

RARE ELEMENT RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
Containing information up to, and including October 27, 2008

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 years ended June 30, 2008 and 2007.

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.

In November 2007, the Company completed a non-brokered private placement of 1,075,000 units for gross proceeds of \$1,150,357 (\$1,075,000 CDN). Each unit comprises one common share and one-half of a non-transferable share-purchase warrant. A whole warrant may be exercised to purchase one additional common share of the Company at \$1.35 CDN until May 5, 2009. Proceeds from this offering provide funding for exploration of the Company's Bear Lodge, rare-earth property and administration expenses.

In March 2008, the Company received an additional \$680,902 upon the exercise of warrants and options.

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Exploration expenditures on resource properties:

	Balance June 30, 2006	Expenditures for the year	Balance June 30, 2007	Expenditures for the year	Balance June 30, 2008
Bear Lodge Property					
Property acquisition costs	\$ 17,721	\$ -	\$ 17,721	\$ -	\$ 17,721
Exploration expenditures					
Assays	7,637	114	7,751	5,623	13,374
Assessments and taxes	20,104	-	20,104	-	20,104
Drilling	250,409	73,513	323,922	136,038	459,960
Geological consulting	121,983	46,785	168,768	58,714	227,482
Geophysical	300	-	300	-	300
Metallurgical testing	-	38,530	38,530	55,000	93,530
Overhead expenses	8,489	1,190	9,679	1,160	10,839
Staking	17,949	-	17,949	-	17,949
Survey	34,338	-	34,338	-	34,338
Travel expenses	23,935	-	23,935	83	24,018
Wages	99,734	-	99,734	-	99,734
Total exploration expenditures on Bear Lodge property	602,599	160,132	762,731	256,618	1,019,349
Kipawa Property					
Exploration expenditures					
Geological consulting	4,949	-	4,949	-	4,949
Staking	1,308	-	1,308	-	1,308
Write-down of property	-	(4,841)	(4,841)	(1,416)	(6,257)
Total exploration expenditures on Kipawa property	6,257	(4,841)	1,416	(1,416)	-
TOTAL EXPENDITURES	\$ 608,856	\$ 155,291	\$ 764,147	\$ 255,202	\$ 1,019,349

Bear Lodge Property

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 Phelps Dodge Exploration Company ("Phelps Dodge") 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 Phelps Dodge (now Freeport-McMoRan Copper & Gold). Paso Rico owns a portion of the claim group outright and those claims are not subject to the NSR.

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 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).

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Rare-earth Exploration

The Bear Lodge Project contains widespread indications of precious metals and “rare-earth elements” (“REE”). REE are used in hybrid-electric-vehicles (HEV) and motor/generators, consumer nickel-metal-hydride (Ni-MH) batteries, fuel cells, magnetic refrigeration technologies, 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 at various years 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.

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. Three drill holes targeted previously known rare-earth-bearing carbonatite dikes in the Bull Hill Southwest area for a total of 3,267 feet. Two of the three holes intercepted significant REE intervals. In 2005, the Company drilled two additional core holes totaling 2,174 feet, in the Bull Hill Southwest area. One of these two holes intercepted significant REE intervals. Recognizing the continuing exceptional rare-earth potential of the property, the Company performed a 2007 exploration program, which featured drilling to confirm the historical REE mineralization and metallurgical work to determine the best method of recovering the rare earths. All three drill holes intercepted significant REE intervals, and two of the holes provided abundant samples for the metallurgical testing program. A total of four drill holes were completed in the 2008 exploration program. Three of the holes were targeted to expand and confirm the presence of high-grade REE mineralization of the Bull Hill Southwest target, and the fourth hole was drilled to expand the REE mineralized zone to the northwest and to test a potential gold target. Assay results from all four drill holes are pending.

The historical grades and thicknesses of rare-earth-bearing mineralization defined by Hecla as occurring in FMR (iron-manganese-REE) and carbonatite dikes were tested and supported by Rare Element Resources’ 2004-2008 drilling programs. Metallurgical testwork had been previously conducted at two laboratories, and a metallurgical testing program is being completed at Mountain States Research and Development International in Tucson, Arizona, using samples from the 2007 drilling program. Metallurgical tests on the rare-earth mineralized materials are designed to determine how these materials could be concentrated and eventually produced in the most economical way. One of Rare Element Resources’ principal goals, building on the Company’s REE-mineralization confirmation, is to estimate a NI 43-101-compliant resource of the rare-earth mineralization.

The Company has engaged Ore Reserves Engineering (“ORE”), Datamine North America, and GIS Technologies to advance its project development activities. REE resource estimation is being provided by ORE; assembling a drill-hole database was accomplished with the assistance of Datamine; and organization of a Geographic Information System was completed with the assistance of GIS Technologies. ORE’s work will include modeling of the rare-earth mineralization to understand its size, shape, and internal continuity, followed by resource estimation and preparation of a Technical Report.

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

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During fiscal 2008, the Company incurred \$256,618 in exploration expenditures on its properties. As at June 30, 2008, the Company had incurred a total of \$1,019,349 (June 30, 2007 - \$762,731) 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 has 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 2008 was designed to build on the successful 2006-07 exploration programs and to establish a more detailed understanding of the project area geologic setting. Twenty six drill holes had been completed by Newmont on joint venture ground in 2006-07, and permitting and the Environmental Assessment have progressed smoothly, 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 major structural zones through the Taylor target and through the Carbon target, as well as the gold target in the East Taylor Bowl, which may be a major center for igneous and hydrothermal activity. The East Taylor Bowl is a topographic low centrally located between the surrounding Taylor target, the Carbon target, and the Bull Hill rare-earth-element target.

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.

Newmont's exploration expenditures on the joint venture property through June 30, 2008 are approximately \$1,462,915 (\$645,940 in 2006, \$648,784 in 2007, and \$168,191 in Q1 + Q2 2008). As of September 30, 2008, Newmont had spent approximately \$1.75 million on the Sundance project.

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.

Kipawa Property

In April 2006, the Company acquired the Kipawa Property by staking 26 claims, totaling approximately 1,531 hectares. The property is located in Quebec, 90 km northwest of North Bay, Ontario. The Company wrote off \$4,841 in fiscal 2007 upon making an agreement to sell the property. On October 12, 2007, the Company sold the property for \$1,500 CDN (\$1,416).

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

Results of Operations for the year ended June 30, 2008 compared to the year ended June 30, 2007.

The net loss for the year ended June 30, 2008 totaled \$853,866 compared to loss of \$751,496 in the fiscal 2007, an increase of \$102,370. The basic and diluted loss per share was comparable and totaled \$0.04. The Company earned interest income of \$29,786 on the \$1.5 million CDN GIC held in a Canadian financial institution during the year. The Company also had a gain on foreign exchange of \$88,985 (2007 – foreign exchange loss of \$43,589) with the strengthening of the Canadian dollar over US. The Company holds the majority of its financial resources in Canadian dollars until such time that payment (in US\$) is required.

Total general and administrative costs were \$548,746 (excluding the \$88,985 foreign exchange gain and \$423,891 non-cash stock-based compensation) for the fiscal 2008, and \$498,007 (excluding the \$43,589 foreign exchange loss, \$240,142 non-cash stock-based compensation, and \$4,841 write-down of mineral properties) for the comparative year 2007. The operating expenses increased slightly by \$45,898 as a result of (a) an increase of \$50,640 in management fees paid to the former president and the current president during the year; (b) an increase of \$14,111 in travel as the Company went to more trade shows; (c) a decrease of

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\$18,636 in investor relations expenditures with the Company terminating its investor relations arrangements during the earlier part of the fiscal year and only engaging a corporate development firm in the third quarter; and a decrease of \$9,341 in audit and accounting fees.

Summary of Quarterly Results

Expressed In \$	June 08 Quarter	Mar 08 Quarter	Dec 07 Quarter	Sep 07 Quarter	June 07 Quarter	Mar 07 Quarter	Dec 06 Quarter	Sep 06 Quarter
Total Revenue	5,195	17,178	7,413	Nil	35,083	Nil	Nil	Nil
Income (Loss)	(191,469)	(398,964)	(282,624)	19,191	(54,625)	(159,691)	(309,822)	(227,358)
Earnings (Loss) Per Share	(0.01)	(0.02)	(0.01)	0.00	(0.00)	(0.01)	(0.02)	(0.01)
Total Assets	3,394,225	3,501,377	3,182,703	2,315,735	1,969,319	1,794,421	1,911,495	1,907,636
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 June 30, 2008 compared to the three months ended June 30, 2007.

The net loss for the fourth quarter of fiscal 2008 totaled \$191,469 compared to loss of \$54,625 in the same period of 2007. The basic and diluted losses per share were \$0.01 and \$0.00, respectively.

Interest income totaled \$5,195 in three months ended June 30, 2008 as a result of interest earned on the funds that the Company held. In the fourth quarter of 2007, the Company recognized the gain of \$35,083 on the sale of NSR on the Mexican property previously written off by the Company. The NSR was sold for \$20,000 cash and 25,000 Almaden's warrants valued at \$15,083.

Total general and administrative costs were \$196,664 for the fourth quarter of fiscal 2008, and \$89,708 for the comparative period, an increase of \$106,956. This increase was mainly due to the non-cash increase of \$108,051 in stock-based compensation expense. The other administrative expenditures varied over the periods but the overall effect of these variances was not material.

Liquidity

As at June 30, 2008, cash totaled \$2,271,917, an increase of \$1,186,580 from \$1,085,337 as at June 30, 2007. The Company's working capital as at June 30, 2008 was \$2,281,675 (2007 - \$1,154,703). The increase of working capital and cash was due to the funds received pursuant to the closing of a non-brokered private placement for gross proceeds of \$1,150,357 (\$1,075,000 CDN), the exercise of warrants (\$520,810) and the exercise of options (\$160,092). These cash inflows were offset with the cash used for exploration activities of \$256,618 purchase of computer equipment and software of \$5,711 and operating activities of \$368,250.

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 \$3.5 million in expenditures to be made on exploration at Sundance to earn a 65% in 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 2010 without raising additional capital.

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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	Share Capital Amount
June 30, 2007	21,704,389	\$ 4,973,386
June 30, 2008	23,866,736	\$ 6,574,447
October 27, 2008	23,866,736	\$ 6,574,447

During the year ended June 30, 2008, 700,847 warrants and 386,500 options were exercised, 850,000 options were granted and 537,500 warrants were issued.

As at June 30, 2008, the Company had 2,546,000 stock options outstanding with exercise prices ranging from \$0.25 CDN to \$1.15 CDN expiring from October 31, 2008 to February 19, 2013. If all the remaining outstanding options were exercised, the Company's available cash would increase by \$1,591,550 CDN.

As at June 30, 2008, the Company had 537,500 warrants outstanding issued in connection with the November 2007 private placement at a price of \$1.35 CDN. If the remaining outstanding warrants were exercised, the Company's available cash would increase by \$725,625 CDN.

Contributed surplus was \$879,302 as at June 30, 2008 (2007 - \$240,729). The increase in contributed surplus represents the fair value of warrants and vested stock options granted to officers, directors, and consultants of the Company during the year ended June 30, 2008, less the fair value of the stock options exercised during the year.

The deficit was \$4,123,375 as at June 30, 2008 (2007 - \$3,269,509). The increase is the result of the net loss of \$853,866 for the fiscal 2008.

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.

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

Transactions with Related Parties

During the year ended June 30, 2008, \$55,861 (2007 - \$74,238) was charged for management fees by a private company controlled by the former president. As at June 30, 2008, \$Nil (2007 - \$Nil) was owed to this private company.

During the year ended June 30, 2008, \$69,017 (2007 - \$Nil) was charged for management fees by one of the directors and officers. As at June 30, 2008, \$8,500 (2007 - \$Nil) was owed to the officer.

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During the year ended June 30, 2008, \$101,938 (2007 - \$95,186) was charged by a private company controlled by one of the directors and officers for accounting, management fees and rent. As at June 30, 2008, \$6,757 (2007 - \$8,257) was owed to this private company.

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.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Internal Controls Over Financial Reporting

The Company evaluated the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the year ended June 30, 2008. Based on this evaluation, management has concluded that the design of these internal controls and procedures over financial reporting was effective.

The internal controls have an inherent weakness in the area of management override and segregation of accounting duties, in that the accounting staff is small in number and it is not practical or cost effective to increase accounting personnel to enable the segregation of all accounting duties in a company of this size.

Accounting changes

On July 1, 2007, the Company adopted new Section 1506, Accounting Changes. The main features of this section are as follows:

- Voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information;
- Changes in accounting policies are applied retrospectively unless doing so is impracticable;
- Prior period errors are corrected retrospectively; and
- New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors.

New accounting pronouncements

(a) Capital disclosures

Effective July 1, 2008, the Company will adopt Section 1535 of the CICA Handbook, Capital Disclosures. This section establishes standards for disclosing information about an entity's capital and how it is managed.

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The Company will implement these disclosures in the first quarter of fiscal 2009. The main features of this new section are:

- Provide information that enables users of the Company's financial statements to evaluate the entity's objectives, policies and processes for managing capital;
- Summary quantitative data about what the entity manages as capital;
- Whether the entity has complied with any capital requirements; and
- If it has not complied, the consequences of non-compliance.

(b) Financial instrument disclosures

In March 2007, the CICA issued Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial instruments - Presentation, which together compromise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The Company will implement these disclosures in the first quarter of fiscal 2009, although the adoption of this section will not impact the Company.

(c) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This section is effective in the first quarter of fiscal 2009. The adoption of this section is not expected to impact the Company.

(d) Business combinations

The proposed amended recommendations of the CICA for accounting for business combinations will apply to the Company's business combinations, if any, with an acquisition date subsequent to the effective date. Whether the Company would be materially affected by the proposed amended recommendations would depend upon the specific facts of the business combinations, if any. Generally, the proposed recommendations will result in measuring business acquisitions at the fair value of the acquired entities and a prospectively applied shift from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests). Adoption of this section is not expected to impact the Company.

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(e) Convergence with International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) would be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The conversion to IFRS will affect interim and annual financial statements relating to the Company for the year commencing July 1, 2011. The Company is currently evaluating the impact of early adopting IFRS.

Financial Instruments and Other Instruments

Upon adoption of these new standards, the Company designated its cash and cash equivalents and investments as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due from related parties are classified as other financial liabilities. The Company had neither available-for-sale, nor held-to-maturity instruments during the year ended June 30, 2008.

The Company had no "other comprehensive income or loss" transactions during the year ended June 30, 2008 and no opening or closing balances for accumulated other comprehensive income or loss.

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.

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.

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Outlook

The Company has completed the drilling phase of its 2008 rare-earth exploration program for the Bear Lodge Project and will focus on its 2009 exploration program which will likely feature continuing metallurgical testing, resource estimation, completion of a Technical Report, and possibly drilling to continue 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.

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 the spring of 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 REEs of the Bear Lodge Property.

With the engagement of Ore Reserves Engineering the Company continues to work towards producing an updated NI 43-101 Technical Report, which will include a REE resource estimate.

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.