May 31 2014**	Feb. 28 2014	Nov. 30 2013	August 31 2013	May 31 2013	Feb. 28 2013	Nov. 30 2012	August 31 2012	May 31 2012
Revenues	**1**	1	2	4	1	5	-	2	4
Net profit (loss)	**(390)**	(179)	(485)	(938)	(834)	(267)	(329)	(144)	(754)
Basic and diluted net loss per share	**$ (0.00)**	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as at May 31, 2014, totalled $175,009, compared to $659,048 as at May 31, 2013. 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 2013	Common shares	$604,000	Working Capital and exploration expenditures

For the next year, the Company has budgeted $500,000 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)	
	2014	**2013**
Operating activities	$ **(763,622)**	$(1,517,215)
Financing activities	$ **125,275**	$ 1,514,753
Investing activities	$ **250,019**	$ (50,514)
	$ **(388,328)**	$ (52,976)
Cash & cash equivalents	$ **175,009**	$ 659,048

During the nine-month period ended May 31, 2014, funds used for operating activities were spent primarily on improving operations and promotion of the Company.

During the nine-month period ended May 31, 2014, the Company's financing activities consisted of the exercise of options.

During the nine-month period ended May 31, 2014, investment activities consisted primarily of exploration to develop the Rose tantalum-lithium property, acquisitions of mining properties and the receipt of a tax credit.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET ARRANGEMENTS

Commitments with a Board Member

A) In March 2013, the Company retained the services of Paradox Public Relations ("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 presentations and service calls on behalf of the Company. The agreement covers a 24-month period at a 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

B) In December 2013, the Company has signed an offer from Monarques Resources Inc. ("Monarques") in relation to the sale of a 50% undivided interest in the Croinor property near Val-d'Or. Monarques is offering to purchase the Croinor property from Critical Elements Corporation in exchange for the Amiral, Arques, Bourier, Caumont, Dumulon, Duval, Lemare, Nisk, Rosebay and Valiquette properties in James Bay and 500,000 common shares of Monarques Resources Inc. at a deemed price of $0.15 per common share. The common shares will be subject to voluntary hold periods as follows:

- 250,000 common shares for a six-month period following closing held on May 12, 2014; and
- 250,000 common shares for a 12-month period following closing held on May 12, 2014.

C) In March 2014, the Company retained the services of The Howard Group Inc. (“Howard”) to handle public relations. Howard directs both traditional and online initiatives targeting the investment community and the investing public. The agreement covers a 12-month period at a monthly fee of $7,500. Paradox also received 450,000 share purchase options to purchase the same number of common shares of the Company at a price of $0.20 per share for a 3 year period.

D) In April 2014, the Company retained the services of Mackie Research Capital (“Mackie”) to provide strategic advice for the development of its Rose Tantalum-Lithium mining project. The agreement covers a 12-month period at a monthly fee of $5,000. Mackie also received 450,000 share purchase options to purchase the same number of common shares of the Company at a price of $0.20 per share for a 4 year period.

E) In May 2014, the Company signed a lease contract for its Montreal office, expiring in July 2019. Minimum payments are totaling $240,870 and include the following payments over the next 5 years; 2014: $4,014, 2015: $48,174, 2016: $48,174, 2017: $48,174, 2018: $48,174 and 2019: $44,160.

ROYALTIES ON THE MINING PROPERTIES

PROPERTY	ROYALTY		DESCRIPTION
	Name	Percentage	
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%	
Arques	Alain Champagne	100%	1.4% NSR on some claims
	Golden Goose	100%	2% NSR on some claims of which 1% may be purchased for an amount of $1,000,000
Bourier	Alain Champagne	100%	1,4 % NSR on some claims
Caumont	Golden Goose	100%	2% NSR on some claims of which 1% may be purchased for an amount of $1,000,000
	Jean-Sébastien Lavallée	50%	1% NSR
	Jean-Raymond Lavallée	50%	
	Victor Cantore	100%	1.5% NSR on some claims of which 1% may be purchased for an amount of $1,000,000
	Affinage Tectonic	100%	1% NSR on some claims that may be purchased for an amount of $1,000,000
Duval	Jean-Sébastien Lavallée	50%	1% NSR
	Jean-Raymond Lavallée	50%	
	Golden Goose	100%	2% NSR on some claims of which 1% may be purchased for an amount of $1,000,000
Lemare	Jean-Sébastien Lavallée	50%	1% NSR
	Jean-Raymond Lavallée	50%	
	Alain Champagne	100%	1,4% NSR sur certains claims
	Golden Goose	100%	2% NSR on some claims of which 1% may be purchased for an amount of $1,000,000
Nisk	Jean-Sébastien Lavallée	50%	1% NSR
	Jean-Raymond Lavallée	50%	
	Alain Champagne	100%	1,4 % NSR on some claims
	Golden Goose	100%	2% NSR on some claims of which 1% may be purchased for an amount of $1,000,000
Valiquette	Jean-Sébastien Lavallée	50%	1% NSR
	Jean-Raymond Lavallée	50%	
	Golden Goose	100%	2% NSR on some claims of which 1% may be purchased for an amount of $1,000,000
Matchi-Manitou	Soquem	100%	1% NSR
Kin, Trident, IRC, Hiren and 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%	

RELATED-PARTY TRANSACTIONS

Transactions with key Executives

During the period, the Company incurred $7,084 ($5,205 in 2013) in professional and consultants fees and $1,860 ($2,754 in 2013) in general administrative expenses with its chief financial officer. No amount were payable in relation to these transactions as at May 31, 2014 ($2,645 in 2013).

During the period, the Company incurred $57,310 in professional and consultants fees (Nil in 2013), $46,795 ($24,634 in 2013) in exploration and evaluation expenditures and $49,220 ($93,454 in 2013)

in general administrative expenses and $1,801 in equipment with Consul-Teck Exploration Minière Inc., a company of which the president and chief executive officer is a shareholder, and which is controlled by a director of the Corporation. In relation with these transactions an amount of $39,400 is payable as at May 31, 2014 (Nil in 2013).

During the period, the Company acquired, among other things, the Caumont, Duval, Lemare, Nisk and Valiquette properties. The president of the Company owns 50% of the 1% NSR royalty on some of the claims of these properties.

These 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.

Transactions with Board members

During the period, the Company incurred $21,000 in professional and consultants fees ($21,250 in 2013) with Paradox Public Relations, a company controlled by a director of the Company. No amounts were payable in relation to these transactions as at May 31, 2014 (Nil in 2013).

During the period, the Company acquired properties such as Caumont, Duval, Lemare, Nisk and Valiquette of which a director of the Company owns 50% royalty of the 1% NSR royalty on some claims of the said property.

These 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.

SUBSEQUENT EVENT

In July 2014, the Company granted 450,000 share purchase options to two consultants. Each share purchase option allows the holder to acquire a share at a price of $0.26 per share for a period of two years.

SIGNIFICANT ACCOUNTING POLICIES

Financial Statements

The financial statements were prepared in accordance with IFRS.

Currency Conversion

The financial statements of the Company are reported in Canadian dollars, which is the functional currency. Transactions in foreign currencies are translated at the exchange rates prevailing at the time they are made. At each closing date, assets and liabilities denominated in foreign currencies are converted at closing rates. Exchange differences resulting from transactions are recorded in the statement of the net loss for the period.

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.

Refundable credit on mining duties and refundable tax credit related to resources

The Company is eligible for a refundable credit on mining duties under the Québec *Mining Duties Act.* This refundable credit on mining duties is equal to 16% (15% before January 1, 2012 and 12% before January 1, 2011) applicable on 50% of the eligible expenses. The accounting treatment for refundable

credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property.

In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, Income Taxes, which generates at the same time a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit.

In the second case, it is expected that no mining duties will be paid in the future and, accordingly, the credit on mining duties is recorded against exploration and evaluation assets.

Currently, it is management's intention to have the Company become a producer in the future, as such, credit on mining duties are recorded as an income tax recovery.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources can represent up to 38.75% of the amount of eligible expenses incurred and is recorded as a government grant against exploration and evaluation assets.

Credits related to resources and credits for mining duties recognized against exploration and evaluation expenditures are recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. They are recognized in profit or loss on a systematic basis over the useful life of the related assets.

Exploration and Evaluation Assets

All costs associated with property acquisition and exploration and evaluation activities are capitalized as exploration and evaluation assets. Costs that are capitalized are limited to costs related to acquisition and exploration and evaluation activities that can be associated with the discovery of specific mineral resources, and are not include costs related to production (extraction costs), and administrative expenses and other general indirect costs. Exploration and evaluation expenditures are capitalized when the following criteria are satisfied:

- are held for use in the production of mineral resources,
- the properties have been acquired and expenses have been incurred with the intention of being used on a continuing basis; and
- they are not intended for sale in the ordinary course of business.
- are held for use in the production of mineral resources,

The Company reconsiders periodically facts and circumstances in IFRS 6 that require testing exploration and evaluation assets for impairment. When facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount, the asset is tested for impairment. The recoverable amount is the higher of fair value less costs of disposal and value in use of the asset (present value of the future cash flows expected). When the recoverable amount of exploration and evaluation assets is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount by recording an impairment loss. The carrying amount of exploration and evaluation assets do not necessarily represents current or future value.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

Equipment

Equipment are accounted for at cost less any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Amortization of equipment is calculated using declining method and at the following rates:

Computer equipment	40%
Office furniture	20%

Impairment of Non-financial Assets

Non-financial assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is the higher of its fair value less costs of disposal and its value in use (present value of the future cash flows expected). An impairment loss is recognized when their carrying value exceeds the recoverable amount. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its recoverable amount.

Financial Instruments

Financial instruments are classified in the following categories: held-to-maturity investments, available-for-sale, loans and receivables, financial assets and liabilities at fair value through profit or loss or financial liabilities measured at amortized cost.

The Company has the following categories of financial instruments:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes or available for sale. These assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method. Cash and cash equivalents and other receivables are classified as loans and receivables.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are initially recognized at fair value less directly attributable transaction costs. Thereafter, they are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as financial liabilities measured at amortized cost.

Provisions

In accordance with the applicable legal requirements, a provision for site restoration in respect of contaminated properties, and the related expense, is recognized when the properties is subjected to these requirements.

Share-based Compensation

The Company accounts for share-based compensation over the vesting period of the share options. Share purchase options granted to employees and directors and the cost of services received are evaluated and recognized on fair value basis using the Black-Scholes option pricing model.

For transactions with parties other than employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received, it measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Flow-through Shares

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company finances a portion of its exploration programs with flow-through shares issue.

At the time of the share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability related to flow-through shares. The Company estimates the fair value of the liabilities related to flow-through shares using the residual method, deducting the quoted price of common share from the price of the flow-through shares at the date of the financing announcement.

A company may renounce the deductions for tax purposes under either what is referred to as the “general” method or the “look-back” method.

When tax deductions are renounced under the general method, the Company records a deferred tax liability with a corresponding charge to income tax expense when Company has the expectation of renouncing and has capitalized the expenditures. At the same time the liability related to flow-through shares is reduced to zero, with a corresponding increase to other income related to flow-through shares.

When tax deductions are renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to income tax expense when expenditures are incurred and capitalized. At the same time, the liability related to flow-through shares would be reduced to zero, with a corresponding increase to other income related to flow-through shares.

Share Issuance Expenses

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

Basic and Diluted Loss per Share

The basic loss per share is calculated using the weighted average number of shares outstanding during the year. 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 share purchase options and warrants.

Other Revenues

Other revenues are recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, the stage of completion of the transaction at year end can be measured reliably and the cost incurred for the transaction can be measured reliably.

Mining Properties Options Agreements

Options on interests in mining properties acquired by the Company are recorded at the value of the consideration paid, including other 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. Expenditures are accounted for only when incurred by the Company.

When the Company sells interests in a mining property, it uses the carrying amount of the property of the option as the carrying amount for the portion of the property retained, and credits any cash consideration received and also fair value of other financial assets against the carrying of this portion (any excess is recognized as a gain in profit or loss).

Net Smelter Return ("NSR") Royalties

The NSR royalties are generally not accounted for when acquiring the mining property since they are deemed to be a contingent liability. Royalties are only accounted for when probable and can be measured with sufficient reliability.

Income Taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes except when deferred income results from an initial recognition of goodwill or from initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they will reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year. 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.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. At the end of each reporting period of financial information, the Company reassesses the tax deferred asset not recognized. Where appropriate, the Company records a tax deferred asset that had not been recorded previously to the extent it has become probable that future taxable profits will recover the tax deferred asset.

Segment Disclosures

The Company currently operates in a single segment: the acquisition, exploration and development of mining properties. All of the Company's activities are conducted in Canada.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of accounting policies as well as the carrying amount of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed regularly. Any revision of accounting estimates are recognized in the period during which the estimates are revised and in future periods affected by these revisions.

- Impairment of exploration and evaluation assets (Note 4 and 7).
- Income taxes and deferred taxes (Note 4).
- Going concern (Note 1).
- Tax Credit Related to Resources and Mining Tax Credit (Note 4).

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, 2014.

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 audited consolidated financial statements at the periods indicated.

EXPLORATION AND EVALUATION ASSETS

	May 31 (9 months)	
	2014	**2013**
Balance, beginning of period	**$ 13,600,255**	$ 14,550,507
Add:		
Acquisition of exploration and evaluation assets	**2,284,955**	250,000
Drilling	**-**	24,633
Pre-feasibility and impact studies	**(5,079)**	2,773
Feasability studies	**-**	551
Mineral resource estimate	**30,840**	-
Metallurgical test	**98,799**	12,086
Supervision	**-**	2,343
Analysis	**-**	(7,911)
General exploration expenses	**12,060**	11,838
	2,421,575	296,313
Balance, before deduction	**16,021,830**	14,846,820
Tax credit related to resources	**51,144**	**246,876**
Disposal	**2,412,320**	-
Impairment of exploration and evaluation assets	**-**	578,379
	2,463,464	**825,255**
Balance, end of period	**$ 13,558,366**	$ 14,021,565

MATERIAL COMPONENTS

		May 28	
	2014	**2013**	**2012**
Statements of Comprehensive Income			
Professional and consultant fees	$ **451,247**	$ 758,553	$ 572,341
Impaiment of exploration ans evaluation	**43,996**	578,379	-
Stock-based compensation	$ **247,912**	$ 112,931	$ 240,723

		May 31	
	2014	**2013**	**2012**
Statements of Financial Position			
Exploration and evaluation assets	**$ 13,558,366**	$ 14,021,565	$ 13,175,580

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

DISCLOSURE OF OUTSTANDING SHARE DATA (as at July 28, 2014)

Common shares outstanding:	120,664,372
Options outstanding:	6,155,000
Average exercise price of:	$ 0.15

Expiry date	Number of shares	Exercise price
		$
October 2014	300,000	0.15
January 2015	105,000	0.20
March 2015	400,000	0.40
April 2015	450,000	0.335
August 2015	100,000	0.15
September 2015	100,000	0.205
March 2016	1,250,000	0.30
April 2016	200,000	0.20
January 2017	550,000	0.15
March 2017	450,000	0.20
March 2018	450,000	0.20
August 2018	1,800,000	0.15
	6,155,000	

Warrants outstanding :	3,951,500
Average exercise price of:	0.375 $

Expiry date	Number of shares	Exercise price
		$
February 2016	2,441,500	0.375
March 2016	1,510,000	0.375
	3,951,500	

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).