

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-34852



Rare Element Resources

RARE ELEMENT RESOURCES LTD.

(Exact Name of Registrant as Specified in its Charter)

BRITISH COLUMBIA

(State of other jurisdiction of incorporation or organization)

N/A

(I.R.S. Employer Identification No.)

P.O. Box 271049

Littleton, Colorado

(Address of principal executive offices)

80127

(Zip Code)

(720) 278-2460

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of issuer's common shares outstanding as of May 2, 2021: 105,308,445.

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Reporting Currency, Financial and Other Information

All amounts in this report are expressed in thousands of United States (“U.S.”) dollars, unless otherwise indicated.

Financial information is presented in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

References to “Rare Element,” the “Company,” “we,” “our,” and “us” mean Rare Element Resources Ltd., our predecessors and consolidated subsidiaries, or any one or more of them, as the context requires.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Securities Act of 1933, as amended (the “Securities Act”), the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and “forward-looking information” within the meaning of Canadian securities laws (collectively, “forward-looking statements”). Any statements that express or involve discussions with respect to business prospects, predictions, expectations, beliefs, plans, intentions, projections, objectives, strategies, assumptions, future events, performance or exploration and development efforts using words or phrases (including negative and grammatical variations) such as, but not limited to, “expects,” “anticipates,” “plans,” “estimates,” “intends,” “forecasts,” “likely,” “projects,” “believes,” “seeks,” or stating that certain actions, events or results “may,” “could,” “would,” “should,” “might” or “will” be taken, occur or be achieved, are not statements of historical fact and may be forward-looking statements. Although we believe that our plans, intentions and expectations reflected in these forward-looking statements are reasonable, we cannot be certain that these plans, intentions and expectations will be achieved. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained in this Quarterly Report. Forward-looking statements in this Quarterly Report include, but are not limited to, statements regarding the following:

- the impact of the COVID-19 pandemic (“COVID-19”) on (i) our business operations, (ii) our ability to raise capital, obtain licenses and permits, and to timely complete pilot plant test work, (iii) rare earth element prices, (iv) our near-term plans to construct and operate a planned demonstration plant, (v) our longer-term plans to construct and operate a full-scale mine and separation plant;
- anticipated losses in the operation of our business until such time, which may not occur in the foreseeable future or at all, as commercial production by us of rare earth elements has commenced;
- our ability to fund anticipated losses in the operation of our business until commercial production, which may not occur in the foreseeable future or at all, is achieved;
- the pursuit of potential financing and strategic alternatives including U.S. government funds;
- expectations regarding the ability to raise capital or secure additional strategic or joint venture partners in order to advance the Bear Lodge rare earth elements project (“Bear Lodge REE Project”), including the planned demonstration plant;
- our ability to resume suspended operational and permitting activities successfully;
- our ability and the timing to obtain necessary permits and licenses, including project development, mining, beneficiation and processing permits and source material licenses;
- the cost and timing of our current and planned future piloting of our rare earth element recovery and separation processes;
- our ability to meet pre-award requirements for a potential U.S. Department of Energy (“DoE”) financial award to support the funding of our planned demonstration plant;
- our ability to raise additional capital to meet cost sharing obligations for a potential DoE financial award to initiate and complete a planned demonstration plant;
- the cost and timing of our planned demonstration plant, and the outcomes of the project to support our overall processing and separation of rare earth elements from our Bear Lodge REE Project or rare earth elements from other sources;
- our ability to license, permit, construct and operate a planned demonstration plant, or the cost or outcomes of its construction and operation;
- the estimated costs required to develop the planned demonstration plant and the Bear Lodge REE Project;

- the confirmation and piloting of our rare earth element recovery and separation technology and the ability to incorporate the technology with respect to a planned demonstration plant, the Bear Lodge REE Project or otherwise;
- our ability to arrange for services of third parties to demonstrate the recovery and separation of rare earth products;
- the narrowed focus or suspension of the Company’s near-term operational and permitting activities;
- expectations regarding the global supply and demand for rare earth elements (“REE”), including the potential impact of the Chinese-dominated market;
- the ability and timing to complete a future Feasibility Study (“FS”) on the Bear Lodge REE Project;
- the estimated operating and capital costs, including sustaining capital, associated with the separation and recovery of marketable rare earth elements using our proprietary technology or other processes;
- expectations regarding the support or hindrance of our objectives as a result of government policies and actions;
- future expenditures to comply with environmental and other laws and regulations;
- expectations as to the marketability and prices of rare earth product(s); and
- our potential status as a “passive foreign investment company” under U.S. tax laws.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from those expressed or implied by the forward-looking statements including, without limitation, risks associated with:

- the impact of COVID-19, including risks associated with uncertainties relating to its ultimate spread, severity and duration, and related adverse effects on the global economy and financial markets, and the impact of COVID-19 on rare earth prices and on our business development and strategies;
- our history of losses and numerous uncertainties that could affect the profitability or feasibility of our Bear Lodge REE Project and strategy;
- our lack of production from our mineral properties;
- our proprietary, patented and patent-pending, rare earth recovery and separation technology encountering infringement, unforeseen problems, or unexpected costs in development, deployment or scaling up to commercial application;
- our ability to maintain our proprietary interest in our patented and patent-pending intellectual property and related technical information licensed to third parties;
- intellectual property or related data being subject to damage or theft;
- our ability to maintain relationships and meet our obligations with significant investors or attract future investors or strategic partners;
- our ability to obtain additional financial resources on acceptable terms or at all, in order to (i) develop and maintain our assets, (ii) progress and finalize our planned demonstration plant, (iii) conduct our strategic plans, including our Bear Lodge REE Project’s activities and (iv) maintain our general and administrative expenditures at appropriate levels;
- increased costs affecting our financial condition;
- the potential liquidation or sale of part or all of the Company’s assets and the possible loss by investors of part or all of their investment;
- the fact that certain activities, including equity and debt financing activities, which may be undertaken by the Company will require the prior approval of Synchron and possibly other shareholders of the Company;
- whether we deregister our common shares under the Exchange Act and/or list our common shares on another securities exchange;

- volatile mineral markets, including fluctuations in demand for, and prices of, rare earth products, including the potential impact of the Chinese-dominated rare earth market;
- our ability to secure financing, permit, license, construct and operate a planned demonstration plant and ability to incorporate the outcomes of the demonstration plant in our Bear Lodge REE Project or other processing and separation opportunities;
- the results of future feasibility studies with respect to the planned demonstration plant and the Bear Lodge REE Project;
- our ability to resume our currently suspended federal and state licensing and permitting efforts for the Bear Lodge REE Project in a timely and cost-effective manner, or at all;
- the permitting, licensing and regulatory approval process with respect to the exploration, development and operation of our Bear Lodge REE Project;
- mineral resource estimation;
- our ability to exercise our right to purchase certain non-mineral lands for waste rock storage and processing operations and the ability to acquire another location if necessary;
- delay from opposition to development of the planned demonstration plant or any of our Bear Lodge REE Project from third parties;
- establishing adequate distribution or sales channels to place our future suite of products;
- competition in the mining, rare earth and gold industries, including an increase in global supplies or predatory pricing and dumping by our competitors;
- technological advancements, substitutes, and the establishment of new uses and markets for rare earth products;
- the specific product(s) from our operations potentially having a limited number of customers, which could reduce our bargaining power, product pricing, and profitability;
- changes in government policies and future potential actions of the government with respect to the rare earth and mining industries;
- continued compliance with current environmental regulations and the possibility of new legislation, environmental regulations or license or permit requirements adverse to the mining industry, including measures regarding reclamation, water and air protection, land use and climate change;
- our dependence on and the potential difficulty of attracting and retaining key personnel, consultants and qualified management;
- any shortage of equipment and supplies;
- mining and resource exploration, development, processing and recovery being a potentially hazardous activity;
- operating in the resource industry, which can be highly speculative and subject to volatile market forces outside of our control;
- title to our properties or mining claims;
- insurance for our operations that could become unavailable, unaffordable or commercially unreasonable or exclude from coverage certain risks to our business;
- our land reclamation and remediation requirements;
- information technology system disruptions, damage or failures;
- effects of legislation or proposed legislation on the mining industry and our business;
- our executive officer, directors and consultants being engaged in other businesses;
- costs associated with any unforeseen litigation;
- enforcement of civil liabilities in the U.S. and elsewhere;
- our common shares continuing not to pay dividends;

- share price volatility;
- our securities, including in relation to both Company performance and general security market conditions;
- the OTCQB Venture Marketplace standards and the “penny stock” rules and the impact on trading volume and liquidity due to our listing on the OTCQB Venture Marketplace;
- tax consequences to U.S. shareholders related to our potential status as a “passive foreign investment company”;
- risk factors discussed in our 2020 Annual Report on Form 10-K; and
- other factors, many of which are beyond our control.

This list is not exhaustive of the factors that might affect our forward-looking statements. Although we have attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that could cause results not to be as anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary, possibly materially, from those anticipated, believed, estimated or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Except as required by law, we disclaim any obligation to revise or update any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. **We qualify all of the forward-looking statements contained in this Quarterly Report on Form 10-Q by the foregoing cautionary statements.** We advise you to carefully review the reports and documents we file from time to time with the U.S. Securities and Exchange Commission (the “SEC”), particularly our Annual Report on Form 10-K for the year ended December 31, 2020. The reports and documents filed by us with the SEC are available at www.sec.gov.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**RARE ELEMENT RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of U.S. dollars, except shares outstanding)

	March 31, 2021	December 31, 2020
	(unaudited)	(audited)
ASSETS:		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,048	\$ 2,706
Prepaid expenses and other	10	47
Total Current Assets	2,058	2,753
Equipment, net	50	51
Investment in land	600	600
Total Assets	\$ 2,708	\$ 3,404
LIABILITIES:		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 374	\$ 115
Total Current Liabilities	374	115
Reclamation obligation	132	132
Repurchase option	953	933
Total Liabilities	1,459	1,180
Commitments and Contingencies (Note 4)		
SHAREHOLDERS' EQUITY:		
Common shares, no par value - unlimited shares authorized; shares outstanding March 31, 2021 and December 31, 2020 – 104,895,245 and 104,895,245, respectively	111,823	111,823
Additional paid in capital	24,290	24,217
Accumulated deficit	(134,864)	(133,816)
Total Shareholders' Equity	1,249	2,224
Total Liabilities and Shareholders' Equity	\$ 2,708	\$ 3,404

See accompanying notes to condensed consolidated interim financial statements

RARE ELEMENT RESOURCES LTD.
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS

(Expressed in thousands of U.S. dollars, except share and per share amounts)

	For the three months ended March 31,	
	2021	2020
Operating expenses:		
Exploration and evaluation	\$ (507)	\$ (232)
Corporate administration	(520)	(390)
Depreciation	(1)	(1)
Total operating expenses	(1,028)	(623)
Non-operating income (expense):		
Interest income	–	20
Accretion expense	(20)	(20)
Other income (expense)	–	1
Total non-operating income (expense)	(20)	1
Net loss	\$ (1,048)	\$ (622)
LOSS PER SHARE - BASIC AND DILUTED	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	104,895,245	103,967,320

See accompanying notes to condensed consolidated interim financial statements

RARE ELEMENT RESOURCES LTD.
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS
(Expressed in thousands of U.S. dollars)

	For the three months ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,048)	\$ (622)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1	1
Accretion expense	20	20
Stock-based compensation	73	59
Changes in working capital		
Prepaid expenses and other	37	30
Accounts payable and accrued liabilities	259	(234)
Net cash used in operating activities	(658)	(746)
Decrease in cash and cash equivalents	(658)	(746)
Cash and cash equivalents - beginning of the period	2,706	5,664
Cash and cash equivalents - end of the period	\$ 2,048	\$ 4,918

See accompanying notes to condensed consolidated interim financial statements

RARE ELEMENT RESOURCES LTD.
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF SHAREHOLDERS' EQUITY
(Expressed in thousands of U.S. dollars)

	Number of Shares	Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance, December 31, 2019	103,966,880	\$ 111,662	\$ 23,831	\$ (130,588)	\$ 4,905
Stock option exercise	40,186	-	-	-	-
Stock-based compensation	-	-	59	-	59
Net loss	-	-	-	(622)	(622)
Balance, March 31, 2020	104,007,066	\$ 111,662	\$ 23,890	\$ (131,210)	\$ 4,342
Balance, December 31, 2020	104,895,245	\$ 111,823	\$ 24,217	\$ (133,816)	\$ 2,224
Stock-based compensation	-	-	73	-	73
Net loss	-	-	-	(1,048)	(1,048)
Balance, March 31, 2021	104,895,245	\$ 111,823	\$ 24,290	\$ (134,864)	\$ 1,249

See accompanying notes to condensed consolidated interim financial statements.

RARE ELEMENT RESOURCES LTD.
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
MARCH 31, 2021

(all amounts stated in thousands of U.S. dollars except share and per share amounts)

1. NATURE OF OPERATIONS

Rare Element Resources Ltd. (“we,” “us,” “Rare Element” or the “Company”) was incorporated under the laws of the Province of British Columbia, Canada, on June 3, 1999.

Rare Element has been focused on advancing the Bear Lodge REE Project located near the town of Sundance in northeast Wyoming. The Bear Lodge REE Project consists of several large disseminated REE deposits and a proposed hydrometallurgical plant to be located near Upton, Wyoming. Additionally, the Company holds a 100% interest in the Sundance Gold Project, adjacent to the Bear Lodge REE Project, which contains a historical inferred mineral resource primarily composed of three gold targets within the area of the Bear Lodge property. As a result of the Company’s current focus on the Bear Lodge REE Project, advancement of the Sundance Gold Project has been on hold since 2011.

In the first quarter of 2021, the Company focused on continuing the confirmation and enhancement of its proprietary technology for rare earth processing and separation through pilot testing conducted by Umwelt-und Ingenieurtechnik GmbH Dresden (“UIT”), an affiliate of General Atomic Technologies Corporation and Synchron, under a new agreement (see Note 4 to the for complete discussion regarding the engagement). The Company expects pilot testing to be completed during the second or early in the third quarter of 2021 with results to be incorporated into a planned demonstration plant as described below. However, should additional funding as described below not be secured, these plans may be deferred to a later date.

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business beyond the next 12 months following the filing date of this Quarterly Report on Form 10-Q. The Company has incurred losses since inception and further losses are anticipated in the development of its business. As of March 31, 2021, the Company had cash and cash equivalents of \$2,048 and our cash used in operations during the three months ended March 31, 2021 was \$658, a portion of which was related to costs associated with pilot plant testing and general and administrative expenses.

In January 2021, as a member of a consortium of companies, the Company received notice regarding a potential financial award from the DoE for the engineering, construction and operation of a rare earth separation and processing demonstration plant. The consortium of companies, which includes the Company, General Atomics, an affiliate of Synchron, and certain of its affiliates, and LNV, an Ardurra Group, Inc. company, as engineering and construction subcontractor had submitted a formal proposal to the DoE in response to a published Funding Opportunity Announcement in mid-2020 for the construction and operation of a rare earth separation and processing plant utilizing proprietary technology to produce commercial grade products. The DoE funding, if finalized, is in the amount of \$21,900 and represents approximately one-half of the total estimated costs for the project and is contingent upon the negotiation of definitive documents. It is the Company’s intent that the planned demonstration plant will process the already stockpiled high-grade material from Bear Lodge REE Project. The Company expects to complete pre-award negotiations in the second quarter of 2021. Should the financial award not be successfully finalized, the Company anticipates undertaking revised operational plans to reduce spending to cover minimal costs. Such actions combined with the funds remaining from transactions with Synchron in October 2017 and October 2019 will allow the Company to meet its financial obligations into the second quarter of 2022.

However, even with the past transactions with Synchron in 2017 and 2019, the Company does not have sufficient funds to progress with its planned demonstration plant or with the feasibility studies, licensing, permitting, development and construction related to the Bear Lodge REE Project. Therefore, the achievement of these longer-term activities will be dependent upon the finalization of the DoE award and financings, off-take agreements, joint ventures, strategic transactions, or sales of various assets. There is no assurance, however, that the Company will be successful in completing the DoE award or other financings. Ultimately, in the event that the Company cannot finalize the DoE financial award and secure additional financial resources, or complete a strategic transaction in the longer term, it may need to suspend its operational plans or even have to liquidate its business interests, and investors may lose all or part of their investment.

In response to the COVID-19 pandemic, the Company has implemented travel restrictions, both domestically and internationally, and the Company’s employee and consultants have abided by government guidance and orders. As a result, the Company has seen delays in the pilot plant studies being conducted by UIT (see Note 4), that have slowed the progression of the planned test work. Although the slower progression is not material to the Company’s plans at this time, any continued impact may be material to the completion of the test work planned for this year and our ability to progress our current business plans. Additionally, the economic downturn triggered by COVID-19 and resulting direct and indirect

RARE ELEMENT RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

(all amounts stated in thousands of U.S. dollars except share and per share amounts)

negative impact to the Company cannot be fully determined but could have a prospective material impact to the Company's future activities, cash flows and liquidity. Further, it is unknown, what, if any, impact COVID-19 and resulting economic slowdown will have on rare earth prices and market supply and demand fundamentals.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical changes to tax depreciation methods for qualified improvement property. On March 11, 2021, President Biden signed an additional coronavirus relief package entitled the American Rescue Plan Act of 2021, which included, among other things, provisions relating to stimulus payments to some Americans, extension of several CARES Act relief programs, expansion of the child tax credit, funding for vaccinations and other COVID-19 related assistance programs. The CARES Act and the American Rescue Plan Act has not had a material impact on the Company as of March 31, 2021; however, we will continue to examine the impacts that the CARES Act and the American Rescue Plan Act, as well as any future economic relief legislation, may have on our business.

2. BASIS OF PRESENTATION

In accordance with U.S. GAAP for interim financial statements, these condensed consolidated financial statements do not include certain information and note disclosures that are normally included in annual financial statements prepared in conformity with U.S. GAAP. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements as of December 31, 2020, which were included in our Annual Report on Form 10-K for the year ended December 31, 2020. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (which are of a normal, recurring nature) necessary to present fairly in all material respects our financial position as of March 31, 2021, and the results of our operations and cash flows for the three months ended March 31, 2021 and 2020 in conformity with U.S. GAAP. Interim results of operations for the three months ended March 31, 2021 may not be indicative of results that will be realized for the full year ending December 31, 2021.

3. SHAREHOLDERS' EQUITY

Stock-based compensation

As of March 31, 2021, we had 3,100,000 options outstanding that were issued under the 10% Rolling Stock Option Plan, as amended and restated (the "RSOP").

The compensation expense for stock option awards recognized in our condensed consolidated financial statements for the three months ended March 31, 2021 and 2020 was \$73 and \$59, respectively. As of March 31, 2021, there was approximately \$124 of total unrecognized compensation cost related to 375,000 unvested stock options that is expected to be recognized over a weighted-average remaining vesting period of approximately one year. At March 31, 2021, the intrinsic value of outstanding and exercisable stock options was \$6,157 and \$5,617, respectively.

The fair value of stock option awards granted to directors, officers, employees and/or consultants of the Company are estimated on the grant date using the Black-Scholes option valuation model and the closing price of our common shares on the business day prior to the grant date. There were nil and 750,000 options granted during the three months ended March 31, 2021 and 2020, respectively. The significant assumptions used to estimate the fair value of stock option awards using the Black-Scholes option valuation model are as follows for the three months ended March 31, 2020:

Risk-free interest rate	1.45%
Expected volatility	148%
Expected dividend yield	Nil
Expected term in years	5.0
Estimated forfeiture rate	Nil

RARE ELEMENT RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

(all amounts stated in thousands of U.S. dollars except share and per share amounts)

The following table summarizes our stock option activity for each of the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,			
	2021		2020	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of period	3,100,000	\$ 0.28	3,450,000	\$ 0.16
Granted	–	–	750,000	0.83
Exercised ⁽¹⁾	–	–	100,000	0.32
Outstanding, end of period	<u>3,100,000</u>	<u>\$ 0.28</u>	<u>4,100,000</u>	<u>\$ 0.28</u>
Exercisable, end of period	<u>2,725,000</u>	<u>\$ 0.19</u>	<u>2,925,000</u>	<u>\$ 0.17</u>

Weighted-average fair value per share of
options granted during period

\$ 0.75

- (1) The 100,000 stock options exercised resulted in 40,186 common shares being issued on a net settlement basis pursuant to the terms of the RSOP for the three months ended March 31, 2020.

The following table summarized the changes in non-vested stock options for the three months ended March 31, 2021:

<u>Non-vested Stock Options</u>	<u>Number Outstanding</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested at December 31, 2020	1,175,000	\$ 0.42
Vested	(800,000)	\$ 0.47
Non-vested at March 31, 2021	<u>375,000</u>	<u>\$ 0.83</u>

4. COMMITMENTS AND CONTINGENCIES

Our commitments and contingencies include the following items:

Potential environmental contingency

Our exploration and development activities are subject to various federal and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally have become more restrictive. The Company conducts its operations to protect public health and the environment and believes that its operations are materially in compliance with all applicable laws and regulations. We have made, and expect to make in the future, expenditures to comply with such laws and regulations. The ultimate amount of reclamation and other future site-restoration costs to be incurred for existing mining interests is uncertain.

Contract commitment – related party

On March 9, 2020, the Board of Directors approved the engagement of UIT for further pilot plant test work in an amount not to exceed \$650. Under the 2020 engagement, UIT optimized certain process steps, developed scale-up design criteria for a planned demonstration plant, and confirmed operating and capital cost estimates. Consistent with the prior Board action engaging UIT, the three directors of Rare Element appointed by Synchron abstained because Synchron is a significant shareholder of the Company and is an affiliate of UIT.

The UIT pilot plant test work was completed in December 2020, and test work reports were provided to the Company in early 2021.

RARE ELEMENT RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

(all amounts stated in thousands of U.S. dollars except share and per share amounts)

In January 2021, the Board of Directors approved \$500 for additional work in the first half of 2021 to include optimizing of certain process steps, developing scale-up design criteria for a planned demonstration plant, and confirming operating and capital cost estimates. Consistent with the prior Board action engaging UIT, the three directors of Rare Element appointed by Synchron abstained because Synchron is a significant shareholder of the Company and is an affiliate of UIT.

For the three months ended March 31, 2021 and 2020, the Company paid \$119 and \$402, respectively, for services rendered by UIT.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of the consolidated financial results and condition of Rare Element Resources Ltd. (collectively, "we," "us," "our," "Rare Element" or the "Company") for the three months ended March 31, 2021, has been prepared based on information available to us as of May 7, 2021. This discussion should be read in conjunction with the unaudited Consolidated Financial Statements and notes thereto included herewith and the audited Consolidated Financial Statements of Rare Element for the year ended December 31, 2020, and the related notes thereto filed with our Annual Report on Form 10-K, which have been prepared in accordance with U.S. GAAP. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth elsewhere in this report. See "Cautionary Note Regarding Forward-Looking Statements."

All currency amounts are expressed in thousands of U.S. dollars, unless otherwise noted.

Outlook

In the first quarter of 2021, the Company focused on continuing the confirmation and enhancement of its proprietary technology for rare earth processing and separation through pilot testing through its formal engagement with Umwelt-und Ingenieurtechnik GmbH Dresden ("UIT"), an affiliate of General Atomic Technologies Corporation and Synchron, by entering into new agreements for the pilot testing (see Note 4 to the Condensed Consolidated Financial Statements for complete discussion regarding the engagement). The Company expects pilot testing to be completed during the second or early in the third quarter of 2021 with results incorporated into a planned demonstration plant as described below. During the second and third quarters of 2021, the Company expects to further the plans for the demonstration plant including (i) completing further piloting to optimize certain process steps and scale-up design criteria, (ii) confirming operating and capital cost estimates, (iii) finalizing the pre-award negotiations with the DoE for the financial award described above, and (iv) securing additional funding.

Further, in 2021, the Company continued to monitor the general U.S. political climate and actions taken by the U.S. government to secure a domestic, non-Chinese, rare earth supply chain. The U.S. federal government issued two Presidential Executive Orders in 2017 to encourage and support the establishment of a domestic rare earth supply chain and to strengthen the defense industrial base with respect to critical minerals including rare earths. In June 2019, the Department of Commerce released its report entitled "Federal strategy to ensure secure and reliable supplies of critical minerals." This was followed by five U.S. Presidential Determinations on July 22, 2019 directed to the Secretary of Defense. One Presidential Determination declared that "the domestic production capability for Rare Earth Metals and Alloys is essential to the national defense." These initiatives have increased the federal government's level of interest in the rare earth industry and the Company's potential rare earth products as a critical upstream segment of the supply chain, particularly considering Chinese dominance in the global rare earth market. In addition, COVID-19 has further focused the U.S. government on the importance of implementing secure domestic supply chains, including for rare earths, leading to a further Presidential Executive Order issued in February 2021 calling for the strengthening of America's supply chains, specifically requiring the Department of Defense to (i) submit a report identifying "risks in the supply chain of critical minerals and other strategic materials including rare earth elements" and (ii) make policy recommendations to address the risks. As a result, the Company is participating in these initiatives as they are critical to the United States' production of rare earth magnets to support the manufacturing of, among other things, defense technologies, electric vehicles, wind turbines, automobiles, consumer electronics, and oil refining equipment. In January 2021, we received notice from the U.S. Department of Energy ("DoE") that the Company, as a member of a consortium of companies, had been selected for negotiation of a potential financial award for the engineering, construction and operation of a rare earth separation and processing demonstration plant. The consortium of companies, which includes the Company, General Atomics, an affiliate of Synchron, and certain of its affiliates, and LNV, an Ardurra Group, Inc. company, as engineering and construction subcontractor, had submitted a formal proposal to the DoE in response to a published Funding Opportunity Announcement in mid-2020 for the construction and operation of a rare earth separation and processing plant utilizing proprietary technology to produce commercial grade products. The DoE funding, if finalized, is in the amount of \$21,900 and represents approximately one-half of the total estimated costs for the project and is contingent upon the negotiation of definitive documents. It is the Company's intent that the demonstration plant will process the already stockpiled high-grade material from Bear Lodge REE Project. The Company expects to complete pre-award negotiations in the second quarter of 2021.

In December 2019, a novel strain of coronavirus known as COVID-19 appeared and has since spread around the world resulting in economic, business and social disruption. COVID-19 was declared a worldwide pandemic by the World Health Organization on March 11, 2020. The speed and extent of any continued spread of COVID-19, the impact of vaccination efforts, and the duration and intensity of further economic, business and social disruption and related financial impacts in 2021 are uncertain. Further, the extent and manner to which COVID-19 may affect the Company, and measures taken by governments, the Company or others to attempt to reduce the spread of COVID-19 and its impact on the Company's operations, cannot be predicted at this time. Prior to COVID-19, the Company's employee and consultants were already working remotely and have not been materially impacted at this time. The Company has implemented travel restrictions, both domestically and internationally, and the Company's employee and consultants have abided by government guidance and orders. As a result, the Company has seen delays in the pilot plant studies being conducted by UIT (see Note 4), that have slowed the progression of the planned work due to COVID-19 related worker restrictions in Germany. Although the slower progression is not material to the Company's plans at this time, any continued impact may be material to the completion of the test work planned for this year and our ability to progress our current business plans. Additionally, the economic downturn triggered by COVID-19 and resulting direct and indirect negative impact to the Company cannot be fully determined but could have a prospective material impact to the Company's future activities, cash flows and liquidity. Further, it is unknown, what, if any, impact COVID-19 and resulting economic slowdown will have on rare earth prices and market supply and demand fundamentals. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical changes to tax depreciation methods for qualified improvement property. On March 11, 2021, President Biden signed an additional coronavirus relief package entitled the American Rescue Plan Act of 2021, which included, among other things, provisions relating to stimulus payments to some Americans, extension of several CARES Act relief programs, expansion of the child tax credit, funding for vaccinations and other COVID-19 related assistance programs. The CARES Act and the American Rescue Plan Act has not had a material impact on the Company as of March 31, 2021; however, we will continue to examine the impacts that the CARES Act and the American Rescue Plan Act, as well as any future economic relief legislation, may have on our business. For further discussion of this matter, refer to "Item 1A. Risk Factors" in Part II of the Company's Annual Report on Form 10-K as filed on March 26, 2021.

Results of Operations

Summary

Our consolidated net loss for the three months ended March 31, 2021 was \$1,048, or \$0.01 per share, compared with our consolidated net loss of \$622, or \$0.01 per share, for the same period in 2020. See the discussion below for the primary drivers regarding the change in net loss period-to-period.

Exploration and evaluation

Exploration and evaluation costs were \$507 and \$232 for the three months ended March 31, 2021 and 2020, respectively. Increased costs of \$251 were related to processing and separation studies and pilot plant testing under the UIT technology agreement. Additionally, we have continued activities at the Bear Lodge REE Project related to maintaining our environmental obligations.

Corporate administration

Corporate administration costs were \$520 and \$390 for the three months ended March 31, 2021 and 2020, respectively. The increase from the prior period was primarily the result of increased expenses of \$34 associated with our compliance and regulatory obligations, \$40 related to government relations efforts and \$14 of stock-based compensation.

Accretion expense

Accretion expense was \$20 for each of the three months ended March 31, 2021 and 2020. We record accretion expense at each reporting period to increase the repurchase option liability to the anticipated exercise amount of \$1,000.

Cash Flows, Financial Position, Liquidity and Capital Resources

Cash Flows from Operating Activities

Net cash used in operating activities was \$658 for the three months ended March 31, 2021, as compared with \$746 for the same period in 2020. The decrease of \$88 in cash used is primarily the result of a decrease in accounts payable and accrued liability outflows, offset by an increase in corporate and administrative expenses.

Financial Position, Liquidity and Capital Resources

At March 31, 2021, our total current assets were \$2,058, as compared with \$2,753 as of December 31, 2020, which is a decrease of \$695. The decrease in total current assets is primarily due to a decrease in the combination of cash and cash equivalents due to funding our operations. Our working capital as at March 31, 2021 was \$1,684, as compared with \$2,638 at December 31, 2020. The decrease in working capital is primarily due to a decrease in the combination of cash and cash equivalents and an increase in accounts payables and accrued expense due to funding our operations.

In January 2021, as a member of a consortium of companies, we received notice regarding a potential financial award from the DoE for the engineering, construction and operation of a rare earth separation and processing demonstration plant. The consortium of companies, which includes the Company, along with consortium members General Atomics, an affiliate of Synchron, and certain of its affiliates, and LNV, an Ardurra Group, Inc. company, as engineering and construction subcontractor had submitted a formal proposal to the DoE in response to a published Funding Opportunity Announcement in mid-2020 for the construction and operation of a rare earth separation and processing plant utilizing proprietary technology to produce commercial grade products. The DoE funding, if finalized, is in the amount of \$21,900 and represents approximately one-half of the total estimated costs for the project and is contingent upon the negotiation of definitive documents. It is the Company's intent that the demonstration plant will process the already stockpiled high-grade material from the Bear Lodge REE Project. The Company expects to complete pre-award negotiations within the second quarter of 2021. Should the financial award not be successfully finalized, the Company anticipates undertaking revised operational plans to reduce spending to cover minimal costs. Such actions combined with the funds remaining from transactions with Synchron in October 2017 and October 2019, will allow the Company to meet its financial obligations into the second quarter of 2022.

During the first half of 2021, the Company expects to further the plans for the planned demonstration plant including (i) completing further piloting to optimize certain process steps and scale-up design criteria, (ii) confirming operating and capital cost estimates, (iii) finalizing the pre-award negotiations with the DoE for the financial award described above, and (iv) securing additional funding. As noted above, should the financial award not be successfully finalized, the Company anticipates undertaking revised operational plans to cover expected costs.

In any event, the Company does not have sufficient funds to progress with its planned demonstration plant or feasibility studies, licensing, permitting, development and construction of the Bear Lodge REE Project. Therefore, the achievement of these longer-term activities will be dependent upon the finalization of the DoE award and financings, off-take agreements, joint ventures, strategic transactions, or sales of various assets. There is no assurance, however, that we will be successful in completing the DoE award or other financings. Ultimately, in the event that we cannot finalize the DoE financial award, secure additional financial resources, or complete a strategic transaction in the longer term, we may need to suspend our operational plans or even have to liquidate our business interests, and investors may lose all or part of their investment.

Contractual Obligations

During the three months ended March 31, 2021, there were no material changes to the contractual obligations disclosed in Item 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision of, and with the participation of the Chief Executive Officer (“CEO”) and Principal Financial Officer (“PFO”), of the effectiveness of the design and operations of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on that evaluation, the CEO and the PFO have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective in ensuring that (i) information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our CEO and PFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There has been no change in our internal control over financial reporting during the quarter ended March 31, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not aware of any material pending or threatened litigation or of any proceedings known to be contemplated by governmental authorities that are, or would be, likely to have a material adverse effect upon us or our operations, taken as a whole.

ITEM 1A. RISK FACTORS

During the three months ended March 31, 2021 there were no material changes to the risk factors disclosed in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

We consider health, safety and environmental stewardship to be a core value for Rare Element.

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities under the regulation of the Federal Mine Safety and Health Administration (“MSHA”) under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). During the quarter ended March 31, 2021, the Company was not subject to regulation by MSHA under the Mine Act.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
10.1+*	Form of Indemnity Agreement (Directors and Officers)
31.1+	Certification of Chief Executive Officer pursuant to Rule 13a-14 promulgated under the Securities and Exchange Act of 1934, as amended
31.2+	Certification of Principal Financial Officer pursuant to Rule 13a-14 promulgated under the Securities and Exchange Act of 1934, as amended
32.1++	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2++	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS+	XBRL Instance Document
101.SCH+	XBRL Taxonomy Extension Schema Document
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB+	XBRL Taxonomy Extension Label Linkbase Document
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document

+ Filed herewith.

++ Furnished herewith.

* Indicates a management contract or compensatory plan, contract or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RARE ELEMENT RESOURCES LTD.

By: /s/ Randall J. Scott
Randall J. Scott
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 7, 2021

By: /s/ Adria Hutchison
Adria Hutchison
Principal Financial and Accounting Officer

Date: May 7, 2021

INDEMNITY AGREEMENT

This Agreement is made as of the _____ day of _____, 20__

BETWEEN:

RARE ELEMENT RESOURCES LTD.,
a corporation incorporated under the laws of British Columbia
(the “**Corporation**”)

AND

(the “**Indemnified Party**”)

WHEREAS:

- A. The Corporation wishes to provide the directors and officers of the Corporation and its associated corporations (as defined in the *Business Corporation Act* (British Columbia) (the “**Act**”)) with indemnification to the full extent permitted by the law; and
- B. The Indemnified Party is willing to act or to continue to act on the condition that the Corporation enter into this Indemnity Agreement.

NOW THEREFORE, in consideration of the background and the covenants contained herein and the sum of US\$1.00 (one dollar) paid by the Indemnified Party to the Corporation, the receipt and sufficiency of which consideration is hereby acknowledged, the parties hereto agree as follows:

1. Indemnification

- (a) The Corporation hereby agrees to indemnify and save harmless the Indemnified Party from and against any and all costs, charges and expenses (including, but not limited to, any amount paid to settle any action or to satisfy any judgment or arbitration award), reasonably incurred by the Indemnified Party in respect of any civil, criminal, administrative, investigative or other proceeding, whether or not any such proceeding is actually commenced, in which the Indemnified Party is or may be involved by reason of being or having been a director or officer of, or holding or having held a position equivalent to that of a director or officer of the Corporation or any of its associated corporations as defined in the Act, provided that:
 - (i) the Indemnified Party acted honestly and in good faith with a view to the best interests of the Corporation; and

- (ii) in the case of a proceeding that is not a civil proceeding, the Indemnified Party had reasonable grounds for believing that the Indemnified Party's conduct was lawful.
- (b) In addition, and without limitation of Section 1(a) above, the Corporation agrees:
 - (i) to indemnify the Indemnified Party (and, if requested by the Indemnified Party, advance monies to the Indemnified Party under section 2) in respect of any action by or on behalf of the Corporation or an associated corporation to procure a judgment or arbitration award in its favor, to which the Indemnified Party is made a party because of the Indemnified Party's association with the Corporation or such associated corporation, against all costs, charges and expenses reasonably incurred by the Indemnified Party in connection with such action, provided the Indemnified Party is entitled to indemnification pursuant to subsection 1(a) above and subject to the Corporation or associated corporation obtaining the approval of a Court (pursuant to the Act), if required, to pay such indemnity or make such advance; and
 - (ii) if the approval of a Court is required to permit the payment of any indemnity or advance hereunder, the Corporation agrees, and agrees to cause any associated corporation, to make application for and use its best efforts to obtain the Court's approval to such payment or advance.
- (c) The intention of this Agreement is to provide the Indemnified Party indemnification to the fullest extent permitted by law and without limiting the generality of the foregoing and notwithstanding anything contained herein:
 - (i) nothing in this Agreement shall be interpreted, by implication or otherwise, in limitation of the scope of the indemnification provided in subsections 1(a) and 1(b) hereof; and
 - (ii) subsections 1(a) and 1(b) and section 2 are intended to provide indemnification to the Indemnified Party to the fullest extent permitted by the Act and, in the event that such statute is amended to permit a broader scope of indemnification (including, without limitation, the deletion or limiting of one or more of the provisos to the applicability of indemnification), subsections 1(a) and 1(b) and section 2, as applicable, shall be deemed to be amended concurrently with such amendment so as to provide such broader indemnification.

2. Advance of Costs

The Corporation agrees that it will advance monies to the Indemnified Party for the costs, charges and expenses of a civil, criminal or administrative action or proceeding contemplated by section 1 above, promptly at the request of the Indemnified Party, with the understanding and agreement that, in the event it is ultimately determined that the Indemnified Party did not fulfil the conditions described in paragraphs 1(a)(i) and 1(a)(ii) above, the Indemnified Party will promptly repay to the Corporation the monies so paid in advance.

3. Other Rights and Remedies

Neither the right to indemnification and advance of moneys to cover costs, charges and expenses of the Indemnified Party set out in Sections 1 and 2 above, nor the making of any payment to the Indemnified Party pursuant thereto will be deemed to derogate from or exclude any other rights of indemnification or contribution to which the Indemnified Party may be entitled under any provision of the Act or otherwise at law or under the Articles of the Corporation or any vote of shareholders of the Corporation or otherwise.

4. Right to Retain Independent Counsel

The Corporation shall have the right, at its expense, to participate in or assume control of the negotiation, settlement or defence of any action, suit, proceeding, claim or investigation in which the Corporation has agreed to indemnify the Indemnified Party pursuant to this Agreement. In any such matter the Indemnified Party shall be entitled to retain other counsel to act on its behalf and, without limiting any other indemnification to which the Indemnified Party may be entitled, the fees and disbursements of such other counsel retained by the Indemnified Party shall be paid by the Corporation provided: (i) the employment of such counsel has been authorized by the Corporation; or (ii) the Corporation has not assumed the defence and employed counsel therefor within a reasonable time after receiving notice of such action, suit, proceeding, claim or investigation; or (iii) counsel retained by the Corporation or the Indemnified Party has advised the Indemnified Party that representation of both parties by the same counsel would be inappropriate for any reason, including without limitation because there may be legal defences available to the Indemnified Party which are different from or in addition to those available to the Corporation or that there is a conflict of interest between the Corporation and the Indemnified Party (in either of which events the Corporation shall not have the right to assume control of the defence on the Indemnified Party's behalf). No admission of liability shall be made by either party without the consent of the other party, which consent shall not be unreasonably withheld, and the Corporation shall not be liable for any settlement of any action, suit, proceeding, claim or investigation made without its consent, which consent shall not be unreasonably withheld.

5. Income or Other Tax

Without limiting the generality of the foregoing, should any payment made pursuant to this Agreement be deemed by Canada Revenue Agency or any other taxation authority of Canada or the United States or any political subdivision thereof to constitute a taxable benefit or otherwise be or become subject to any tax, then the Corporation shall pay to the Indemnified Party such additional amount as may be necessary to ensure that the amount received by or on behalf of the Indemnified Party, after the payment of or withholding for such tax, is equal to the amount of the actual losses, liabilities, claims, damages, costs, charges or expenses against which the Indemnified Party was to be indemnified hereunder.

6. Effective Time

This Agreement shall be effective as and from the first day that the Indemnified Party became a director, officer or the equivalent thereof of the Corporation or of any associated corporation, as the case may be.

7. Legal Advice

The Indemnified Party hereby acknowledges and agrees that the Indemnified Party (i) has not received any legal advice from the Corporation, (ii) has read this Agreement in its entirety and understands this Agreement and agrees to be bound by its terms and conditions, (iii) has been advised to seek independent legal advice with respect to executing and delivering this Agreement and has received such advice or has, without undue influence, elected to waive the benefit of any such advice, and (iv) is entering into this Agreement voluntarily.

8. Notices

Unless otherwise permitted by this Agreement, all notices, requests, demands or other communications hereunder shall be in writing and shall be deemed to have been fully given or made as of the date delivered or on the fifth business day after the date on which it is mailed if mailed by prepaid registered mail (provided that if there is an interruption in the regular postal service during such period arising out of a strike, walk-out, work slowdown or similar labour dispute in the postal system, all days during such interruption occurs shall not be counted) to the parties hereto at the following addresses:

(a) if to the Indemnified Party, at:

(b) if to the Corporation, at:

Rare Element Resources Ltd.
PO Box 271049
Littleton, CO 80127

or to such other address as each party may from time to time notify the other of in writing.

9. Severability

If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever:

(a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing such provisions held to be invalid, illegal or unenforceable, that are not of themselves in

whole invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and

- (b) to the fullest possible extent, the provisions of this Agreement (including, without limitations, all portions of any paragraphs of this Agreement containing any such provisions held to be invalid, illegal or unenforceable, that are not of themselves in whole invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision which is held to be invalid, illegal or unenforceable.

10. Governing Law

The parties hereto agree that this agreement shall be construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada enforceable therein.

11. Further Assurances

The parties hereto will, from time to time, execute and deliver, or cause to be executed and delivered, such additional or further consents, documents and other instruments as another party hereto may reasonably request and is necessary or desirable to give effect to the provisions hereof.

12. Modification and Waiver

This Agreement contains the entire agreement of the parties hereto relating to the subject matter hereof and supersedes all prior agreements and undertakings between the parties with respect to the subject matter herein. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

13. Counterparts

This agreement may be executed by pdf or facsimile and in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together will be deemed to constitute one and the same instrument.

Signature Page to Follow

IN WITNESS WHEREOF the parties hereto have executed this Agreement as at the date first above written.

RARE ELEMENT RESOURCES LTD.

Per: _____

[Indemnified Party]

CERTIFICATIONS

I, Randall J. Scott, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rare Element Resources Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Randall J. Scott

Date: May 7, 2021

Randall J. Scott
President, Chief Executive Officer and Director
(Principal Executive Officer)

CERTIFICATIONS

I, Adria Hutchison, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rare Element Resources Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Adria Hutchison

Date: May 7, 2021

Adria Hutchison
(Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Rare Element Resources Ltd. (the “Company”) does hereby certify, based on my knowledge, with respect to the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2021 (the “Report”) that:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Randall J. Scott

Date: May 7, 2021

Randall J. Scott
President, Chief Executive Officer and Director
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code). It shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 (15 U.S.C. Section 78r) or otherwise subject to the liability of that section. It shall also not be deemed incorporated by reference into any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, except to the extent that the Company specifically incorporates it by reference.

Exhibit 32.2

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Rare Element Resources Ltd. (the “Company”) does hereby certify, based on my knowledge, with respect to the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2021 (the “Report”) that:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2021

/s/ Adria Hutchison

Adria Hutchison
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code). It shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 (15 U.S.C. Section 78r) or otherwise subject to the liability of that section. It shall also not be deemed incorporated by reference into any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, except to the extent that the Company specifically incorporates it by reference.