

RARE ELEMENT RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED MARCH 31, 2009
Containing information up to, and including May 21, 2009

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the consolidated financial statements of Rare Element Resources Ltd. ("Rare Element Resources" or the "Company"). The information provided herein should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended June 30, 2008 and unaudited consolidated financial statements and notes for the nine months ended March 31, 2009.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review the consolidated financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

The reader is encouraged to review the Company's statutory filings on www.sedar.com.

All currency amounts are expressed in US dollars unless otherwise noted.

Overall Performance

The Company's principal activity is the acquisition and exploration of mineral properties.

The Company was incorporated in the province of British Columbia on June 3, 1999 and acquired Paso Rico Resources Ltd. ("Paso Rico") in 2003. Paso Rico owns the Bear Lodge Property in Wyoming, USA, through its wholly owned subsidiary, Paso Rico (USA), Inc. On June 1, 2006, Paso Rico (USA), Inc. and Newmont North America Exploration Limited ("Newmont"), a subsidiary of Newmont Mining Corporation, signed an agreement to establish a gold exploration venture on the Bear Lodge Property.

Newmont has the right to earn a 65% working interest in Rare Element Resources' Bear Lodge property, excluding any rights to the rare-earth elements and uranium but including rights to gold and other metals, by performing \$5 million in mineral exploration expenditures over five years. Newmont also has the right to earn an additional 15% participating interest by completing a positive feasibility study.

Bear Lodge Property

On April 10, 2009, the Company completed a NI 43-101 Resource Report on the Bear Lodge Property. The report presented the current estimated resource of rare-earth elements at Bear Lodge of 9,830,000 tons grading 4.07% rare-earth oxides, or approximately 800 million pounds of rare-earth oxides.

Paso Rico holds a 100% interest in a group of unpatented mineral claims, the Bear Lodge Project property. The property is situated in the Bear Lodge Mountains of Crook County, northeastern Wyoming. These claims were, in part, acquired from Freeport-McMoRan Copper & Gold ("Freeport") by way of a "Mineral Lease and Option for Deed". Some of the claims and a portion of a defined area of influence surrounding the claims are subject to a production royalty of 2% of Net Smelter Returns ("NSR") payable to Freeport. Paso Rico owns a portion of the claim group outright and those claims are not subject to the NSR. In April, 2009, the Company re-purchased the NSR from Freeport for US\$50,000.

The property comprises 90 federal unpatented mineral claims and a 640-acre Wyoming state lease for a total of approximately 2,100 acres. All claims are located on federal lands and are subject to annual maintenance fees

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payable to the United States Bureau of Land Management, which are now, and will continued to be, paid by Newmont for the term of Newmont Agreement (see the section “*Newmont Gold “Sundance” Venture*” below).

Exploration expenditures on resource properties:

	Balance June 30, 2007	Expenditures for the year	Balance June 30, 2008	Expenditures for the period	Balance March 31, 2009
Bear Lodge Property					
Property acquisition costs	\$ 17,721	\$ -	\$ 17,721	\$ -	\$ 17,721
Exploration expenditures				-	-
Assays	7,751	5,623	13,374	15,486	28,860
Assessments and taxes	20,104	-	20,104	-	20,104
Drilling	323,922	136,038	459,960	274,712	734,673
Geological consulting	168,768	58,714	227,482	137,953	365,435
Geophysical	300	-	300	-	300
Metallurgical testing	38,530	55,000	93,530	16,500	110,030
Overhead expenses	9,679	1,160	10,839	2,250	13,089
Staking	17,949	-	17,949	-	17,949
Survey	34,338	-	34,338	-	34,338
Travel expenses	23,935	83	24,018	400	24,418
Wages	99,734	-	99,734	-	99,734
Total exploration expenditures on Bear Lodge property	\$ 762,731	\$ 256,618	\$ 1,019,349	\$ 447,301	\$ 1,466,650

The Company completed an impairment analysis as at March 31, 2009 which considered the indicators of impairment in accordance with Section 3063, “*Impairment of Long-lived Assets*” as well as EIC-126, “*Accounting by Exploration Companies for Exploration Costs*” and AcG-11, “*Enterprises in the Development Stage*”. Management concluded that no impairment charge was required because:

- there have been no significant changes in the legal factors or climate that affects the value of the property;
- all property rights remain in good standing;
- there have been no significant changes in the projections for the property;
- exploration results continue to be positive and the rare-earth-element (“REE”) resource was recently increased;
- the Company intends to continue its exploration and development plans on its property; and
- Sundance project funding for gold exploration continues to be provided by its partner.

Rare-earth Exploration

The Bear Lodge Project contains widespread indications of precious metals and REE. REE are used in hybrid-electric-vehicles (HEV), which contain REE-bearing nickel-metal-hydride (Ni-MH) batteries and magnets within electrical motors and generators; REE are also used in fuel cells, magnetic refrigeration technologies, phosphors, catalysts and numerous other modern specialty technologies.

The mineral claims that comprise the Bear Lodge Project have been explored for REE, as well as precious metals and base metals, by a number of major mining companies during various periods over the past 50 years. These various exploration campaigns have identified a number of rare-earth and precious metals indications that the Company believes warrant further exploration and evaluation.

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The Company began exploration of the Bear Lodge Project properties in late 2004 focusing on the same target area previously identified by Hecla Mining Company (“Hecla”) from 1987 through 1991. Eight core holes, averaging over 1,000 feet per hole, were drilled from 2004 through 2007, seven of which were targeted on the previously known rare-earth-bearing carbonatite dikes in the Bull Hill Southwest area, and one hole was drilled in the Bull Hill Northwest target. Six of the eight holes intercepted significant REE intervals and combined to confirm and expand the Bull Hill Southwest mineralized zone.

To further assess the rare-earth potential of the property, the Company performed a 2008 exploration program, which featured drilling four core holes, three of which were targeted to confirm and expand the historical REE mineralization of the Bull Hill Southwest target and provide samples for continuing metallurgical work. The fourth hole was drilled to test the REE mineralized zone to the northwest, to search for a carbonatite plug, and to test a potential gold target. Highlights of the drill program include relatively thick REE intercepts in three holes and higher grades in drill holes RES 08-1 and 08-3. These results assisted the Company in completing its first NI 43-101 independent resource report. Metallurgical testing is continuing with samples from these drill holes with a goal to determine a commercial method of recovering the rare earths.

The rare-earth mineralization encountered in three of the four drill holes is primarily contained within the near-surface oxidized equivalents (FMR) of carbonatite dikes that intrude a body of heterolithic intrusive breccia along the southwest flank of Bull Hill, within the Bear Lodge alkaline-igneous complex. The Bear Lodge project contains predominantly the “light” REE (lanthanum, cerium, praseodymium, neodymium, samarium, europium, and gadolinium), and in particular the first four of these. Assays from the REE-mineralized sections of the holes can be found in the February 4, 2009 news release.

Metallurgical testing during 2008 made significant strides forward, and additional work is being done. Rare-earth ores are difficult to treat in the best of situations, and the Bear Lodge mineralization is no exception to this rule. The Company has sent selected samples from the 2008 core drilling program for further metallurgical study and testing. Beneficiation tests will be conducted on oxidized, and unoxidized, rare-earth mineralized carbonatite samples to determine the feasibility of producing commercial rare-earth products.

The Company engaged Ore Reserves Engineering (“ORE”), Datamine North America, and GIS Technologies to advance its project development activities. REE resource estimation was completed in April, 2009, by ORE.

In March 2009, the Company announced the results of a new National Instrument 43-101-compliant mineral resource estimate of REE contained in the Bull Hill Southwest deposit of 9.83 million tons averaging 4.07% rare-earth oxides, or approximately 800 million pounds of rare-earth oxides. The new resource estimate is derived from a REE database that includes twelve drill holes completed by the Company since 2004 for a total of 13,326 feet, plus sixteen drill holes, completed by other companies prior to 2004, for which data are available. Approximately 34% of the resource is within 100 feet of a drill hole and 69% of the resource is within 200 feet of a drill hole. The new resource estimate focuses only on the dike sets in the Bull Hill Southwest target area, and there is significant additional potential for expansion of the Bull Hill Southwest resource and for definition of REE resources in other areas.

The Company’s comprehensive NI 43-101 compliant Technical Report, incorporating descriptions of all the exploration work and metallurgical testing completed by the Company since the initial exploration NI-43-101-compliant report was issued in 2002, was filed on April 15, 2009. The report also includes recommendations for additional exploration work to expand the rare-earth resource and the continuance and expansion of the metallurgical testing program currently underway.

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Further information can be found in past news releases posted on the Company's Sedar website (www.sedar.com).

During the nine months ended March 31, 2009, the Company incurred \$447,301 in exploration expenditures on its property. As at March 31, 2009, the Company had incurred a total of \$1,466,650 (June 30, 2008 - \$1,019,349) on exploration work at Bear Lodge.

Newmont Gold "Sundance" Venture

On June 1, 2006, the Company's wholly owned subsidiary, Paso Rico (USA), Inc. and Newmont signed an agreement to establish a gold exploration venture on the Company's Bear Lodge, Wyoming property ("Venture"). Newmont has the right to earn a 65% participating interest in the Bear Lodge property, excluding any rights to the REE and uranium, but including rights to gold and other metals if Newmont spends \$5 million on property exploration by 2011.

Newmont also has the right to earn an additional 15% participating interest by completing a positive feasibility study. If the Company's interest is reduced below 20% for any reason, the Company shall have a financing option by which it may elect for Newmont to carry the Company's share of Venture expenditures, without further dilution to the Company, until commencement of mining on the property. The funds advanced by Newmont under the financing option, plus interest at LIBOR plus 3%, shall be recouped from 90% of the Company's portion of any products or distributions from the Venture.

Newmont had staked an additional 116 Federal lode mineral claims and included them as part of the Venture's property. The total Venture area of interest consists of approximately nine square miles, mostly located in the north portion of the Bear Lodge Mountains. Newmont is the operator of the Venture's gold-exploration program. The Company continues to advance its rare-earth-element exploration program; however, if the two exploration programs conflict, the Venture, under Newmont, may operate both programs.

In October 2008, the Company announces that the Venture has completed additional geologic mapping, geochemical sampling, and an expanded induced polarization (IP) survey. The Newmont exploration team has made substantial progress in the 2008 program including movement toward gaining exploration permits for a larger drilling program on the property. Using a combination of the new geological, geochemical, and geophysical data, the exploration targets have been enhanced and better defined. Exploration data is being compiled and detailed plans are being formulated for the 2009 exploration program.

Exploration work for 2009 is designed to build on the successful 2006-08 exploration programs and to test the best targets within the Sundance project area. Twenty six drill holes had been completed by Newmont on joint venture ground in 2006-07, and permitting and the Environmental Assessment have progressed, such that the Plan of Operation, allowing an expanded drilling program on up to 200 acres of disturbance, is expected to be approved in 2009.

Interpretation of the mapping, sampling, drilling, and geophysical survey results to date has prompted an increasing focus on structural zones through the Taylor, Carbon and Smith targets.

A renewed emphasis on finding high-grade gold mineralization within the Sundance property prompted a review of historical drill holes having better grade mineralization. Higher grade, near surface gold mineralization provides the basis for a comparison of potential deeper high-grade veins at Sundance with those of the Cripple Creek system, which had produced nearly 20 million ounces of gold from deep high-grade veins.

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The Company reported that the initial column leach test results for recovery of gold, which are more indicative of potential production, have yielded 78.4 percent recovery at -3/4 inch crush size, 80.5 percent at -10 mesh (sand size), and 87.9 percent at -200 mesh (fine powder). These tests successfully provide the first indication of how the Sundance gold mineralization might respond to leaching processes. They also provide a basis for fine tuning the leach methodology to optimize the economic extraction of gold. For the further information, see May 29, 2008 news release.

As of March 31, 2009, Newmont's exploration expenditures on the joint venture property are approximately \$1.980 million (\$645,940 in 2006, \$648,784 in 2007, and \$638,827 in 2008). Newmont spent approximately \$52,184 on the Sundance project in the first quarter of 2009.

Donald E. Ranta, PhD, PGeo, serves the Board of Directors of the Company as an internal, technically Qualified Person. Technical information in this MD&A has been reviewed by Dr. Ranta as a Qualified Person under National Instrument 43-101.

Alan Nobel is the Qualified Person with respect to the mineral resource estimation and is the primary author of the technical report.

The Company maintains a website at www.rareelementresources.com.

Selected Annual Information

	Year ended June 30, 2008	Year ended June 30, 2007	Year ended June 30, 2006
	\$	\$	\$
Total revenues	29,786	35,083	Nil
General and administrative expenses	883,652	781,738	458,407
Write-off of resource-property costs	Nil	4,841	Nil
Loss for the year	(853,866)	(751,496)	(458,407)
Loss per share – basic and diluted	(0.04)	(0.04)	(0.03)
Total assets	3,394,225	1,969,319	1,094,740
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends declared – per share	Nil	Nil	Nil

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Summary of Quarterly Results

Expressed In \$	Mar 09 Quarter	Dec 08 Quarter	Sep 08 Quarter	June 08 Quarter	Mar 08 Quarter	Dec 07 Quarter	Sep 07 Quarter	June 07 Quarter
Total Revenue	6,912	7,041	8,897	5,195	17,178	7,413	Nil	35,083
Income (Loss)	(263,166)	(448,962)	(257,516)	(191,469)	(398,964)	(282,624)	19,191	(54,625)
Earnings (Loss) Per Share	(0.01)	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	0.00	(0.00)
Total Assets	2,640,145	2,826,269	3,272,127	3,394,225	3,501,377	3,182,703	2,315,735	1,969,319
Total Long-term Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Cash Dividends Declared	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations for the three months ended March 31, 2009 compared to the three months ended March 31, 2008

The net loss for the third quarter of fiscal 2009 totaled \$263,166 compared to loss of \$398,964 in the same period of 2008. The basic and diluted losses per share for the third quarter of fiscal 2009 and 2008 were \$0.01 and \$0.02, respectively. Interest income totaled \$6,912 in three months ended March 31, 2009 and \$17,178 in 2008 as a result of interest earned on the funds that the Company held.

Total general and administrative costs were \$254,995 for the third quarter of fiscal 2009, and \$416,142 for the comparative period in fiscal 2008, a decrease of \$161,147. The decrease in general and administrative costs was due to decrease of \$83,228 in non-cash stock-based compensation expenses for the options vested in the period and the decrease in foreign exchange loss of \$67,092 with the Company's funds held in Canadian dollars and reported in US dollars. The Canadian dollar significantly weakened against the US dollar over the third quarter of fiscal 2009.

The Company wrote off the estimated value of \$15,083 of the 25,000 of its Almaden warrants as of March 31, 2009.

Results of Operations for the nine months ended March 31, 2009 compared to the nine months ended March 31, 2008

The net loss for the nine months ended March 31, 2009 totaled \$969,644 compared to \$662,397 in the same period in 2008. The basic and diluted losses per share were \$0.04 for the nine months ended March 31, 2009 and \$0.03 for the same period in 2008.

Interest income totaled \$22,850 in the nine months ended March 31, 2009 as a result of interest earned on the funds that the Company held (2008 - \$24,591). During the nine months ended March 31, 2009, the Company recognized a loss on foreign exchange of \$388,788 because the Company held the majority of its cash in Canadian dollars until such time as payment (in US\$) is required. During the nine months ended March 31, 2008, the Company recorded a foreign exchange gain of \$56,155. The change in the foreign exchange amount from period to period accounts for almost all of the change in the expenses.

Excluding the non-cash stock-based compensation expenses of \$235,421 in 2009 and \$334,949 in 2008 and the foreign exchange gains (losses), total general and administrative costs were \$403,202 for the nine months of fiscal 2009 and \$408,194 for the comparative period, a decrease of \$4,992. The administrative expenditures varied over the periods but the overall effect of these variances was not material.

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Liquidity

The Company's working capital as at March 31, 2009 was \$1,117,201 (June 30, 2008 - \$2,281,675). As at March 31, 2009, cash totaled \$1,149,125, a decrease of \$1,122,792 from \$2,271,917 as at June 30, 2008. The decrease of working capital and cash was due to cash used for exploration activities of \$447,301 and operating activities of \$675,491.

The Company is well positioned to sustain itself in the longer term despite the current stock market volatility because of two main reasons: (1) It has maintained a very cost effective overhead model; and (2) Newmont still has approximately \$3.02 million in expenditures to be made on exploration at Sundance to earn a 65% interest in the project. These factors allow for the Company to keep costs low, to moderate the amount of work done that it has to pay for, and to react quickly and be selective in accepting any further offers of financing. With a total of 23,866,736 common shares currently outstanding and its strong working capital position, the Company is well positioned to last beyond 2009 without raising additional capital.

On May 19, 2009, the Company announced a \$750,000 CDN financing consisting of 1 million units at a price of \$0.75 CDD per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant allows the holder to purchase one additional common share for a period of 18 months from the closing date for additional consideration of \$1.00 CDN.

Capital Resources

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

	No. of Common Shares Issued & outstanding	Share Capital Amount
June 30, 2008	23,866,736	\$ 6,574,447
March 31, 2009	23,866,736	\$ 6,574,447
May 21, 2009	23,886,736	\$ 6,590,183

As at March 31, 2009, the Company had 3,196,000 stock options outstanding with exercise prices ranging from \$0.25 CDN to \$1.15 CDN expiring from July 24, 2010 to January 27, 2014. If all the remaining outstanding options were exercised, the Company's available cash would increase by \$2,141,050 CDN. On May 12, 2009, 20,000 options at \$0.55 CDN per share were exercised. A fair value of \$6,204 was recognized on these exercised options.

As at March 31, 2009, the Company had 537,500 warrants outstanding issued in connection with the November 2007 private placement at a price of \$1.35 CDN. These warrants subsequently expired.

Contributed surplus was \$777,609 as at March 31, 2009 (June 30, 2008 - \$542,188). The increase in contributed surplus represents the fair value and vested stock options granted to officers, directors, and consultants of the Company during the nine months ended March 31, 2009.

The deficit was \$5,093,019 as at March 31, 2009 (June 30, 2008 - \$4,123,375). The increase is the result of the net loss of \$969,644 for the nine months ended March 31, 2009.

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Potential environmental contingency

The Company's mining and exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects 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.

Transactions with Related Parties

During the nine months ended March 31, 2009:

- a) \$Nil (2008 - \$47,891) was charged for management fees by a private company controlled by the former president.
- b) \$78,088 (2008 - \$53,251) was charged for management fees by an officer and director of the Company.
- c) \$78,407 (2008 - \$80,239) was charged by a private company controlled by one of the directors and officers for accounting, management fees and rent.

As at March 31, 2009, a total of \$8,828 (June 30, 2008 - \$15,257) was owed to a director and a private company controlled by one of the directors and officers for accounting, management fees and rent.

Related party transactions are measured at the fair value amount as determined by management. The amounts owed bear no interest and are unsecured with no repayment terms.

Change in Accounting Policy

On January 23, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

- (a) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories.
- (b) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.
- (c) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company will be required to disclose the following:
 - qualitative information about its objectives, policies and processes for managing capital;
 - summary quantitative data about what it manages as capital;
 - whether during the period it complied with any externally imposed capital requirement to which it is subject; and
 - when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

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(d) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed the mandatory changeover date to International Financial Reporting Standards (“IFRS”) for Canadian profit-oriented publicly accountable entities (“PAE’s”) such as the Company.

The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAE’s with a June 30 year-end, the first unaudited interim financial statements under IFRS will be the quarter ending September 30, 2011, with comparative financial information for the quarter ended September 30, 2010. The first audited annual financial statements will be for the year ending June 30, 2012, with comparative financial information for the year ended June 30, 2011. This also means that all the opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the July 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the September 30, 2011 unaudited interim financial statements.

The Company intends to adopt these requirements as set out by the AcSB and other regulatory bodies. At this time, the impact of adopting IFRS cannot be reasonably quantified. During the fiscal 2009, the Company will continue to evaluate the impact of IFRS on the Company, including the early adoption of IFRS for the year ending June 30, 2010. The actual conversion work will occur in 2010 and 2011, in anticipation of the preparation of the July 1, 2010 balance sheet that will be required for comparative purposes for all periods ending in fiscal 2011.

Risks and Uncertainties

The Company’s financial success will be dependent upon the extent to which it can discover mineralization or acquire mineral properties and the economic viability of exploring its properties.

The Company competes with many companies possessing greater financial resources and technical facilities than itself. The market price of minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Company’s mineral-exploration activities will be successful. The development of mineral resources involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome.

The exploration of mineral resources on federal lands in the United States is subject to a comprehensive review, approval and permitting process that involved various federal, state and local agencies. There can be no assurance given that the required approvals and permits for a mining project, if technically and economically warranted, on the Company’s claims can be obtained in a timely or cost-effective manner.

All of the Company’s short- to medium-term operating and exploration cash flow must be derived from external financing. Actual funding may vary from what is planned due to a number of factors including the progress of exploration on its current properties. Should changes in equity-market conditions prevent the Company from obtaining additional external financing, the Company will need to review its exploration-property holdings to prioritize project expenditures based on funding availability.

The Company competes with larger and better-financed companies for exploration personnel, contractors and equipment. Increased exploration activity has increased demand for equipment and services. There can be no assurance that the Company can obtain required equipment and services in a timely or cost-effective manner.

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The Company's operations in the United States and financing activities in Canada make it subject to foreign-currency fluctuations and such fluctuations may materially affect its financial position and results.

Internal Controls Over Financial Reporting

Changes in Internal Control Over Financial Reporting ("ICFR")

No changes occurred in the current period of the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Outlook

Following completion of the 2008 rare-earth exploration program on the Bear Lodge Project, the Company announced its resource estimate and completed the NI 43-101 Technical Report in early 2009. Subsequently, the Company will follow through with the recommendations in the Technical Report to continue the metallurgical testing and drilling with a goal to expand the REE mineralization encountered at Bull Hill Southwest. Due to variable dike thickness and variable continuity encountered by the Company's drilling along strike and down dip, additional drilling will be necessary to delineate the Bull Hill Southwest mineralization. In addition, drilling to the west of a fault that is interpreted to offset REE mineralization and drilling of other targets are being planned.

Other metals occur on the Company's Bear Lodge Property. Previous and current gold exploration has identified numerous geochemical gold anomalies and occurrences in fracture-fault zones and in or near intrusive breccia bodies and has tested a number of targets with widespread drill holes. With the anticipated approval of a new exploration permit, the Venture is preparing for an expanded drilling program in 2009. The Company intends to take advantage of the exploration potential for gold and other metals through the option/joint venture Agreement presently in effect with Newmont. The Newmont gold-exploration venture provides the Company with further options to increase the value of the Company and to advance its programs to evaluate both the gold and REE of the Bear Lodge Property.

Forward Looking Statements

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward looking statements are usually identified by our use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts, and include but are not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the market for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Forward-looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.