

PFIC Annual Information Statement

(1) This Information Statement applies to the taxable year of Rare Element Resources Ltd. (the "Company") beginning on July 1, 2010 and ending on June 30, 2011.

(2) Each shareholder of the Company has the following pro-rata share of the ordinary earnings and net capital gain of the Company for the taxable year of the Company specified in paragraph (1):

Ordinary Earnings: Nil

Net Capital Gain: Nil

(3) The amount of cash and fair market value of other property distributed or deemed distributed by the Company to each shareholder of the Company during the taxable year specified in paragraph (1) is as follows:

Cash: Nil

Fair Market Value of Property: Nil

(4) The Company will permit its shareholders to inspect and copy the Company's permanent books of account, records, and such other documents as may be maintained by the Company that are necessary to establish that PFIC ordinary earnings and net capital gain, as provided in section 1293(e) of the Internal Revenue Code, are computed in accordance with U.S. income tax principles.

Rare Element Resources Ltd.

By: Mark T. Brown

Date: July 13, 2011

Title: Chief Financial Officer

THIS INFORMATION IS PROVIDED IN ORDER TO ASSIST SHAREHOLDERS IN MAKING CALCULATIONS AND DOES NOT CONSTITUTE TAX ADVICE. SHAREHOLDERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE OVERALL TAX CONSEQUENCES OF THE OWNERSHIP OF COMMON SHARES ARISING IN THEIR OWN PARTICULAR SITUATIONS UNDER UNITED STATES FEDERAL, STATE, LOCAL OR FOREIGN LAW.