CRITICAL ELEMENTS CORPORATION

(an exploration company)

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended August 31, 2017

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 year ended August 31, 2017, and of the Company’s financial condition and future perspectives or opportunities. This discussion and analysis supplements, but does not form part of, the audited financial statements for the year ended August 31, 2017. It reports on the Company’s performance for the year ended August 31, 2017, and should therefore be read in conjunction with the audited financial statements as at August 31, 2017 and the notes thereto. This review was prepared by management with information available as at the date of the MD&A.

The audited 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 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 November 21, 2017.

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 Corporation 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

Rose Lithium-Tantalum – Lithium, Tantalum Project

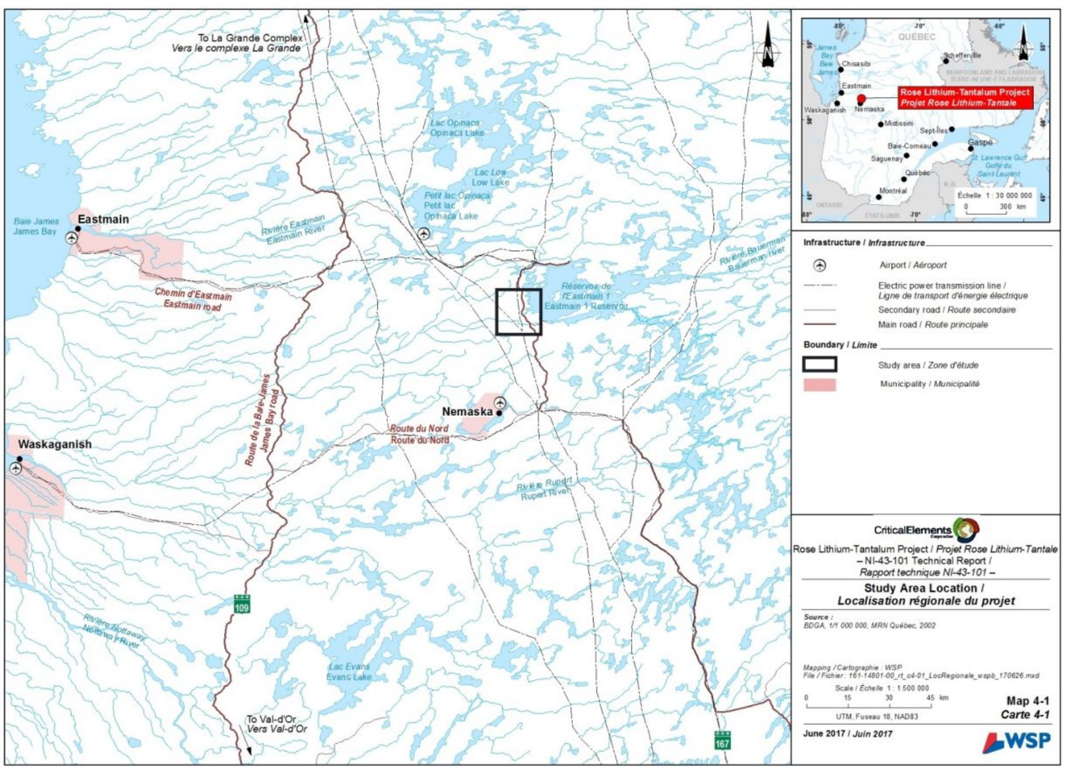
Property Description

The Rose Lithium-Tantalum property is located in northern Québec's administrative region, on the territory of Eeyou Istchee James Bay. It is located on Category III land, on the Traditional Lands of the Eastmain Community, approximately 40 km north of the Cree village of Nemaska. The latter is located approximately 300 km north-west of Chibougamau.

The Rose Lithium-Tantalum property is accessible by road via the Route du Nord, usable all year round from Chibougamau. The mine site can also be reached by Matagami, via Route 109 and Route du Nord. Figure below shows the regional location of the project. The project is located 80 km south of Goldcorp's Éléonore gold mine and 45 km north-west of Nemaska's Whabouchi lithium project and 20 km south of Hydro Québec's Eastmain 1 hydroelectricity generating plant. The Nemiscau airport services the regions air travel needs. The Rose Lithium-Tantalum property site is located 50 km by road from the Nemiscau airport.

The Rose Lithium-Tantalum property comprises 500 claims spread over a 26,100 ha area. Geologically, the Rose Lithium-Tantalum property is located at the north-east end of the Archean Lake Superior Province of the Canadian Shield.

Rose Lithium-Tantalum Property Location



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 Lithium-Tantalum 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 addressed, 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 Lithium-Tantalum project.

In September 2015, the Company signed a strategic collaboration agreement with Helm AG ("Helm") , that includes take or pay off-take Agreement for all products produced from the Rose Lithium-Tantalum project, to be executed. Helm will also have the option of participating in the project by providing equity in the project financing for an interest of up to 25%.

In August 2016, the Company concluded an agreement for a credit facility of up to $4,500,000 arranged by its strategic partner Helm. The Credit Facility will allow the Corporation to fund its feasibility study on the Rose Lithium-Tantalum project. The Credit Facility shall have a term of 5 years and shall bear interest at an annual rate of 12%.

Work done during the year

Exploration expenses of $6,503,791 were incurred during the year ended August 31, 2017.

In September 2016, the Company obtained an initial draw. This first draw of an amount of $1,500,000 have a term of 5 years and bear interest at an annual rate of 12%. In connection with the Initial dtrawdown, Helm received 2,500,000 share purchase exercisable entitling it to purchase same number of common shares of the Company at a price of $0.77 per share.

In April 2017, the Company announced that it had successfully completed its pilot plant trials. The program confirmed the suitability and robustness of the beneficiation plant design. The outstanding results yielded lithium concentrate grades of up to 6.56% and recoveries of up to 83.4%. Results obtained in pilot plant testing demonstrate very good understanding of the processing of the mineralized material, and the commercial plant should generate results similar to the locked cycle tests with the optimized equipment.

Locked cycle tests returned outstanding results, with a lithium concentrate grade of 6.65% Li_2O and recoveries of up to 89.7%. Tantalite recoveries were 48.1% for Rose and 64.4% for Rose South, respectively, with grades of 1.44% and 2.39% Ta_2O_5, respectively. The trials also included testing of low iron content mineralized material suitable for higher-value Glass and Ceramics applications (Spodumene Tech Grade).

In June 2017, the Company closed the transaction for the second and third drawdown under the credit facility agreement concluded in August 2016, with Helm AG allowing the Company to have access to a credit facility of up to $4,500,000 to be used for the feasibility study of the Rose Lithium-Tantalum project. Those drawdowns in the amount of $3,000,000 will have a term of five years and will bear 12% interest per year. In connection with those drawdown, Helm AG received 3,296,703 warrants allowing it to acquire the same number of common shares of the Company at a price of $1.07 per share.

In July 2017, has announced that its environmental impact study (“EIS”) for the Rose Lithium-Tantalum Project was officially submitted to the Environmental and Social Impact Review Committee (“COMEX”) and the Canadian Environmental Assessment Agency (“CEAA”). Submission of the EIS, which was developed by WSP, is an important step in the process of obtaining authorization for the project. The EIS was submitted to COMEX in accordance with Chapter II of the Quebec *Environment Quality Act* and to the CEAA in accordance with the *Canadian Environmental Assessment Act* (2012).

On October 20, 2017, the Company proceeds to the filing on SEDAR of a National Instrument ("NI") 43-101 technical report representing the qualifying report for the feasibility study of the Rose Lithium-Tantalum. Highlights are as follows:

- Average annual production of 186,327 tonnes of chemical grade lithium concentrate
- Average annual production of 50,205 tonnes of technical grade lithium concentrate
- Average annual production of 429 tonnes of tantalum concentrate
- Expected life of mine of 17 years
- Average operating costs of $66.56 per tonne milled, $458 (US$344) per tonne of concentrate (all concentrate production combined)
- Estimated initial capital cost $341.2 million before working capital
- 100% equity basis for project
- Average gross margin 63.6%
- After-tax NPV of $726 million (at 8% discount rate), after-tax IRR of 34.9% and price assumption of US$1,500 per tonne technical grade lithium concentrate, US$750 per tonne chemical grade lithium concentrate, US$130 per kg tantalum pentoxide
- Anticipated construction time to start of production of 21 months

The completion of the feasibility on the spodumene plant is the first step to enter the market and establish the Company as a reliable high quality lithium supplier. The low-risk approach is characterised by simple open-pit mining and conventional lithium processing technologies.

The feasibility is based on a conventional truck and shovel open pit operation and a conventional milling process to produce technical and chemical grade spodumene concentrates and a tantalite concentrate.

The mine will excavate a total of 26.8M tonnes ore grading an average of 0.85% Li_2O and 133 ppm Ta_2O_5 after dilution. The mill will process 1.61M tonnes of ore per year to produce an annual average of 236,532 tonnes of technical and chemical grade spodumene concentrates and 429 tonnes of tantalite concentrate. The ore is contained in several parallel and continuous low dipping pegmatite veins outcropping on surface. The ore zones are open at depth and a future underground operation is possible.

Over the life of mine, the open pit will excavate a total of 182.4M tonnes of waste rock and 11.0 M tonnes of overburden. The average strip ratio is 7.2 tonnes of stripping per tonne of ore.

The environmental and social impact study was submitted to the federal and provincial environmental agencies at the end of July. Permitting is expected to take 18 months. During this time, the Company will carry out detailed engineering, select the construction contractors, and purchase long lead time items. Construction and start-up is expected to take 21 months. Construction is expected to commence Q4 2018 while commercial production is expected to commence in Q3 2020. The Rose Lithium-Tantalum project will have a peak of 575 employees during construction and an average of 290 employees for commercial production.

Table 1: Rose Key FS Results

Item	Units	Value	
Production			
Project life (from start of construction to closure)	years	19	
Mine life	years	17	
Total mill feed tonnage	M t	26.8	
Average mill feed grade			
Li_2O	% Li_2O	0.85	
Ta_2O_5	ppm Ta_2O_5	133	
Lithium Concentrate Production			
% of Production, Chemical Grade	%	75	
% of Production, Technical Grade	%	25	
Mill recoveries			
Li_2O, Chemical Grade	%	90	
Li_2O, Technical Grade	%	87	
Ta2O5	%	40	
Payable			
5% Li_2O Concentrate, Chemical Grade	t	3,070,000	
6% Li_2O Concentrate, Technical Grade	t	827,000	
Ta_2O_5 contained in concentrate	kg	1,431,000	
Commodity Prices			
5% Li_2O Concentrate, Chemical Grade FOB port	US$/t conc.	750	
6% Li_2O Concentrate, Technical Grade FOB port	US$/t conc.	1,500	
Ta_2O_5 contained in concentrate FOB mine site	US$/kg contained	130	
Exchange rate		1 US$: 1.33 CAN$	
		0.75 US$: 1 CAN$	
Project Costs		**CA$**	**US$**
Average Mining Cost	$/t milled	30.69	23.02
Average Milling Cost	$/t milled	16.14	12.11
Average General & Administrative Cost	$/t milled	12.15	9.12
Average Concentrate Transport Costs	$/t milled	7.57	5.68
Project Economics		**CA$**	**US$**
Gross Revenue	$M	4,973	3,729
Total Selling Cost Estimate	$M	152	114
Total Operating Cost Estimate	$M	1,785	1,339
Total Sustaining Capital Cost Estimate	$M	127	95
Total Capital Cost Estimate	$M	341	256
Duties and Taxes	$M	1,000	750
Pre-Tax Cash Flow	$M	2,567	1,926
After-Tax Cash Flow	$M	1,567	1,175
Effective tax rate		39%	
Discount Rate		8%	
Pre-Tax Net Present Value @ 8%	$M	1,257	943
Pre-Tax Internal Rate of Return		48.2%	
Pre-Tax Payback Period	years	2.3	
After-Tax Net Present Value @ 8%	$M	726	545
After-Tax Internal Rate of Return		34.9%	
After-Tax payback period	years	2.8	

Reserve Estimate

A Mineral Reserve Estimate for 17 mineralized zones was prepared during this study. The estimation assumed the production of a chemical grade spodumene concentrate with a price of 15.66 US$ per kg Li_2O and a tantalite concentrate with a price of 130 US$ per Ta_2O_5. The recoveries were fixed at 85% and 64% for Li and Ta respectively. The grade-recovery curve used for resource estimate, which became available after the mineral reserves were evaluated, was verified and found to have little influence on the reserve estimate. The production of a higher value technical grade spodumene concentrate was not assumed in the reserve estimate.

Based on compilation status, metal price parameters, and metallurgical recovery inputs, the effective date of the estimate is August 4, 2017.

The estimate was prepared in accordance with CIM's standards and guidelines for reporting mineral resources and reserves.

Table 1 displays the results of the Mineral Reserve Estimate for the Rose Project at the $29.70 NSR per tonne cut-off for the open-pit scenario.

Table 1 – Mineral Reserve Estimate

	Tonnage	NSR	Li_2O_eq	Li_2O	Ta_2O_5
Category	**(Mt)**	**($)**	**(%)**	**(%)**	**(ppm)**
Probable	26.8	148.99	0.96	0.85	133
Total	**26.8**	**148.99**	**0.96**	**0.85**	**133**

- The Independent and Qualified Person for the Mineral Reserve Estimate, as defined by NI 43-101, is Patrick Frenette, P.Eng, M.Sc.A, of InnovExplo Inc. The effective date of the estimate is August 4, 2017.
- The model includes 17 mineralized zones.
- Calculations used metric units (metres, tonnes and ppm).
- The number of metric tons was rounded to the nearest thousand. Any discrepancies in the totals are due to rounding effects. Rounding followed the recommendations in NI 43-101.
- InnovExplo is not aware of any known environmental, permitting, legal, title-related, taxation, socio-political, marketing or other relevant issue that could materially affect the Mineral Reserve Estimate.

Resource Estimate

InnovExplo updated the mineral resource estimate from the 2011 PEA for 23 mineralized zones. The mineral resource was updated on a block value basis using current pricing and cost parameters.

The effective date of the estimate is August 29, 2017, based on compilation status, metal price parameters, and metallurgical recovery inputs.

Given the density of the processed data, the search ellipse criteria, the drill hole density and the specific interpolation parameters, InnovExplo is of the opinion that the current mineral resource estimate can be classified as Indicated and Inferred resources. The estimate was prepared in accordance with CIM's standards and guidelines for reporting mineral resources and reserves.

Table 2 displays the results of the Mineral Resource Estimate for the Rose Project using $30 NSR per tonne cut-off for the open-pit mine and $110 NSR cut-off for the underground mine.

Table 2 – Mineral Resource Estimate

		Tonnage	NSR	Li_2O_eq	Li_2O	Ta_2O_5
Category		**(Mt)**	**($)**	**(%)**	**(%)**	**(ppm)**
Indicated	Pit-constrained	30.0	161	1.04	0.93	150
	Underground	1.9	159	1.02	0.94	114
	Total Indicated	**31.9**	**161**	**1.04**	**0.93**	**148**
Inferred	Pit-constrained	2.0	137	0.90	0.79	153
	Underground	0.8	149	0.96	0.88	126
	Total Inferred	**2.8**	**141**	**0.92**	**0.82**	**145**

- The Independent and Qualified Person for the Mineral Resource Estimate, as defined by NI 43-101, is Pierre-Luc Richard, P.Geo., M.Sc., of InnovExplo Inc. The effective date of the estimate is August 29, 2017.
- These Mineral Resources are not Mineral Reserves as they do not have demonstrated economic viability.

- The model includes 23 mineralized zones.
- Results are presented in situ and undiluted.
- Sensitivity was assessed using cut-off NSR values for $5-10 increments from $20 to $150. The mineral resource is reported at a cut-off of $30 NSR for the open-pit and of $110 NSR for the underground potential based on market conditions (metal price, exchange rate and production cost).
- A range of densities was used on a per-zone basis based on statistical analysis of all available data.
- A minimum true thickness of 2.0 metres was applied, using the grade of the adjacent material when assayed or a value of zero when not assayed.
- High grade capping was done on raw assay data based on the statistical analyses of individual mineralized zones.
- Compositing was done on drill hole intercepts falling within mineralized zones (composite lengths vary from 1.5 m to 3 m in order to distribute the tails adequately).
- Resources were evaluated from drill holes using a 2-pass OK interpolation method in a block model (block size = 5 m x 5 m x 5 m).
- The inferred category is only defined within the areas where blocks were interpolated during pass 1 or pass 2 where continuity is sufficient to avoid isolated blocks being interpolated by only one drill hole. The indicated category is only defined by blocks interpolated by a minimum of two drill holes in areas where the maximum distance to the closest drill hole composite is less than 40 metres for blocks interpolated in pass 1.
- The number of metric tons was rounded to the nearest thousand. Any discrepancies in the totals are due to rounding effects. Rounding followed the recommendations in NI 43-101.
- InnovExplo is not aware of any known environmental, permitting, legal, title-related, taxation, socio-political, marketing or other relevant issue that could materially affect the Mineral Resource Estimate.

<u>Feasibility Study</u>

The parameters used for the feasibility study are the following:

- Open pit mining rate of 1,610,000 tpy
- Spodumene process plant with a 4,900 tpd nominal capacity

<u>Mining Operation</u>

The mineralization is hosted within outcropping pegmatite dykes subparallel to surface. The ore body is relatively flat, close to surface and comprised of north oriented stacked lenses. Mineralization recognized to date on the Rose property includes rare element of Lithium-Cesium-Tantalum or LCT-type pegmatites and molybdenum occurrences.

A conventional truck and shovel open-pit approach was considered to mine the Rose Lithium-Tantalum Project's Probable Mineral Reserves. The dimensions of the engineered pit design are approximately 1,620m long x 900m wide x 200m deep.

The life of mine plan (LOM) proposes to mine 26.8 Mt of ore, 182.4 Mt of waste, and 11.0 Mt of overburden for a total of 220.2 Mt of material. The average stripping ratio is 7.2 tonnes of stripping per tonne of ore. The nominal production rate is estimated at 4,600 tonnes per day and 350 operating days per year.

The mining operation production rate is set to approximately 15 Mt of material per year. An open pit mining schedule was planned and resulted in a mine life of 17 years.

Contract mining will be used for the removal of the overburden while Critical Elements will undertake the mining of all hard rock material with its own equipment fleet and operators,

The main production fleet will consist of one (1) backhoe excavator, one (1) electric front shovel, one (1) wheel loader, seven (7) haul trucks (65t), seven (7) haul trucks (135t), two (2) rotary drills, one (1) DTH drill, two (2) bulldozers, one (1) wheel dozer, two (2) graders, and two (2) water trucks.

The Rose Lithium-Tantalum project pit was designed with a 10m single benching arrangement. A 57° inter-ramp angle and an overall pit slope angle of 55° were utilized for the ultimate pit design. A berm width of 7.0m corresponding to the recommended overall slope angle was used. The pit slopes in overburden have a face ratio of 2.5:1 with a 10m berm width.

The main in-pit haulage ramp is designed at 30.9m wide to allow a double-lane traffic, except for the last benches at the pit bottom that are designed at 20.4m wide for single lane traffic. A 2m drainage ditch is included to allow for water drainage and pipe installation. The maximum gradient of the inner curvature of all ramp segments is 10%.

Figure 2 – Rose Lithium-Tantalum Pit Plan View

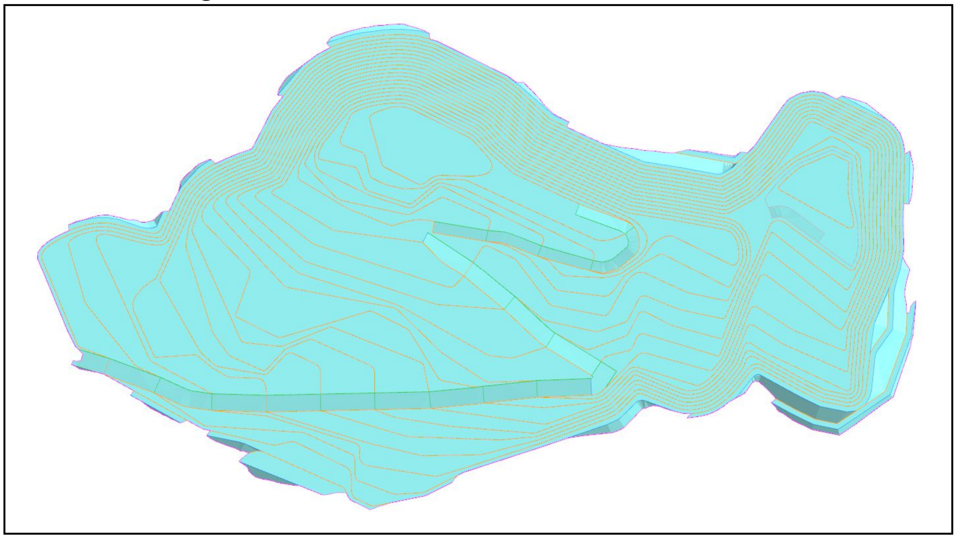
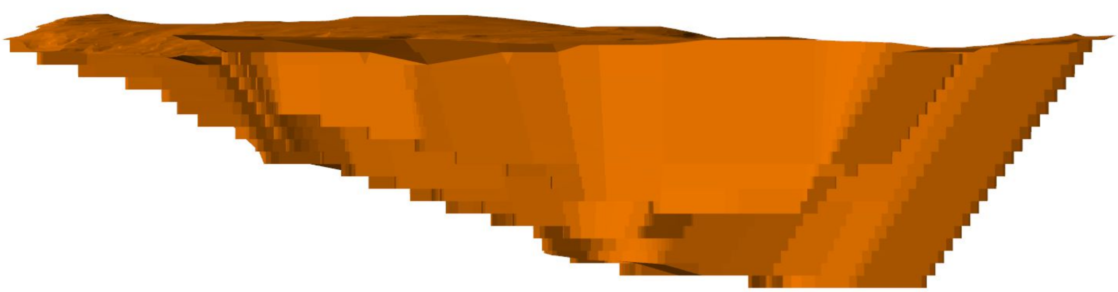


Figure 3 – Rose Lithium-Tantalum Pit Side View Looking West



Mineral Processing

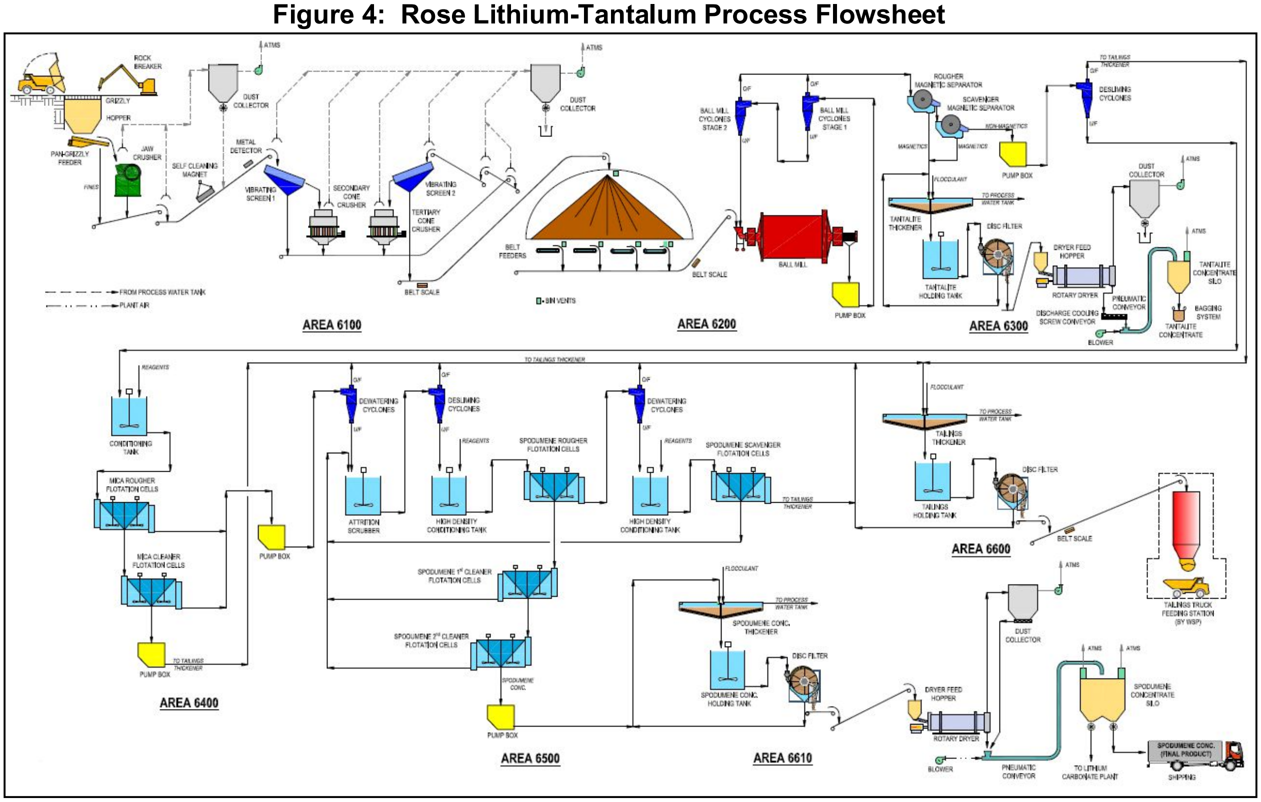
A standard froth flotation process will be utilized to produce technical grade and chemical grade lithium concentrates and a tantalum concentrate. The mineral process plant will consist of crushing, beneficiation, and dewatering areas. The technical grade lithium concentrate will grade 6.0% Li_2O while the chemical grade lithium concentrate will grade 5.0% Li_2O. The tantalum concentrate will grade 20% Ta_2O_5.

The beneficiation process includes crushing, grinding, magnetic separation and flotation. The crushing circuit will consist of a jaw crusher and two (secondary and tertiary) cone crushers, and screens. The crushed ore will have a P_{80} of 13mm and will be stockpiled in a 9,200 tonnes capacity dome; this is sufficient for approximately two days of mill operation. The grinding circuit will consist of a ball mill operating in a closed circuit and a two-stage cyclone cluster. The tantalum will first be recovered at a grade of 2.0% Ta_2O_5 by high intensity magnetic separation then upgraded further to 20.0% Ta_2O_5 by gravity separation. The tantalum concentrate will then be thickened, vacuum filtered, dried to 1% moisture and bagged, ready for shipping. The lithium flotation circuit will remove slimes, separate mica, and purify the lithium to the required grade. The spodumene concentrate will then be thickened, vacuum filtered, dried to 1% moisture, and stored in 1500 tonne silo from where it can be bulk loaded into trucks. The tailings will be thickened, vacuum filtered to 15% moisture, and trucked to the waste rock / tailings piles where it will be dry stacked.

The spodumene plant will operate 24 hours per day, seven (7) days per week, and 52 weeks per year. The process plant was designed with an operating availability of 90%. The crushing circuit was designed using an operating availability of 50%. The concentrator capacity has been established at a nominal throughput rate of 4 900 dry tonnes per day. The plant has a capacity of 1,610,000 per year.

The process plant flowsheet developed by Bumigeme Inc. is presented in Figure 4.

Figure 4: Rose Lithium-Tantalum Process Flowsheet



Metallurgy

Bench scale metallurgical testing was performed at ACME Metallurgical Limited in Vancouver in 2011. The results from these tests were used for the PEA study. Three composites; the Rose (main structure), the Rose Sud-Est (Southeast structure) and Tantalum (secondary structure with higher tantalum and lower lithium content) were subjected to various metallurgical tests.

SGS Canada Inc. in Lakefield conducted tests from 2013 to 2015 to improve lithium and tantalum recoveries. In 2015 SGS Canada Inc. developed a conceptual flowsheet based on a series of bench scale tests on various samples from the Rose deposit. The proposed flowsheet is comprised of conventional three-stage crushing and single stage grinding followed by magnetic separation for the recovery of tantalum, mica flotation, and spodumene flotation. This flowsheet was the basis of the process plant design.

SGS Canada also conducted a pilot plant program in early 2017 on two samples from the Rose project (Rose and Rose South). The main objective of the pilot plant program was to generate spodumene concentrate for testing in a lithium carbonate pilot plant which was conducted by Outotec in Germany and Finland. Secondary objectives were to prove metallurgical performance on a continuous pilot scale and to generate metallurgical and operating data for further studies. The spodumene pilot plant demonstrated the robustness of the design process.

The feasibility study assumes 87.3% and 90% recovery for technical and chemical grade lithium concentrates respectively and 40% recovery for the tantalum concentrate.

Process water will be recycled releasing minimal amounts to the equalization pond and final effluent treatment plant.

Bulk sampling for pilot plant work

Environmental and Social Impact Assessment

Baseline environmental studies were initiated in the spring 2011. In 2016, various studies were undertaken in order to update the 2011 data and to obtain the baseline information that is required to assess the project's impacts within the Environmental and Social Impact Assessment ("ESIA") of the Rose mine Project. In total, eleven different sectorial studies were completed documenting the following components:

- Hydrology
- Surface Water and Sediments
- Terrestrial fauna
- Aquatic fauna
- Artificial light at night
- Landscape
- Environmental Site Assessment – Phase I
- Vegetation
- Greenhouse gas
- Noise (including modelling)
- Archeology
- Air quality (including modelling)

One study is currently ongoing for the hydrogeological environmental component.

The baseline study was completed and the ESIA was submitted to the Canadian Environmental Assessment Agency (CEAA) and the Ministère du Développement durable, de l'Environnement, et de la Lutte contre les changements climatiques (MDDELCC) of the Québec Province on July 28th, 2017. The ESIA included preliminary information regarding Hydrogeology and will be updated when modelling is completed.

Critical Elements has been working since the beginning with the Eastmain Community, on whose lands the Project lies. The company has also maintained good relations with the Grand Council of the Cree and with the neighbouring Nation of Nemaska. Consultations have been ongoing and are planned throughout the life of the Project.

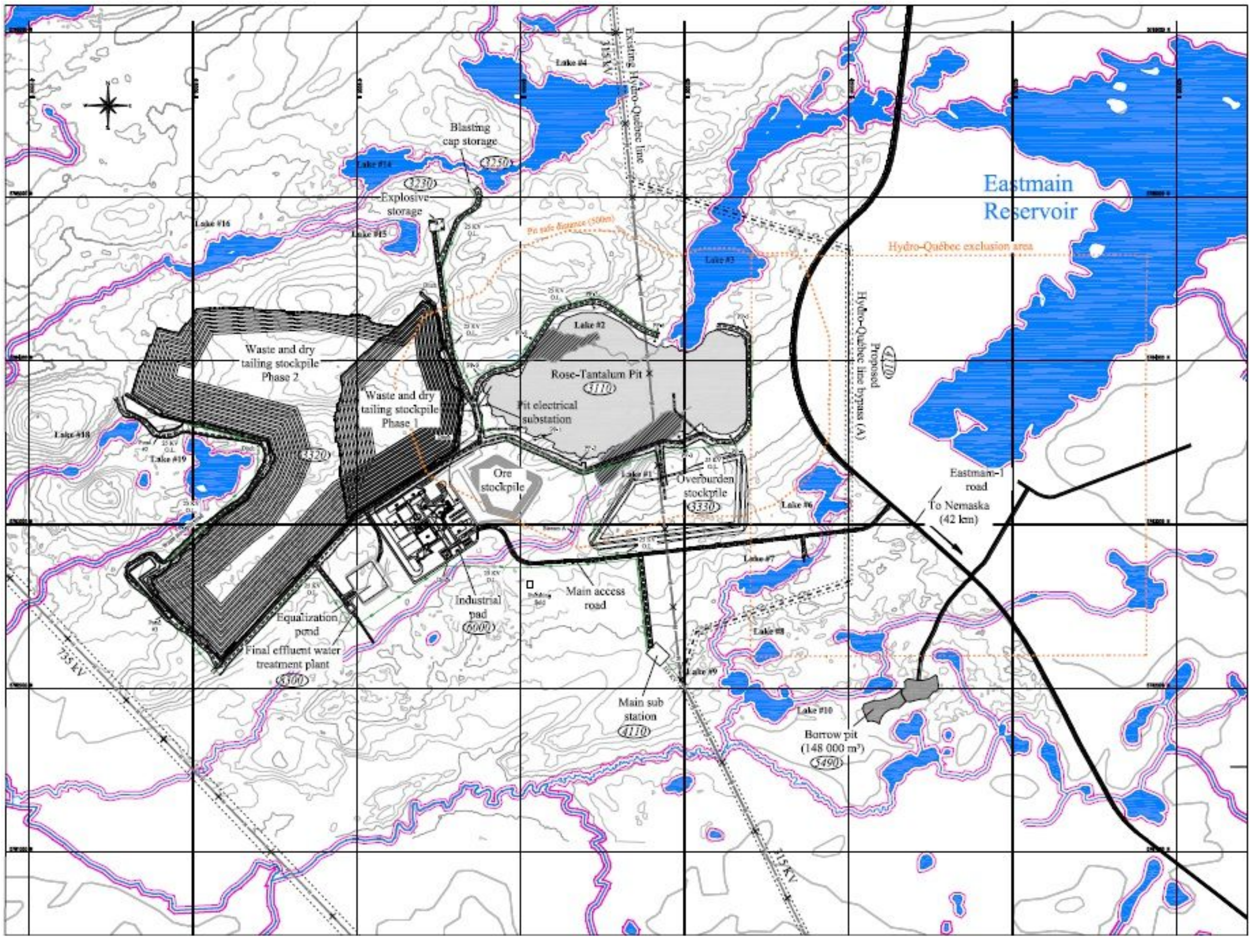
The filing of the ESIA to the Federal and Provincial Authorities is the core of the Evaluation Process. The process of acquiring the required authorizations is expected to take 18 months. No major obstacles are anticipated.

Infrastructure

The project infrastructure includes site main services and haulage roads, explosive and detonator storage, a spodumene processing plant, a pit equipment maintenance facility, a warehouse, diesel and gasoline storage, LNG storage and distribution, ore stockpile pad, waste rock and dry tailings stockpile, overburden stockpile, main electrical substation and distribution, fresh and potable water supply, sewage, surface water management, final effluent treatment, communication system, gate house, and an administrative building. A lithium carbonation plant is not included in the feasibility study, but additional space is provided on the industrial pad and services are planned for future installation.

The mine site layout is shown in figure 5.

Figure 5 – Rose Lithium-Tantalum Site Layout



Waste rock and tailings samples were analysed at the SGS Canada's laboratory in Lakefield and both were found to be non-acid generating. The dry tailings and the waste rock will be stored in the same facility which has sufficient capacity for the life of mine. Rain and melt water will be collected in ditches and pumped to the water treatment plant.

The ore pad will have a 3.9M tonne capacity where low grade material may be stored.

The industrial pad has an area of 296,000 m^2 and will contain the process plant, the maintenance facility, warehouse, administration building, diesel and gasoline storage tanks, LNG storage and distribution, and all associated services. LNG will be used for buildings heating and for the drying of the lithium and tantalum concentrates. The LNG facility will be in place for the kiln of a lithium carbonate plant if required, necessitating the addition of only one additional reservoir.

The hydrology study has suggested that water inflow to the open pit is to be expected. In order to maximize pit slopes, water wells will be constructed around the pit periphery to lower the water table below the pit floor. One of these wells will be used to supply the mine site with fresh water. Water from the other wells will be directed directly to the final effluent.

Impacted water from the waste rock / dry tailings pad, the open pit, the industrial pad, and roads will be collected in an equalization pond and treated before being released as final effluent.

The mine site will have a 2.7 km main access road from the Eastmain 1 road to the industrial pad. Including the service roads, the site will total 15.8 km of roads.

Electricity will be provided by Hydro-Québec. A 315 kV electrical transport line (L3176), owned by Hydro-Québec, runs North-South over the eastern side of the Rose Property. It runs over the planned open pit. The portion running over the open pit will be rerouted to allow open pit operation. Critical Elements and Hydro-Québec have signed an agreement to conduct a technical study for the supply of electricity to the mine and the rerouting of the power line. Hydro-Québec is currently conducting this study. In a previous study Hydro-Québec provided costs for preparation work in supplying electrical power and for the rerouting of the power line which is to be incurred by the mine. These costs were incorporated in the FS. The schedule of the power line relocation fits with Critical Elements construction schedule such that electrical power will be available from the main grid in time for the mill commissioning and start-up. The 315kV power line reroute will total 4.2 km.

The power demand for the project has been estimated at about 13,486 kW (15,615 kVA) and a reserve of up to 20 MVA has been accepted by Hydro-Québec. Two 15 MW transformers will operate at the same time to feed the site and the processing plant. The transformers will feed the 25 kV mine site electrical network. Power lines are necessary to feed the processing plant, the industrial pad, the final water treatment plant, the open pit and wells, the pumps at the waste rock / dry tailings water collecting ponds, and the explosives and detonator storage facilities. A total of 15.5 km of power lines are planned.

Power line at Rose Lithium-Tantalum site

Capital Costs

The capital and operating costs were estimated in Canadian dollars. An economic analysis was conducted with a discounted cash-flow before and after tax. The initial capital cost is estimated at CA$341.2M including all infrastructures described earlier with a 10% contingency. The sustaining capital is estimated at CA$126.8M over the life of mine.

The total payable products are estimated at 3,070,006 tonnes of chemical grade Li_2O concentrate, 827,196 tonnes of technical grade Li_2O concentrate, and 7,157 tonnes of Ta_2O_5 concentrate.

Table 3 – Initial Capital and Sustaining Capital Costs

Item	Initial Capital M CA$	Sustaining Capital M CA$	Initial Capital M US$	Sustaining Capital M US$
Direct Capital Estimate	**235.1**	**93.8**	**176.3**	**70.4**
Mining	49.3	89.5	37.0	67.1
Power & Electrical	27.8	0.6	20.8	0.4
Infrastructure	36.7	0.0	27.5	0.0
Process plant	111.9	0.0	83.9	0.0
TSF and Water management	9.5	3.8	7.1	2.8
Indirect Capital Estimate	**74.9**	**0.4**	**56.2**	**0.3**
Administration & Overhead	32.2	0.0	24.1	0.0
Project Development (Studies)	0.4	0.0	0.3	0.0
PCM, Other indirects & Other costs	42.3	0.4	31.7	0.3
Contingency	31.0	9.4	23.2	7.1
Mine Rehabilitation (incl. contingency)	0.0	17.8	0.0	13.4
Mine Rehabilitation Bond	0.2	5.4	0.1	4.0
Total Capital Estimate	**341.2**	**126.8**	**255.9**	**95.1**

Operating Costs

The operating costs are estimated at $66.56 per tonne of ore processed which include:

- Mining $30.69 per tonne processed
- Processing $16.14 per tonne processed
- G&A $12.15 per tonne processed
- Concentrate transportation $ 7.57 per tonne processed

The operating costs are estimated at $458/tonne (US$344/tonne) of concentrate as summarized in table 4.

Table 4 – Operating Costs per tonne of concentrate

Item	CA$/t Li_2O concentrate	US$/t Li_2O concentrate
Mining	211	158
Processing	111	83
General and Administration	84	63
Transportation Concentrate	52	39
Total Operating Costs	**458**	**344**
SG&A	26	20
Royalties	13	10
Total Operating Costs (w. SG&A and Royalties)	**497**	**373**
Less: Tantalite Credit	48	36
Total Operating Costs (after tantalite credit)	**449**	**337**

Energy unit costs are $0.05 per kWh for electricity, $0.95 per litre for diesel, and $0.546 per m^3 for LNG.

Project Economics

The mine will process 1,610,000 tonnes ore per year grading an average of 0.85% Li_2O and 133 gpt Ta_2O_5 over a period of 17 years. The price assumptions are US$750 per tonne and US$1,500 per tonne of chemical grade and technical grade lithium concentrates respectively (FOB port) and US$130 per kg Ta_2O_5 contained in the tantalum concentrate (FOB mine site). The pre-tax and after-tax NPV at various discount rates are presented in table 5.

Table 5 – Pre-Tax and After-Tax NPV

Discount Rate	Pre-Tax M CA$	After-Tax M CA$	Pre-Tax M US$	After-Tax M US$
NPV @ 0%	2,567	1,567	1,926	1,175
NPV @ 5%	1,620	960	1,215	720
NPV @ 8%	1,257	726	943	545
NPV @ 10%	1,070	605	802	454
NPV @ 12%	914	504	686	378

The after tax internal rate of return is 34.9%.

Sensitivity Analysis

The sensitivity of the NPV to exchange rate and chemical grade lithium concentrate price is presented in table 6.

Table 6 – After-Tax NPV Sensitivity to exchange rate and chemical grade lithium concentrate

	After-Tax NPV @ 8% Discount Rate - M CA$				
Exchange Rate USD/CAD	Li_2O Price - Chemical Grade				
	720 US$/t	810 US$/t	Base Case	990 US$/t	1080 US$/t
0.70	798M CA$	923M CA$	840M CA$	1,172M CA$	1,296M CA$
Base Case	687M CA$	805M CA$	726M CA$	1,038M CA$	1,154M CA$
0.80	590M CA$	701M CA$	627M CA$	920M CA$	1,030M CA$

Figures 6 and 7 present the sensitivity the NPV at 8% discount rate and IRR to prices, Li_2O recovery, exchange rate, operating costs, and capital cost. The economics are most sensitive to Li_2O price, exchange rate, and Li recovery.

Figure 6 – Sensitivity on After-Tax NPV 8%

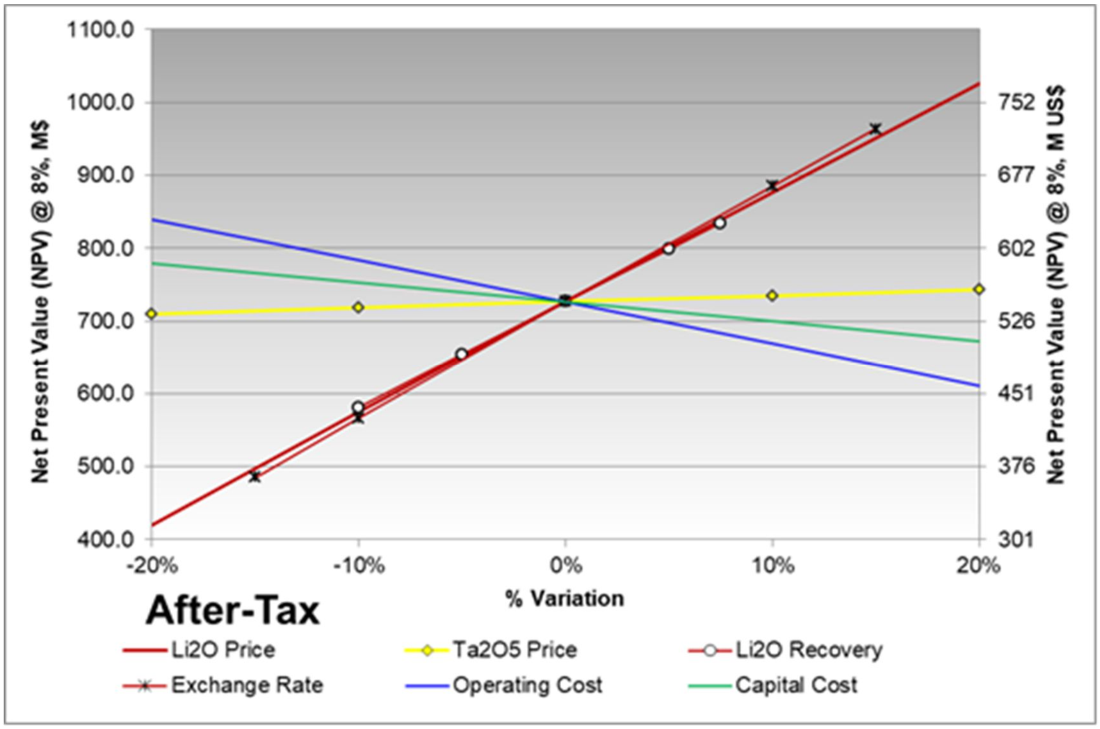
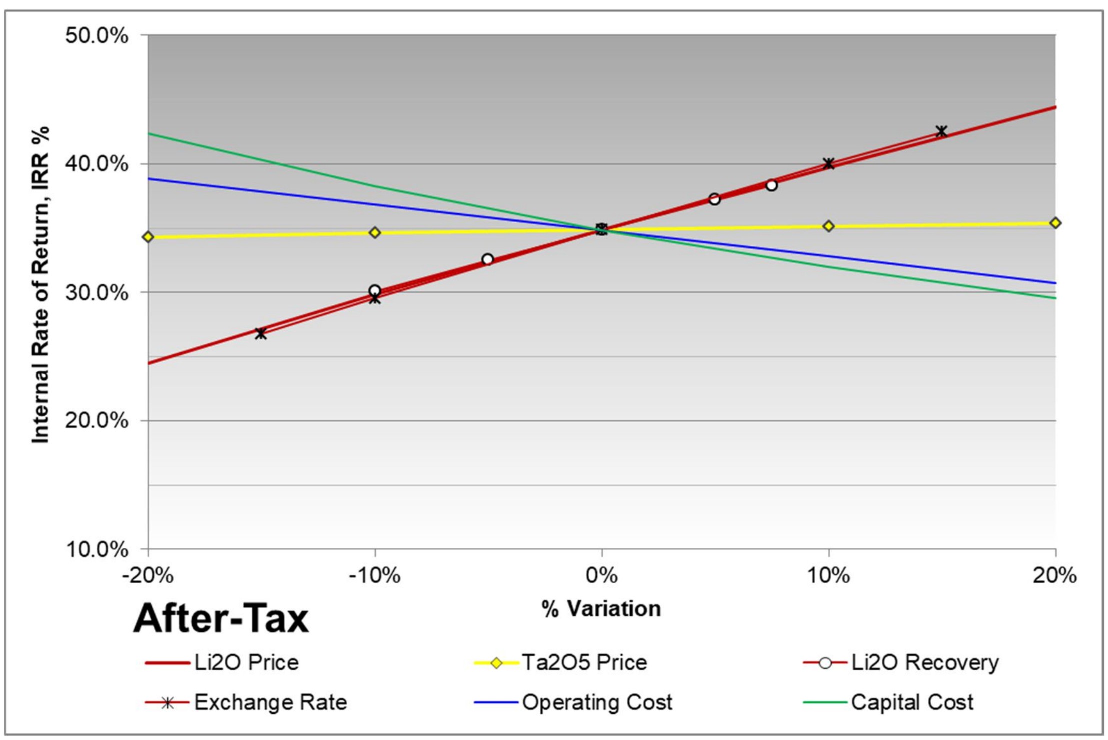


Figure 7 – Sensitivity on After-Tax IRR



Lithium Demand Outlook

The future growth of the lithium market will clearly be dominated by e-mobility powered by Li-ion batteries but also increasingly energy storage systems (ESS). With the declining cost of Li-cells, targets for 1 kWh being now very close to 150 USD, they are also becoming attractive for use in private installations combined with increasing use of photovoltaic roof-top electricity generation (PV).

In Germany a new regulation demands that for all PV projects exceeding 1MW power generation an energy storage system has to be installed by 2025. This is in order to avoid peak energy stressing the electricity distribution systems, a phenomenon which already pushes European systems to their limits during the summer months and increasingly so with the ongoing addition of new PV systems, be they commercial or private.

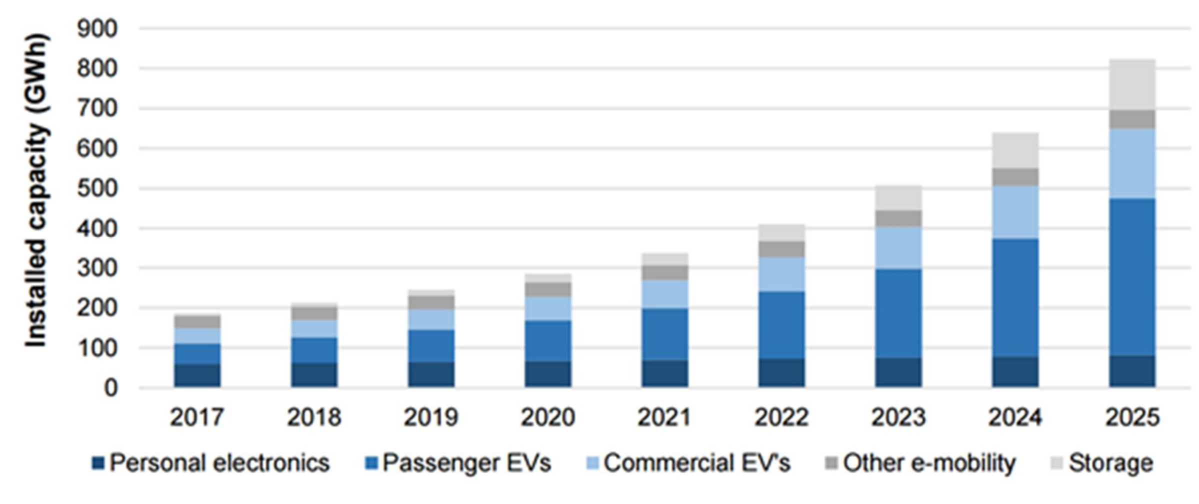
The German Automobile Manufacturers Association (VDA) considers an electric vehicle penetration rate of 15% to 25% being possible by 2025. The lower range for market penetration of 15% corresponds to some 15 million cars or if we assume a market of 100 million cars by 2025 and an average of 30 kg of LCE needed for the battery 450,000 MT of LCEs required for this segment alone.

Canaccord Genuity Research, amongst others, assumes that the overall share of electric vehicles (EV) will climb to over 50% of all Li-ion batteries installed, i.e. being the driver of the expanding lithium market. The absolute growth numbers from Canaccord's forecast are higher than previous assumptions, however, in line of some forecasts from OEMs.

The current growth assumptions will if they materialize, lead to a lithium demand requirement of approximately. 750,000t of LCE. This is an additional 550,000t of LCE required from 2017 till 2025 or the equivalent of almost 70,000t per year of LCE.

In Figure 8 the individual sectors growth are described.

Figure 8: Lithium Ion Battery Installed Shares of Application



Source: Canaccord Genuity Research (Battery Materials Update, report June 2017)

Lithium Price Outlook

In 2017, off take agreements for spodumene CG with a Lithium oxide content between 5.0 and 6.0% have been executed, whereby 120,000t of 5.5% spodumene concentrate has been contracted at US$830/t FOB. Every additional 0.1% of Li2O content will garner a premium of US$15/t, enabling prices between 750 US$/mt and 905 US$/mt for spodumene CG 5.0 and 6.0. Also, suppliers who are able to provide a higher quality spodumene CG yielding lower conversion cost will also be able to achieve higher prices.

The market for spodumene TG is a specialty chemicals market, which addresses the specific needs for customers in the glass and ceramic industry. Historically, prices have been reflecting the higher value of iron free spodumene like in Lithium carbonate and specific properties of the crystalline material. Therefore, pricing for spodumene TG is directly linked to the Lithium oxide content in Lithium carbonate.

AMIRAL – LITHIUM, RARE EARTH, NOBIUM, TANTALUM AND GOLD PROJECT

Property Description

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

In July 2016, the Company have entered into an option agreement with Ionic Power Corp. ("Ionic") that gives Ionic the right to acquire up to a 75% interest in the Valiquette and Amiral projects, located south-west to the Nemaska Lithium Whabouchi Deposit.

Work done during the year

No exploration work was carried out on the property during the year.

In December 2016, the agreement became null and void in as Ionic was unable to comply with all the clauses.

The Company has decided not to renew the mining rights in this property.

ARQUES – LITHIUM, RARE RARTH, NIOBIUM AND TANTALUM PROJECT

Property Description

The Arques property is composed of one block totalling 127 claims covering an area of 6,361 hectares and a distance of some 18 kilometres in a SW-NE direction. It is contiguous to the Lemare property on its southeast 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 beyond to the La Grande River area. Secondary roads branching off from these also provide access to the property.

The Lac des Montagnes volcano-sedimentary formation runs just inside the southeast border of the Arques property. The primary observed geology is mainly composed of orthogneisses made up of metamorphosed felsic intrusives. In the winter of 2011, a major alkaline intrusion, the Arques Complex, was identified by diamond drilling.

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

The Arques project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Arques property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursue its research to find a partner to continue exploration activities or to find a potential buyer.

BOURIER – LITHIUM COPPER, ZINC, GOLD AND SILVER PROJECT

Property Description

The Bourier property is composed of one block totaling 228 claims covering an area of 11,579 hectares for some 30 kilometres 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 the summers of 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 more than 25 km over the property.

The Bourier project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Bourier property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing.

In April 2016, the Company have entered into an option agreement with Lomiko Metals Inc. (“Lomiko”) that gives Lomiko the right to acquire up to a 70% interest in the Bourier project.

Work done during the year

No exploration work was carried out on the property during the year.

In December 2016, Lomiko Metals Inc. decided to terminate the agreement on the property signed in April 2016.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

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

Property Description

The Caumont property is made of four non-adjacent claim blocks totalling 105 claims spread over 56.11 kilometres 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. 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 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 with the Tent showing, aplitic dykes overlapping the mafic and ultramafic rocks show gold potential. The best values were 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 metres east of the Tent showing, grab sample L943057, collected in a muscovite-rich metasediment with 15% arsenopyrite and quartz veins, returned 1.6 g/t Au.
- 10 meters from this sample, 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. Grab samples L943046 and L943418 returned 0.239 g/t and 0.167 g/t Au, respectively.

The Caumont project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Caumont property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

DUMULON – LITHIUM, ZINC, LEAD AND GOLD PROJECT

Property Description

The Dumulon property consists of 49 contiguous cells covering a total area of 2,579 hectares. 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 were mapped. Strong EM anomalies are associated with plurikilometric magnetic bands oriented NW70°.

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 returned four grab samples with values of 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.

The Dumulon project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Dumulon property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

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

Property Description

The Duval property is composed of two blocks totaling 46 claims covering a total area of 2,458.92 hectares and covers a distance of about 12 kilometres along a SW-NE axis. The Duval main block is contiguous to the Valiquette main block to the northeast. It lies about two kilometres south of the Route du Nord and is served by a Hydro Quebec power line and a gravel road, which cross the southern half of the block in a southeasterly direction. The Duval main block can be accessed by the road leading to 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 is about 8 km wide and is oriented 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 as the Valiquette property, it is currently recognized for its magmatic nickel (Ni), copper (Cu) and platinum group elements (PGE) potential.

The Duval project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Duval property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing

In July 2016, the Company and Natan Resources Ltd (now named Enforcer Gold Corp.) have entered into an option agreement that gives Enforcer Gold Corp ("Enforcer") the right to acquire up to a 70% interest in the Duval project, located south-west of and contiguous to the Nemaska Lithium Whabouchi Deposit.

Work done during the year

Exploration expenses of $176,085 were incurred during the year and were paid for by Enforcer pursuant to the terms of the option agreement entered into previously.

In August 2017, Enforcer has decided to terminate the option agreement on the property in order to focus exclusively on precious metal projects.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

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

Property Description

The Lemare property is composed of one block totaling 165 claims covering an area of 7,806 hectares for a length of over 20 kilometres in a SW-NE direction. It is contiguous to the Nisk property on its northwest border. Secondary roads running from a Hydro-Québec power line and permanent gravel roads that run along its northwest boundary provide 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 part of the Lac des Montagnes formation is mainly composed by orthogneisses intruded by granites, while the south is composed principally of paragneisses, also intruded by felsic to intermediate intrusives.

Several areas of the property show potential for gold mineralization. There is substantial evidence of hydrothermal activity, such as 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 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, at the Ancre showing 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 potential for nickel-copper-PGE mineralization is confirmed by the presence of the Nisk-1 deposit nearby. Several magnetic anomalies are present on the property; these have not been drill tested.

The GRAAB showing, a spodumene pegmatite with an apparent thickness of 5 to 14 metres by 200 metres, has been identified. A total of 43 samples were collected along 62 metres of channels. Eleven of these samples showed a Li2O content superior to 2%. This discovery proves that new lithium pegmatites could still be discovered on the Lemare property.

On February 11, 2016, the Company entered into an agreement with Lepidico Ltd on the Lemare property. The agreement provides that Lepidico Ltd may acquire up to a 75% undivided interest in the property following this terms:

- $15,000 cash payment at the signature of the Agreement (condition fulfilled).
- $35,000 cash payment on or before May 10, 2016 (condition fulfilled).
- $500,000 payment in cash or shares (condition fulfilled by the issuance of 18,514,939 common shares of Platypus Minerals Ltd).
- $35,000 cash payment on or before September 9, 2016 (condition fulfilled).

<u>Earn 50% interest</u>

- Lepidico to spend $800,000 by August 31, 2017 following the amendment of the agreement during the year) (condition fulfilled).
- Lepidico to spend additional $1,200,000 by August 31, 2018.
- Lepidico to deliver a Joint Ore Reserves Committee (“JORC”) Code compliant resource by August 31, 2018.

Earn additional 25% interest (total 75%)

- Completion of definitive feasibility study and environmental study on Lemare by June 30, 2020.
- Payment of $2,500,000 (cash or shares).

Royalty

- 2% Net Smelter Royalty (“NSR”) payable to Critical Elements.
- Rights to buy back 1% of the NSR for $2,000,000.

Milestone Payment

- Maximum payment of $1,500,000 in cash or shares for delineation of a JORC resource in excess of 20.0Mt at a cut-off grade of 0.6% Li_2O.

Work done during the year

Exploration and evaluation expenses on Lemare property for an amount of $875,366 were incurred by Lepidico as of August 31, 2017 following the signature of the option agreement.

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

Property Description

The Nisk property is composed of one block totaling 105 claims covering an area of 5,380.62 hectares and a length of over 20 kilometres. The Route du Nord from Chibougamau runs inside 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 beyond to the La Grande River area.

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 part of the Lac des Montagnes formation is mainly composed by orthogneisses intruded by granites, while the south 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 hosts 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.

The Nisk project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Nisk property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing.

Work done during the year

Exploration expenses of $18,806 were incurred during the year ended August 31, 2017.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

VALIQUETTE – LITHIUM, COOPER, NICKEL, PGE AND GOLD PROJECT

Property Description

The Valiquette Property is composed of one block totaling 104 claims covering an area of 5,363.07 hectares. It is measuring about 20 kilometers in a SE-NW 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.

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.

The Valiquette project offers strong lithium potential in a well-established area. The lithium pegmatites tend to occur in swarms in the volcano-sedimentary units. The Valiquette property covers a large part of the regional volcano-sedimentary unit, a favourable unit that hosts Nemaska Lithium's Wabouchi deposit and the Lemarre showing.

In July 2016, the Company have entered into an option agreement with Ionic Power Corp. (“Ionic”) that gives Ionic the right to acquire up to a 75% interest in the Valiquette and Amiral projects, located south-west to the Nemaska Lithium Whabouchi Deposit.

Work done during the year

No exploration work was carried out on the property during the year.

Management however pursues its research to find a partner to continue exploration activities or to find a potential buyer.

In December 2016, the agreement became null and void as Ionic was unable to comply with all the clauses.

BLOC 1 – LITHIUM, NICKEL AND COOPER PROJECT

Property Description

The Bloc 1 Property is composed of one block totaling 72 claims covering an area of 3,846.95 hectares. It is measuring about 13 kilometers in a SW-NE direction and is contiguous South West to the Nisk-South main block. It is wholly-owned by the Company.

Work done during the year

No exploration work was carried out on the property during the year.

BLOC 2 TO 6 – LITHIUM, NICKEL AND COOPER PROJECT

Property Description

The Bloc 2 to 6 Property is composed of one block totaling 8 claims covering an area of 427.82 hectares. The property Bloc 2 to 6 is located in the east, southeast of the Duval main block. It is wholly-owned by the Company.

Work done during the year

No exploration work was carried out on the property during the year.

BLOC 7 – LITHIUM, NICKEL AND COOPER PROJECT

Property Description

The Bloc 7 Property is composed of one block totaling 54 claims covering an area of 2,894.54 hectares. It is measuring about 7 kilometers in a SW-NE direction and is contiguous to the Valiquette, Dumoulon and Caumont Est main blocks. It is located southwest of Valiquette block, north of Dumoulon block and east of Caumont Est block. It is wholly-owned by the Company.

Work done during the year

No exploration work was carried out on the property during the year.

BRITISH COLUMBIA PROPERTIES

Property Description

The British Columbia Rare Earth properties consist of 16 claims covering an area of 77.03 km^2 in the following 4 separate blocks: Trident-Kin 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.

Work done during the year

No exploration work was carried out on the property during the year.

The Company decided not to renew the mineral claims that expired on November 1, 2017, for the properties located in British Columbia.

Person In Charge of Technical Disclosure

Jean-Sebastien Lavallee (OGQ #773), geologist, shareholder, Chairman 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 properties.

SELECTED ANNUAL INFORMATION

The following selected financial data is derived from our audited financial statements for the year ended August 31, 2017.

In $ 000's except for share data	**Year ended August 31, 2017**	Year ended August 31, 2016	Year ended August 31, 2015
Interest income and other revenues	**45**	16	11
Net loss	**3,828**	233	(1,112)
Basic and diluted net loss per share	**(0.03)**	(0.004)	(0.01)
Total assets	**23,343**	18,795	12,932

This selected annual information should be read in conjunction with the audited financial statements filed on www.sedar.com for the year ended August 31, 2017.

RESULTS OF OPERATIONS

Critical Elements anticipates that, for the foreseeable future, quarterly results of operations will primarily be impacted by several factors, including 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 year ended August 31, 2017. The following selected financial information data is derived from the Company's audited financial statements for the year indicated.

FINANCIAL HIGHLIGHTS

	August 31 2017	August 31 2016
Interest income and other revenues	$ **44,702**	$ 15,920
General administrative expenses	$ **390,914**	$ 321,589
Salaries and fringe benefits	$ **1,519,101**	$ 89,407
Registration, listing fees and shareholders' information	$ **132,540**	$ 104,028
Professionnal and consultant fees	$ **334,631**	$ 477,423
Share-based compensation	$ **1,506,702**	$ 70,087
Depreciation of equipment	$ **4,992**	$ 4,819
Foreign exchange loss	$ **7,809**	$ 2,555
Gain on sales of mining properties	$ **(23,715)**	$ (823,535)
Impairment of explorartion and evaluation	$ -	$ 467
Loss before income taxes	$ **3,828,272**	$ 230,920
Deferred income and mining taxes	$ -	$ 2,138
Total comprehensive loss for the year	$ **3,828,272**	$ **233,058**
Cash & cash equivalents	$ **2,013,657**	$ 4,681,475

Interest income and other revenues

Interest income and other revenues for the year ended August 31, 2017, amounted to $44,702 (2016 - $15,920) and consisted of interest and management 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 year ended August 31, 2017, consisted mainly of general office expenditures, travel expenses, promotional activities and the Company's claim renewal expenses. The increase of $69,325 from the previous year was due to an increase in travel expenses, insurance premiums, bank charges and the cost of attending conferences, offset by a decrease in claim-related expenses.

Salaries and fringe benefits

Salaries and benefits for the year ended August 31, 2017, amounted to $1,519,101 (2016 - $89,407). The increase was due to employment contracts signed in July 2016 and during the actual year-end, as well as bonuses paid for the achievement of certain milestones.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the year ended August 31, 2017, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The increase of $28,512 from the previous year was primarily due to higher publication fees and sustaining listing fees, offset by a decrease in shareholder information expenses.

Professional and Consultant Fees

Professional and consulting fees for the year ended August 31, 2017, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. The decrease of $142,792 change from the year period was due to a decrease in professional fees, and business development fees, somewhat offset by an increse in investor relations expenses.

Stock-Based Compensation

Share-based payments and compensation for the year ended August 31, 2017, represented the recognition of the charge related to the issue during the year for the 4,650,000 options granted to directors, officers and consultants. A compensation expense of $1,506,702 calculated using the Black-Scholes option pricing model was allocated during that period in relation to the stock options granted.

Gain on sale of options of mining properties

During the year ended August 31, 2017, the Company received $35,000 from Lepidico following the option agreement signed in February 2016 on the Lemare property. This transaction generated a gain on sales of options on mineral property of $23,715. During the year ended August 31, 2016, the Company entered into option agreements on the Valiquette, Bourier, Duval and Amiral properties that generated a gain on sales of options on mineral properties of $823,535.

SUMMARY OF QUARTERLY RESULTS

The comments below provide an analysis of the operating results for the three-month period ended August 31, 2017. 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

	August 31 (3 months)	
	2017	2016
Interest income and other revenues	$ **8,543**	$ 13,653
General administrative expenses	$ **122,974**	$ 84,259
Salaries and fringe benefits	$ **400,690**	$ 89,407
Registration, listing fees and shareholders' information	$ **36,730**	$ 15,769
Professionnal and consultant fees	$ **99,594**	$ 135,923
Share-based compensation	$ **92,135**	$ -
Finance expenses	$ **(158,339)**	$ -
Depreciation of equipment	$ **1,207**	$ 1,211
Foreign exchange loss	$ **3,100**	$ 794
Loss (Gain) on sales of mining properties	$ **18,360**	$ (823,535)
Write-off of an exploration and evaluation asset	$ **(1,000)**	$ -
Impairment of explorartion and evaluation	$ -	$ 2
Loss (Gain) before income taxes	$ **606,908**	$ (509,823)
Deferred income and mining taxes	$ -	$ 2,138
Total comprehensive loss (gain) for the period	$ **606,908**	$ (507,685)
Cash & cash equivalents	$ **2,013,657**	$ 4,681,475

Interest income and other revenues

Interest income and other revenues for the three-month period ended August 31, 2017, amounted to $8,543 (2016 - $13,653) and consisted of interest and management 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 or debt.

General Administrative Expenses

General administrative expenses for the three-month period ended August 31, 2017, consisted mainly of general office expenditures, travel expenses, promotional activities and the Company's claim renewal expenses. The increase of $38,715 from the previous period was due to an increase in travel expenses, bank charges and cost for attending to conferences offset by a decrease in claim renewal expenses and promotional activities.

Salaries and fringe benefits

Salaries and benefits for the three-month period ended August 31, 2017, amounted to $400,690 (2016 - $89,407). The change was due to an increase in the number of employees since July 2016.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the three-month period ended August 31, 2017, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The increase of $20,961 from the previous period was primarily due to a decrease in shareholder information and listing fees.

Professional and Consultant Fees

Professional and consulting fees for the three-month period ended August 31, 2017, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. The $36,329 change from the previous period was due to a decrease in business development fees, professional and investor relations expenses somewhat offset by an increase in consulting fees.

Stock-Based Compensation

Share-based payments and compensation for the three-month ended August 31, 2017, represented the recognition of the charge for the 250,000 options granted to a consultant. A compensation expense of $92,135 calculated using the Black-Scholes option pricing model was allocated during that period in relation to the stock options granted.

Finance expenses

Finance expenses for the three-month period ended August 31, 2017, amounted to negative $158,339 and were attributable to the reversal of entries for the accrued interest on the long-term debt, as well as the variation of the accretion charge, as those charges were capitalized on the Rose Lithium-Tantalum project given that the financing was specific to the preparation of the feasibility study.

Gain on sales of options of mining properties

During the three-month period ended August 31, 2017, the Company recognized a loss of $18,361 for option agreements on the Valiquette and Amiral properties, which expired, as well as the option agreement on the Bourier property, which was dropped. During the three-month period ended August 31, 2016, the Company entered into option agreements on the Valiquette, Bourier, Duval and Amiral properties that generated a gain on sales of options on mineral properties of $823,535.

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	**August 31 2017**	May 31 2017	Feb. 29 2017	Nov. 30 2016	August 31 2016	May 31 2016	Feb. 29 2016	Nov. 30 2015
Revenues	**9**	3	9	24	14	1	-	1
Net profit (loss)	**607**	509	904	1,808	510	(277)	(221)	(243)
Basic and diluted net loss per share	**$ (0.00)**	$ 0.00	$ (0.01)	$ (0.01)	$ 0.00	$ 0.00	$ 0.00	$ 0.00

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as at August 31, 2017, totalled $2,013,657, compared to $4,681,475 as at August 31, 2016. It is management's intention to search further capital funding in the form of equity or debts to support current and future exploration and evaluation assets development.

Financing sources table				
Date	**Type**	**Financings**	**Amount**	**General description of the use of proceeds**
September 2016	Credit facility	Helm AG	$1,500,000	Feasibility study of the Rose Lithium-Tantalum project
Between November 2, 2016 and August 23, 2017	Exercise of share purchase options	Common shares	$497,500	The net proceed of the financing was used to: Fund the general administrative expenses, investing activities and other working capital needs
Between January 25 and June 16, 2017	Exercise of warrants and brokers and intermediaries options	Common shares	$1,045,330	The net proceed of the financing was used to: Fund the general administrative expenses, investing activities and other working capital needs
June 2017	Credit facility	Helm AG	$3,000,000	Feasibility study of the Rose Lithium-Tantalum project

For the next year, the Company has budgeted $1,800,000 for administrative expenses. Management is of the opinion that, even if it is unable to raise additional equity financing or debts, 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

	August 31	
	2017	**2016**
Operating activities	**$ (2,299,882)**	$(1,542,842)
Financing activities	**$ 6,035,319**	$ 5,945,433
Investing activities	**$ (6,403,255)**	$ 17,724
	$ (2,667,818)	$ 4,420,315
Cash & cash equivalents	**$ 2,013,657**	$ 4,681,475

During the year ended August 31, 2017 funds used for operating activities were spent primarily on improving operations and promotion of the Company.

During the year ended August 31, 2017, financing activities consisted of the exercise of stock options, warrants and brokers and intermediaries options. The closing of the first, second and third drawdowns under the credit facility agreement detailed below:

> In September 2016, the Company obtained an initial draw from the credit facility signed with Helm. This first draw of an amount of $1,500,000 will have a term of 5 years and will bear interest at an annual rate of 12%.
>
> In June 2017, the Company closed the transaction for the second and third drawdowns. Those drawdowns in the amount of $3,000,000 are due on September 19, 2021 and also bear 12% interest per year.

Between November 2, 2016, and August 23, 2017, directors, officers and consultants exercised 2,350,000 options at prices ranging from $0.15 to $0.56, shareholders exercised 1,631,796 warrants at a price of $0.35 and brokers and dealers exercised 1,287,860 options issued to brokers and dealers at prices ranging from $0.35 to $0.37, amounting to a total of $1,542,830, for which the Company issued 5,269,656 common shares.

During the year ended August 31, 2017, investment activities consisted primarily of exploration to develop the Rose Lithium-Tantalum property and the receipt of $35,000 from Lepidico in respect with the option agreement signed in February 2016, and the rebilling of $176,085 in exploration and evaluation expenses. The Company also pledged non-redeemable guaranteed certificates of deposit.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET ARRANGEMENTS

Commitments with a Board Member

Other Commitments

A) In May 2014, the Company signed a lease contract for its Montreal office, expiring in July 2019. Minimum payments total $98,538 and comprise the following payments over the next 2 years; 2018: $51,411, 2019: $47,127.

B) In February 2017, the Company signed a services agreement with Hill + Knowlton Strategies (“H+K”) in order to increase its visibility at both local and international level, including Europe and the United States. The agreement covers a 12-month period at a monthly fee of $5,800.

ROYALTIES ON THE MINING PROPERTIES

PROPERTY	ROYALTY		DESCRIPTION
	Name	Percentage	
Rose Lithium-Tantalum	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

RELATED-PARTY TRANSACTIONS

Transactions with Key Executives and with members of the Board of Directors

During the year ended August 31, 2017, the Company did not incur any professional and consultant fees with its secretary and chief financial officer (2016 - $33,899).

During the year ended August 31 2017, the Company did not incur professional and consultant fees (2016 - $105,475) nor any general administrative expenses (2016 - $156,424), while it incurred $1,100,176 (2016 - $70,406) in exploration and evaluation expenditures with Consul-Teck Exploration Minière Inc., a company of which the chief executive officer is a shareholder, and which is controlled by a director of the Company. In relation with these transactions no amount was payable as at August 31, 2017 (2016 -$37,916).

During the year ended August 31, 2017, the Company incurred $84,000 in professional and consultant fees ($84,000 in 2016) with Paradox Public Relations, a company controlled by a director of the Company. In relation with these transactions no amount was payable as at August 31, 2017and 2016.

The Company acquired from Monarques Resources, the Caumont, Duval, Lemare, Nisk and Valiquette properties of which the chief executive officer and a director of the Company own 50% of the 1% NSR 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.

The following table reflects the remuneration of key management and directors of the Corporation's:

	August 31, 2017	August 31, 2016
	$	$
Salaries and fringe benefits	879,066	-
Compensation and share-based payments	1,366,341	-
Balance at the end of year	2,245,407	-

SUBSEQUENT EVENTS

In November 2017, the Company entered into an amendment to the agreement signed with Hydro-Québec in February 2017. This amendment, provides the issuance of an additional letter of credit in the amount of $241,448 to be issued by December 1, 2017.

In September and November 2017, the Company received a total of $53,940 following the exercise of 62,000 share purchase options at $0.87 each.

SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

The financial statements have been prepared on the historical cost basis except for marketable securities, which are measured at fair value.

Currency translation

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 and comprehensive for the year.

Cash and Cash Equivalents

The Company’s policy is to present cash and cash equivalents and temporary investments having a term of three months or less from the acquisition date and redeemable at anytime, 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% applicable on 50% of the eligible expenses. The accounting treatment for refundable credits on mining duties depends on management's intention to either go into production in the future or 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 a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no 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% for eligible expenses incurred thereafter, 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 initially 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.

Exploration and Evaluation Assets

All costs including borrowing 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 do not include costs related to production (extraction costs), 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.

Mining property exchanges for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If a fair value can be measured reliably for either the asset received or the asset given up, then the fair value of the asset given up is used unless the fair value of the asset received is more clearly evident. If the acquired mining property is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

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 inflows 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 is 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 reliablyEquipment is 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%

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

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, other receivables and financial asset collateral investments 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 and the long-term debt are classified as financial liabilities measured at amortized cost.

Available-for-sale financial assets

Marketable securities are classified as available-for-sale financial assets. They are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within equity in accumulated other comprehensive income.

When marketable securities are derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Investments in publicly traded companies are recorded at fair value based on quoted closing prices at the statement of financial position date. Unrealized gains and losses are recorded in other comprehensive income.

For an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying losses accumulated in accumulated other comprehensive income to profit or loss. The cumulative loss that is reclassified from accumulated other comprehensive income is the difference between the acquisition cost and the current fair value, less any impairment losses recognized previously in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Fair value of financial instruments

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- **Level 1**: defined as observable inputs such as quoted prices (unadjusted) in active markets.
- **Level 2**: defined as inputs other than quoted prices included in Level 1, that are either directly or indirectly observable.
- **Level 3**: defined as inputs that are based on little or no observable market data, therefore requiring entities to develop its own assumptions.

Impairment of financial asset

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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 fair 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.

At the time of the issuance of flow-through shares, 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 the common shares from the price of the flow-through shares at the date of the financing.

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, 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, with a corresponding increase to other income related to flow-through shares.

Share Issuance Expenses

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

Financing fees

Financing fees are recorded in the statement of loss 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 fair value of the consideration paid, including other benefits 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 tax 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.

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 2 - the ability of the Company to continue as a going concern, Note 5 - which relates to tax credits related to resources and mining tax credits and in Note 8 – which relates to the impairment of exploration and evaluation assets.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year included in the following notes:

- Impairment of exploration and evaluation assets (Note 8).
- Going concern (Note 2).

CERTIFICATION OF ANNUAL FILINGS

The Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Annual Filings as required by National Instrument 52-109 for the venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the annual filings.

- The Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the “annual filings”) of the Company for the exercise ended August 31, 2017.

- Based on their knowledge, having exercised reasonable diligence, the Chief Executive Officer and the Chief Financial Officer confirm that the annual 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, for the period covered by the annual filings.

- Based on their knowledge, having exercised reasonable diligence, the Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the period presented in the annual filings.

EXPLORATION AND EVALUATION ASSETS

	August 31 2017	2016
Balance, beginning of year	**$ 12,570,503**	$ 12,976,690
Add:		
Acquisition of exploration and evaluation assets	**-**	33,978
Feasibility study	**4,964,399**	72,355
Drilling	**965,212**	-
Geology	**289,360**	21,770
Environmental impact assessment	**143,985**	107,306
Finance expenses	**322,852**	-
General exploration and evaluation expenses	**12,875**	13,532
	6,698,683	248,941
Balance, before deduction	**19,269,186**	13,225,631
Tax credit related to resources	**538,507**	84,052
Options on mining properties	**11,285**	570,609
Rebilling	**176,085**	-
Impairment of exploration and evaluation assets	**-**	467
	725,877	655,128
Balance, end of year	**$ 18,543,309**	$ 12,570,503

MATERIAL COMPONENTS

	August 31 2017	2016	2015
Statements of Comprehensive Income			
General administrative expenses	**$ 390,914**	$ 321,589	$ 254,350
Professional and consultant fees	**$ 334,631**	$ 477,423	$ 513,801
Salary and fringe benefits	**$ 1,519,101**	$ 89,407	$ -
Gain on sale of options of mining properties	**$ 23,715**	$ 823,535	$ -
Stock-based compensation	**$ 1,506,702**	$ 70,087	$ 199,866

	August 31 2017	2016	2015
Statements of Financial Position			
Exploration and evaluation assets	**$ 18,220,457**	$ 12,570,503	$ 12,976,690
Long-term debt	**$ 3,514,143**	$ -	$ -

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

DISCLOSURE OF OUTSTANDING SHARE DATA (as at November 21, 2017)

Common shares outstanding:	149,127,568	
Options outstanding:	8,238,000	
Average exercise price of:	$ 0.39	

Expiry date	Number of shares	Exercise price
		$
March 2018	200,000	0.17
March 2018	450,000	0.20
August 2018	1,600,000	0.15
June 2019	188,000	0.87
August 2019	200,000	0.275
January 2020	1,000,000	0.18
December 2020	250,000	0.20
November 2021	4,350,000	0.56
	8,238,000	

Warrants outstanding :	6,047,503	
Average exercise price of:	$ 0.92	

Expiry date	Number of shares	Exercise price
		$
December 2017	250,800	0.35
March 2018	2,500,000	0.77
December 2018	3,296,703	1.07
	6,047,503	

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. Based on the NI 43-101-compliant feasibility study dated October 20, 2017, the Company has determined that one of its mineral properties, the Rose lithium-tantalum property, contains economically recoverable ore reserves. As at August 31, 2017, the Company considered that the Rose lithium-tantalum property was still at the exploration stage, as all the financing needed to start the construction and development phase of the project had not yet been secured. The Company does not have a history of revenue or return on investment, and there can be no assurance that it will generate revenue, operate at a profit, or yield 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. The Company has been successful in the past in raising financing, however it requires significant additional financing in the near and long-term and there is uncertainty as to the ability to raise such financing. Specifically, in order to move forward on its mining project Rose lithium-tantalum, the Company will have to raise additional funds. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

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).