CANADA STRATEGIC METALS INC.
(Formerly Canada Rare Earths Inc.)
(An Exploration Stage Company)
MANAGEMENT DISCUSSION & ANALYSIS
For Year Ended January 31, 2013

(May 31, 2013)
GENERAL

The following management discussion and analysis ("MD&A") supplements the financial statements of the Company and the notes thereto for the period ended January 31, 2013. It does not form a part of the financial statements and therefore should be read in conjunction with the Financial Statement report for the period ended January 31, 2013 which discusses and analyses the financial condition and results of operations of Canada Strategic Metals Inc. (the "Company"). All dollar figures are expressed in Canadian dollars unless otherwise stated. These documents and additional information on the Company are available on the Company's website at www.canadastrategicmetals.com or on SEDAR at www.sedar.com.

This MD&A may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

DESCRIPTION OF BUSINESS

Canada Strategic Metals Inc. (formerly Canada Rare Earths Inc.) was incorporated under the *Company Act* of British Columbia on February 1, 1984. During the year ended January 31, 2011, the Company changed its principal business activity from the exploration for and operation of oil and gas properties, to the exploration and development of mineral exploration assets in Canada. The Company is listed on the TSX Venture Exchange in Canada (CJC), the Frankfurt Stock Exchange in Germany (YXEN), and OTC Bulletin Board in the United States (CJCFF).

On July 15, 2010, the Company disposed of producing Canadian oil and gas interests for total proceeds comprising of $300,000 in cash and $50,000 in marketable securities, resulting in a gain of $135,095. The decision to discontinue this operation was made due to low forecasted gas prices, relatively high operating costs, and the Company requiring working capital to pay critical past and present accounts payable. Subsequent to the disposal of the oil and gas interests, the operations and cash flows of the component have been eliminated from the ongoing operations of the Company; the Company will not have any continuing involvement in the operations of the component after the disposal transaction. In September 2010, all of the issued common shares and equity instruments of the Company were consolidated on the basis of three pre-consolidation common shares/equity instruments for one post-consolidation common share/equity instrument. As a result of the consolidation, all share and per-share information in the financial statements has been retrospectively restated to reflect the consolidation unless otherwise stated.

In September 2010, the Company was restructured, changing its principal business activity from the exploration for and operation of oil and gas properties, to the exploration and development of mineral exploration assets in Canada. As a part of this restructuring, the Company eliminated its liabilities to directors and officers pursuant to shares for debt arrangements, and initiated a share consolidation on the basis of three (3) old common shares for one (1) new common share resulting in 9,671,275 common shares outstanding after the consolidation. This resolution was approved by Shareholders at the Company's June 16, 2010 Annual and Special Meeting of the Shareholders.

On January 21, 2011, the Company received TSX Venture Exchange approval to enter into an option agreement to acquire a 100% interest in the Goeland Rare Earth Property (the "Goeland Project") located north of Val d'Or in the Abitibi region of Quebec. On March 1, 2011, the Company changed its name from Canada Gas Corp. to Canada Rare Earths Inc. by a resolution of the Directors to better reflect the Company's focus on the Goeland project and rare earth sector, and on September 15, 2011, the Company received TSX Venture Exchange approval to enter into an option agreement to acquire a 100% interest in the Manouane Rare Earth Property (the "Manouane Project") located west of the town of La Tuque, Quebec, approximately 250km southeast of Val d'Or.

DESCRIPTION OF BUSINESS (continued)

During the year ended January 31, 2013, the Company recognized the opportunity to enter into the growing Graphite market and acquired a large portfolio of graphite properties located within Quebec, Canada. On July 31, 2012, the TSX.V approved the Company's name change, and effective August 1, 2012, the Company started trading under its new name "Canada Strategic Metals Inc." which better reflects the Company's focus on graphite. The graphite market is more than 5 times the size of the rare earth market. Graphite has seen exponential increases in demand in conjunction with the growing dependency on technology (such as all clean air technology and lithium-ion batteries) and lack of supply in China.

The Company currently has the following non producing natural gas property:

1. 33.33% interest - Prophet River- Northeastern British Columbia

The Company has the following non producing rare earth mineral properties:

1. Option to acquire 100% interest - Goeland Rare Earth Project, Montviel Quebec

The Company has the following non-producing Graphite properties:

1. Option to acquire 100% interest – Lac des Iles West Graphite Project, Mont-Laurier, Quebec
2. Option to acquire 100% interest – La Loutre Graphite Project, Mont-Laurier, Quebec
3. Option to acquire 100% interest – Champagne Graphite Property, Baie – Comeau, Quebec
4. Option to acquire 100% interest - North Shore Package Graphite Properties, Quebec

OVERALL PERFORMANCE

During fiscal year ended January 31, 2013 ("FY 2013"), the Company completed two non-brokered private placement, generating gross proceeds of $812,750; completed a flow-through private placement, generating gross proceeds of $470,000; and entered into a total of six option agreements relating to the acquisitions of the Company's Graphite properties. The Company incurred a total of $860,453 in acquisition and exploration expenses relating to the Goeland, Manouane, Lac des Iles West, Labelle, Champagne, and La Loutre properties.

The Company incurred a loss of $1,152,833 or $0.04 per share during FY 2013 as compared to a loss of $1,795,359 or $0.11 per share during the fiscal year ended January 31, 2012 ("FY 2012"), representing a decrease in loss of $642,526.

The change in loss was primarily due to the following:

- A decrease in share-based payments from $843,142 during FY 2012 to $180,605 during FY 2013, pursuant to the recognition of incentive stock options which have vested during the period.

- A decrease in investor relations and communications from $251,526 during FY 2012 to $103,373 during FY 2013. The decrease was primarily due to the Company sharing office space to additional tenants during FY 2013, resulting in a decrease in rent for the Company.

The Company's cash at January 31, 2013 totalled $453,304 compared to $197,584 at January 31, 2012.

The Company had an accumulated deficit, since inception, as of January 31, 2013 of $27,917,589 compared to $26,764,756 as of January 31, 2012 which has been funded primarily by the issuance of equity.

SELECTED ANNUAL INFORMATION

	IFRS **For the year ended January 31, 2013**	**IFRS** **For the year ended January 31, 2012**	**IFRS** **For the year ended January 31, 2011**
Total revenue	-	-	-
Loss before discontinued operations and other items:			
(i) total for the year	($832,099)	($1,750,739)	($404,275)
(ii) per share	($0.03)	($0.10)	($0.04)
(iii) per share fully diluted	($0.03)	($0.10)	($0.04)
Net Income or (loss):			
(i) total for the year	($1,152,833)	($1,795,359)	($268,358)
(ii) per share	($0.04)	($0.11)	($0.03)
(iii) per share fully diluted	($0.04)	($0.11)	($0.03)
Total assets	$3,765,733	$2,956,750	$422,229
Total long-term financial liabilities	$Nil	$Nil	$Nil
Cash dividends declared per-share	$Nil	$Nil	$Nil

RESULTS OF OPERATIONS

General Overview

During the first quarter ended April 30, 2012, the Company received all assays from its Phase I drill program on its Goeland Rare Earth Project. Although the Company had encountered and tested an intricate and dynamic rare earth bearing system throughout the widely spaced 13 hole drill program, after reviewing complete assay results, it was concluded that the program unfortunately did not achieve the requisite rare earth grade or consistency required to warrant further exploration at the current time; particularly given the dwindling rare earth market observed. Receipt of the complete assays was delayed more than usual due to various reasons out of the Company's control such as severe back logs and lengthy processing procedures at the assay labs. As a result of the unfavorable market conditions in the rare earth sector, and the insignificant assay results, the Company is evaluating further exploration plans on its rare earth projects, and has also introduced a new strategic direction, in the interests of maintaining and building shareholder value, directing its current focus around the growing demand of Graphite; a recently named critical element whose market is more than 5 times that of the rare earth market.

As of the date of this report, the Company has the option to acquire a total of 14 graphite properties, by entering into six option agreements, located within Quebec, Canada – Lac des Iles West, La Loutre, Champagne, and the North Shore Package (consisting of 11 properties); all of which have obtained TSX.V approvals as of the date of this report. To date, the Company has completed a 1,145 line km helicopter borne GPRTEM airborne survey on its Lac des Iles West and La Loutre properties; has received promising results from the Grand Prix and Champagne project with results up to 7.21% Carbon Graphite; and has received large flake graphite characterization results from the La Loutre property, achieving up to 100% purity.

Goeland Rare Earth Project

The Company entered into an option agreement, dated January 5, 2011, to acquire a 100% interest in the 2,585 hectare Goeland Project located 215 km north of Val d'Or in the Abitibi region of Quebec, which was approved by the TSX on January 21, 2011. To exercise its option, the Company must complete the following:

RESULTS OF OPERATIONS (continued)

Goeland Rare Earth Project (continued)

A cash payment of $25,000 on signing (paid); and issuance of 2,500,000 common shares of the Company to optionors as follows:

(i) 1,000,000 common shares upon TSX-V approval (January 21, 2011, issued & valued at $150,000)
(ii) 500,000 common shares 12 months after TSX-V approval (issued & valued at $185,000);
(iii) 500,000 common shares 24 months after TSX-V approval (issued & valued at $45,000); and
(iv) 500,000 common shares 36 months after TSX-V approval (January 21, 2014).

The Goeland Property consists of 47 mining claims within and adjacent to the Montviel Carbonatite Complex. Historic exploration at Montviel has revealed strong potential for rare earth element ("REE"), niobium and phosphate mineralization.

The Montviel Carbonatite Complex encompasses six main geological units: Pmtv 1 through 6. To date, almost all of the anomalous REE, niobium and phosphate values have been encountered within Pmtv 5, which is composed of ferrocarbonatite, apatite-bearing ferrocarbonatite, silicocarbonatite, and pyrrhotite-bearing calciocarbonatite.

The Goeland Property consists of two claim groups; one on the west side of the complex and one on the east side. The western group consists of 23 claims (1,265 hectares) and covers one of the two main areas within the complex underlain by unit Pmtv 5. The eastern claim group consists of 22 claims (1,210 hectares) and is covered with thick overburden.

The Goeland Property is easily accessible via a network of logging roads. The principal exploration target for the property is carbonatite hosted REE mineralization.

During the year ended January 31, 2013, the Company incurred $222,457 on exploration and development expenditures relating to assay expenses, negotiations with the Grand Council of the Crees (Eeyou Istchee)/The Cree Regional Authority and the Cree First Nation of Waswanipi, and the completion of its Phase I drill program on the highest priority targets on the Company's Western claims, consisting of 13 widely spaced drill holes through approximately 5,200 meters.

Lac des Isles West Graphite Project

On February 22, 2012, the Company entered into an option agreement to acquire a 100% interest in the Lac des Isles West property, which borders the western limit of Timcal's Lac des Isles Graphite Mine, close to Mont-Laurier, Quebec. This agreement received TSX-V approval on March 16, 2012.

To exercise its option, the Company must provide cash payments of $12,500 and issue 500,000 common shares as follows:

		Cash	Common shares
Upon signing (paid)	$	12,500	-
Upon TSX-V approval (issued)		-	300,000
6 months after TSX-V approval (issued)		-	200,000
	$	12,500	500,000

In addition to the above cash payments and common share issuances, the Company must issue a bonus in the form of common shares with a fair value of $1,000,000 or pay $1,000,000 upon commencement of production.

The optionor has not retained a NSR royalty on this property.

RESULTS OF OPERATIONS (continued)

During the year ended January 31, 2013, the Company incurred $65,944 on exploration and development expenditures relating to the airborne survey and $59,500 in acquisition costs, including the cash payment of $12,500 and the issuance of 300,000 common shares valued at $33,000 and the issuance of 200,000 common shares valued at $14,000.

La Loutre Graphite Project

On February 20, 2012, the Company entered into an option agreement to acquire a 100% interest in the La Loutre Graphite Project located approximately 117 km northwest of Montreal, Quebec, and consisting of contiguous claim blocks of totalling approximately 2,500 hectares. This agreement received TSX.V approval on March 16, 2012. To exercise its option, the Company must provide cash payments of $75,000 and issue 2,000,000 common shares as follows:

		Cash	Common shares
Upon signing (paid)	$	15,000	-
Upon TSX-V approval (paid and issued)		15,000	1,000,000
6 months after TSX-V approval (September 16, 2012)		15,000	-
12 months after TSX-V approval (March 16, 2013, issued)		15,000	500,000
18 months after TSX-V approval (September 16, 2013)		15,000	500,000
	$	75,000	2,000,000

In addition to the above cash payments and share issuances, the Company must complete a minimum of $100,000 of exploration within one year from the date of TSX.V approval. The optionor has retained a 1.5% NSR royalty on the value of mineral produced and delivered to the property. The Company has the option to purchase 0.5% of this NSR royalty for $500,000.

During the year ended January 31, 2013, the Company incurred $120,477 on exploration and development expenditures relating to the airborne survey and $155,000 in acquisition costs, including cash payments of $45,000 and the issuance of 1,000,000 common shares valued at $110,000.

Champagne Graphite Project

On April 17, 2012, and amended on July 18, 2012 and August 29, 2012, the Company entered into an option agreement, which received conditional acceptance from TSX.V on August 31, 2012, to acquire a 100% interest in the drill-ready Champagne Graphite Property located approximately 120 km north of Baie-Comeau.

The Champagne Property consists of one contiguous block of 88 mineral claims totaling approximately 4,870 hectares. The Company has identified several high-priority drill targets, which have been identified as hosting graphite mineralization, through analysis of an airborne survey and ground exploration conducted on the property in 1998. The property features excellent logistics with nearby power and road access via the main lumber haul road which originates in Baie-Comeau and Labrieville leading to numerous tertiary/forest roads that transect the property.

RESULTS OF OPERATIONS (continued)

To exercise its option, the Company must provide cash payments of $390,000 and issue 6,000,000 common shares as follows:

		Cash	Common shares
Upon signing (paid)	$	60,000	-
Upon TSX.V conditional approval (issued)		-	1,500,000
Upon TSX.V final acceptance (issued)		-	1,500,000
6 months after the Approval Date		60,000	-
15 months after the Approval Date		135,000	1,500,000
24 months after the Approval Date		135,000	1,500,000
	$	390,000	6,000,000

In addition to the above cash payments and common share issuances, the Company must, if a NI 43-101 report indicates a resource estimate greater than 200,000 tonnes, pay $150,000 and issue 3,000,000 common shares. The Company must also complete a minimum of $250,000 of exploration related expenditures in aggregate with respect to the Champagne Property and/or any of the North Shore Package Properties, within 18 months of TSX.V approval. The optionor has retained a 2% NSR royalty on the value of mineral produced and delivered from the property. The Company has the option to purchase 1% of this NSR royalty for $1,000,000.

During the year ended January 31, 2013, the Company incurred $170,731 in acquisition costs, including the issuance of 1,500,000 common shares valued at $165,000, and incurred $300 on exploration costs related to geological consulting, and incurred $2,778 with respect to completion of a NI 43-101 report which was filed with the TSX.V and obtained final regulatory approval on March 27, 2013.

North Shore Package Graphite Project

On July 18, 2012, and amended August 29, 2012, the Company entered into an option agreement to acquire a 100% interest in the 11 (eleven) distinct properties, Grand Prix, Grand Prix North, Butterfly Graphite, Paradise North, Paradise South, Marble North, Marble South, Tetepisca, Mardi Gras Graphite, White Graphite, and Lion Graphite (collectively, the "Properties"), that make up the North Shore Package.

The North Shore Package Properties consist of approximately 564 square kilometers of prospective graphite bearing lands with a particular focus on the Quebec North Shore. This land package includes historical exploration work that suggests significant graphite resource bearing potential exists across these lands.

Grand Prix and Grand Prix North

The Grand Prix and Grand Prix North graphite properties consist of two large blocks consisting of 273 mineral claims totalling approximately 14,976 hectares (150 km^2) and 15 mineral claims totalling approximately 829 hectares (8 km^2) respectively, both located approximately 110 kilometers and 130 kilometers north-west of Baie-Comeau, Quebec.

Butterfly Graphite

The Butterfly property consists of three claim blocks of 261 minerals claims totalling approximately 14,084 hectares (141 km^2) located approximately 102 kilometers north-west of Sept-Iles, Quebec.

RESULTS OF OPERATIONS (continued)

North Shore Package Graphite Project (continued)

Paradise North and Paradise South

The Paradise North and Paradise South graphite properties consist of two large blocks respectively of 17 mineral claims totalling approximately 924 hectares (9 km^2) and 112 mineral claims totalling approximately 6,102 hectares (61 km^2) respectively, both located approximately 190 kilometers and 170 kilometers north of Baie-Comeau, Quebec.

Marble North and Marble South

The Marble North and Marble South graphite properties consists of two blocks consisting of 13 mineral claims totalling approximately 723 hectares (7 km^2) and 25 mineral claims totalling approximately 1392 hectares (14 km^2) respectively, located approximately 100 kilometers north-west of Baie-Comeau, Quebec.

Tetepisca

The Tetepisca graphite property consists of one large contiguous block of 78 mineral claims totalling approximately 4,206 hectares (42 km^2) located approximately 230 kilometers north of Baie-Comeau, Quebec.

Mardi Gras Graphite

The Mardi Gras graphite property consists of one contiguous block of 21 mineral claims totalling approximately 1,122 hectares (11 km^2) located approximately 160 kilometers north-west of Sept-Ilse, Quebec.

White Graphite

The White graphite property consists of one contiguous block of 10 mineral claims totalling approximately 557 hectares (5 km^2) located approximately 50 kilometers north of Baie-Comeau, Quebec.

Lion Graphite

The Lion graphite property consists of one large contiguous block of 120 mineral claims totalling approximately 6,553 hectares (65 km^2) located approximately 100 kilometers north of Matagami, Quebec.

To exercise its option, the Company must provide cash payments of $75,000 and issue 6,000,000 common shares as follows:

		Cash	Common shares
Upon TSX.V conditional approval (issued)	$	-	1,500,000
Upon TSX.V final approval (issued)		30,000	1,500,000
6 months after the Approval Date		45,000	-
15 months after the Approval Date		-	1,500,000
24 months after the Approval Date		-	1,500,000
	$	75,000	6,000,000

RESULTS OF OPERATIONS (continued)

North Shore Package Graphite Project (continued)

In addition to the above cash payments and common share issuances, the Company must, if a NI 43-101 report indicates a resource estimate greater than 200,000 tonnes, pay $150,000 and issue 3,000,000 common shares. The Company must also complete a minimum of $250,000 of exploration related expenditures in aggregate with respect to the Champagne Property and/or any of the North Shore Package Properties, within 18 months of TSX.V approval. The optionor has retained a 2% NSR royalty on the value of mineral produced and delivered from the property. The Company has the option to purchase 1% of this NSR royalty for $1,000,000. During the year ended January 31, 2013, the Company incurred $137,300 in acquisition costs and incurred $2,700 with respect to completion of a NI 43-101 report which was filed with the TSX.V and obtained final regulatory approval on March 27, 2013.

SUMMARY OF QUARTERLY RESULTS

	IFRS 4th Quarter Ended January 31, 2013	**IFRS 3rd Quarter Ended October 31, 2012**	**IFRS 2nd Quarter Ended July 31, 2012**	**IFRS 1st Quarter Ended April 30, 2012**
(a) Revenue	**n/a**	**n/a**	**n/a**	**Nil**
(b) Earnings (loss) for period	**(567,801)**	**(153,967)**	**(240,778)**	**(190,287)**
(c) Earnings (loss) per share	**($0.02)**	**($0.01)**	**($0.01)**	**($0.01)**
	IFRS 4th Quarter Ended January 31, 2012	**IFRS 3rd Quarter Ended October 31, 2011**	**IFRS 2nd Quarter Ended July 31, 2011**	**IFRS 1st Quarter Ended April 30, 2011**
(a) Revenue	Nil	Nil	Nil	Nil
(b) Earnings (loss) for period	(893,264)	(253,423)	(234,849)	(413,823)
(c) Earnings (loss) per share	($0.02)	($0.02)	($0.02)	($0.04)

LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2013, the Company reported working capital of $80,565. Net increase in cash for the year ended January 31, 2013 was $255,720 leaving cash on hand in the amount of $453,304.

Current assets excluding cash at January 31, 2013 consist of amounts receivable of $570,473.

Current liabilities as at January 31, 2013 consist of accounts payable and accrued liabilities of $796,337 and premium on flow through shares of $146,875.

During the first quarter ended April 30, 2012, the Company filed for the Quebec Mineral Exploration Credit in the amount of $751,672, of which $525,000 is included in amounts receivable as at January 31, 2013. The eligibility of these expenditures is subject to review and interpretation by the government agencies.

LIQUIDITY AND CAPITAL RESOURCES (continued)

During the year ended January 31, 2013, the Company generated gross proceeds of $1,282,750 from the following activities:

(a) On April 13, 2012, the Company closed a non-brokered private placement by issuing 7,000,000 units at $0.10 per unit for gross proceeds of $700,000. Each unit is comprised of one common share and one non-transferable share purchase warrant exercisable at $0.20 for a period of 24 months from the date of closing. Finder's fees of $32,375 and 308,000 finder's warrants were paid and issued to qualified parties. The finder's warrants are exercisable at $0.20 per share for a period of 24 months from the date of closing. Proceeds from the private placement will be used to advance the Company's graphite projects and for general working capital.

(b) On November 8, 2012, the Company closed a non-brokered private placement by issuing 2,050,000 units at a price of $0.055 per unit for gross proceeds of $112,750. Each unit was comprised of one common share and one non-transferable share purchase warrant exercisable at $0.10 for a period of two years from the date of issue.

(c) On December 28, 2013, the Company closed a brokered private placement for gross proceeds of $470,000 through the issuance of 2,937,500 flow-through units at $0.16 per unit. Each unit was comprised of one common share and one-half of one non-transferable share purchase warrant. Each full warrant entitles the holder to purchase one non-flow-through common share at a price of $0.30 per share for a period of twelve months from the date of issue. The Company paid total commissions of $32,900 in cash and issued 146,875 broker warrants to the agents, exercisable at $0.25 for a period of twelve months from the date of issue.

OFF - BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Related party transactions for the year ended January 31, 2013 are as follows:

a) During the year, the Company has incurred professional fees amounting to $138,000 ($133,500 in 2012) and accounting fees for $42,000 ($40,250 in 2012) with companies controlled by its directors or officers. In relation with these transactions, $11,341 was payable as at January 31, 2013.

b) During the year, the Company has reimbursed general administrative expenses amounting to $79,087 ($49,267 in 2012) with companies controlled by its directors or officers. In relation with these transactions, $Nil was payable as at January 31, 2013.

c) During the year, the Company incurred $52,206 in exploration expenses (Nil in 2012) with Consul-Teck Exploration Inc., a company controlled by the President and Chief Executive Officer of the Company. These expenses relate to exploration expenditures of $50,434 (Nil in 2012), and permits for $1,772 (Nil in 2012). At year end a balance of $58,331 was payable to Consul-Teck Exploration Inc.

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

RELATED PARTY TRANSACTIONS (continued)

d) During the year, the Company has the option to acquire a 100% interest in the Champagne property from several individuals, including Jean-Sébastien Lavallée who became the President and Chief Executive Officer of the Company in September 2012. He received in counterpart $20,000 in cash on signing the original agreement and 500,000 common shares, fair value $35,000, of the Company on the approval date. The remaining payments, both in shares and in cash considerations, are scheduled to make within 24 months from the approval date.

e) During the year, the Company has the option to acquire a 100% interest in the La Loutre property from several individuals, including Jean-Sébastien Lavallée who became the President and Chief Executive Officer of the Company in September 2012. He received in counterpart $5,000 in cash upon signing the agreement, $5,000 in cash upon TSX.V approval, and 333,333 common shares, fair value $36,667, of the Company on the approval date. The remaining payments, both in shares and in cash considerations, are scheduled to make within 18 months from the approval date.

f) During the year, the Company has the option to acquire a 100% interest in the North Shore Package properties from several individuals, including Jean-Sébastien Lavallée who became the president of the Company in September 2012. He received in counterpart 500,000 common shares, fair value $35,000, of the Company. The remaining payments, both in shares and in cash considerations, are scheduled to make within 24 months from the approval date.

g) During the year, the Company has the option to acquire a 100% interest in the Labelle property from several individuals, including Jean-Sébastien Lavallée who became the President and Chief Executive Officer of the Company in September 2012. He received in counterpart $5,000 in cash upon signing the agreement, $5,000 upon TSX.V approval, and 83,333 common shares, fair value $9,167, of the Company on the approval date. During the year the Company has written off the carrying value of the property and any further payments are unlikely.

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

The remuneration of directors and other members of key management personnel during the years ended January 31, 2013 and 2012 were as follows:

		2013		2012
Management and accounting fees	$	180,000	$	173,750
Share-based payments*		153,272		677,409
	$	333,272	$	851,159

* Share-based payments are the fair value of stock options vested to key management personnel.

FOURTH QUARTER

During the fourth quarter ended, January 31, 2013, the following significant transactions occurred:

(a) On December 28, 2013 the Company closed a brokered private placement through the issuance of 2,937,500 flow-through units for gross proceeds of $470,000 (see Liquidity and Capital Resources)

For the three months ended January 31, 2013, total general and administrative expenses for the period was $246,061 (FY 2012 - $832,366); a decrease in loss of $586,305.

Table 1. General and Administrative Expenses Summary

		Three Months Ended January 31, 2013		**Three Months Ended January 31, 2012**
Accounting, audit and legal fees	$	47,565	$	64,568
Amortization		26,913		-
Consulting Fees		13,403		16,654
Interest and bank charges		35		21,338
Investor relations and communications		(10,042)		85,526
Management fees		20,000		40,500
Office and administrative		8,346		(76,693)
Rent		4,991		20,275
Share-based payments		118,042		621,688
Transfer agent, listing and filing fees		16,808		1,319
Travel and entertainment		-		36,066
Total Administrative Expenses	**$**	**246,061**	**$**	**832,366**

SUBSEQUENT EVENTS

Subsequent to January 31, 2013, the following transactions and events occurred:

a) In March 2013, the Company issued 1,500,000 common shares in accordance with the agreement signed on April 17, 2012 to acquire a 100% interest in the Champagne property (see Note 11 of Financial Statements). Of this amount, 500,000 common shares were issued to the President of the Company.

b) In March 2013, the Company issued 1,500,000 common shares in accordance with the agreement signed on July 19, 2012 to acquire a 100% interest in the North Shore property (see Note 11 of Financial Statements). Of this amount, 500,000 common shares were issued to the President of the Company.

c) In April 2013, the Company issued 500,000 common shares in accordance with the agreement signed on February 20, 2012 to acquire a 100% interest in the La Loutre property (see Note 11 of Financial Statements). Of this amount, 133,333 common shares were issued to the President of the Company.

d) On February 2, 2013, 1,110,833 share purchase warrants and 100,000 stock options expired unexercised.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include recoverability of exploration and evaluation assets and property and equipment, the determination of accrued liabilities, accrued site remediation, rates for amortization and depletion the recoverability of amounts receivable, the variables used in the determination of the fair value of stock options granted and warrants issued and the determination of the recoverability of deferred tax assets. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at January 31, 2013, the Company's financial instruments include cash, amounts receivable, and accounts payable.

The Company has designated its cash as fair value through income or loss; amounts receivable, as loans and receivables; and accounts payable and accrued liabilities, as other financial liabilities.

The Company has filed for tax credits relating to mineral exploration expenditures with two government agencies in the province of Quebec. The aggregate amount filed is for $751,672, of which the Company has accrued $525,000 as a receivable. The eligibility of these expenditures is subject to review and interpretation by the government agencies. Any adjustment to the actual amounts received will be adjusted in future periods when the actual amounts are determined.

Management of capital risk

The Company's objectives when managing capital are: (i) to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans; (ii) to minimize the cost of capital while taking into consideration current and future industry, market, and economic risks and conditions; and (iii) safeguard the Company's ability to continue as a going concern in order to pursue the development of its evaluation and exploration assets and to maintain flexible capital structure, which optimizes the costs of capital at an acceptable rate.

The Company considers capital to include shareholders' equity, which at January 31, 2013, is $2,822,521.

There are no externally imposed capital requirements. The Company manages the capital structure and makes adjustments to it depending on economic conditions and the rate of anticipated expenditures. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash and investments. At the present time, the only capital requirements are to satisfy the current liabilities. There were no changes in the Company's approach to capital management during the year.

Fair value

The carrying amount of financial assets and liabilities carried at amortized cost is a reasonable approximation of fair value.

Credit risk

The Company is exposed to credit risk with respect to its cash and amounts receivable. The credit risk associated with cash is minimal as cash has been placed with major Canadian financial institutions with strong investment-grade ratings by a primary ratings agency. The Company is not exposed to significant credit risk with respect to amounts receivable, as the amount is due primarily from government agencies.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has cash and amounts receivable at January 31, 2013, in the amounts of $453,304 and $570,473, respectively, which is sufficient to meet its short-term business requirements. At January 31, 2013, the Company had accounts payable and accrued liabilities of $796,337 with contractual maturities of 90 days or less.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk.

(a) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(b) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

CORPORATE INTERNAL CONTROLS

The Company practices strict internal controls through proper segregation of responsibilities and internal reporting of its personnel. Agreements and commitments that involve cash and/or share capital distribution such as private placements, stock option grants, property, service, and consulting agreements require Board of Directors approval through Directors' Resolutions. The Company's business development budgets are planned and approved by the Company's President & CEO and Board of Directors. All cash distribution requires the Company's Executive Chairman, President & CEO, and/or CFO approval to ensure that all expenses are accurate and aligned with the Company's budget. Approved share capital distribution is executed through treasury orders that require final approval from the Company's Executive Chairman or President & CEO, and one authorized director or officer. These internal control procedures are established and strictly practiced to ensure the Company's goals and best interest are effectively carried out.

Management is also responsible for the design of internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles and IFRS. Management believes the design is sufficient and appropriate to provide such reasonable assurance.

CORPORATE ACTIVTIES

The officers and directors as at the date of this report are as follows:

Jean-Sebastien Lavallee*	President, CEO, Audit Committee Member
Kelsey Chin	CFO, Corporate Secretary
Hugo Monette**	Chairman of the Audit Committee
Chad McMillan**	Director

**Director*
***Independent Director*

OTHER REQUIREMENTS

a) Disclosure Controls and Procedures

The Company's management, with participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on this assessment, the Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered under this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

b) Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control.

SUMMARY OF OUTSTANDING SHARE DATA AS OF MAY 31, 2013:

a. Authorized: Unlimited common shares without par value

Issued and outstanding: 39,387,368 common shares

b. Stock options

Options outstanding as of May 31, 2013:

25,000	@ $0.22	November 15, 2013
450,000	@ $0.22	January 10, 2016
200,000	@ $0.30	January 25, 2016
100,000	@ $0.72	February 25, 2016
125,000	@ $0.66	April 19, 2016
25,000	@ $0.10	November 15, 2013
775,000	@ $0.50	August 15, 2016
1,300,000	@ $0.10	June 23, 2013
25,000	@ $0.50	November 15, 2013
200,000	@ $0.10	July 18, 2017
3,225,000		

c. Warrants

Warrants outstanding as of May 31, 2013:

666,667	@ $0.30	January 10, 2014
7,308,000	@ $0.20	April 13, 2014
2,050,000	@ $0.10	November 8, 2014
1,468,750	@ $0.30	December 28, 2013
146,875	@ $0.25	December 28, 2013
11,640,292		

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

The shareholders will be kept informed of any material changes.

"Jean-Sebastien Lavallee"

President & CEO
Canada Strategic Metals Inc.
May 31, 2013