

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 June 30, 2023  
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 LTD.**

(Exact Name of Registrant as Specified in its Charter)

|                                                                                                  |                                                                                                             |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| <b>British Columbia</b><br>(State of other jurisdiction of incorporation or organization)        | <b>N/A</b><br>(I.R.S. Employer Identification No.)                                                          |
| <b>P.O. Box 271049</b><br><b>Littleton, Colorado</b><br>(Address of principal executive offices) | <b>80127</b><br>(Zip Code)                                                                                  |
| <b>(720) 278-2460</b><br>(Registrant's telephone number, including area code)                    | <b>Not Applicable</b><br>(Former name, former address and former fiscal year, if changed since last report) |

Securities registered pursuant to Section 12(b) of the Act: None

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 August 4, 2023: 212,741,749.

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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 (this “Quarterly Report”), including “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in Item 2 of Part I of this report, contains “forward-looking statements” within the meaning of the Securities Act of 1933, as amended (the “Securities Act”) and 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:

- our business, prospects, and our overall strategy;
- planned or estimated expenses and capital expenditures, including the Demonstration Plant’s (as defined below) expected costs of construction, operations, decommissioning, and the sources of funds to pay for such costs;
- availability of liquidity and capital resources;
- our ability to obtain additional financing arrangements or strategic alternatives;
- progress in developing our Demonstration Plant, the timing of that progress, and prospects for completing, commissioning, operating, and decommissioning the Demonstration Plant;
- our ability to achieve the full amount of funding from the Department of Energy (“DoE”) through the remainder of the Demonstration Plant project;
- our ability to receive the full amount of funding support from the Wyoming Energy Authority (the “WEA”) grant for the Demonstration Plant;
- our ability to complete and operate the Demonstration Plant to meet project objectives within the approved budget, and the timing for operating the Demonstration Plant;
- our ability to progress the Demonstration Plant through the remaining DoE go/no-go decision points;
- the source, quality, costs, and timing of securing materials, equipment, supplies, and resources, including human resources, for the construction and operation of the Demonstration Plant;
- the attributes of plans for our projects or other interests, operations, or rights;
- plans and strategies during and following the completion of operations of the Demonstration Plant, including the advancement of the Bear Lodge REE Project (as defined below); and
- government regulations, including our ability to obtain, and the timing of, necessary governmental permits, licenses, and approvals.

Forward-looking statements are based on our current expectations and assumptions that 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 significant influence of our majority shareholder, Synchron, on our major corporate decisions;

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- our ability to protect our intellectual property rights;
- the ability of our Demonstration Plant to successfully operate and produce information that would support a decision by the Company to proceed with plans for a potential commercial-scale production facility;
- the uncertain nature of supply and demand and their effect on prices for rare earth products;
- technological advancements, substitutes, and the establishment of new uses and markets for rare earth products;
- development risks, operational hazards, and regulatory approvals;
- our reliance on the skill and expertise of third-party service providers;
- the ability of third-party service providers to meet their contractual obligations, including those caused by supply chain disruptions and the effects those disruptions could have on our timelines and costs;
- changes in legislation and regulations relating to the mining and rare earth industries, including environmental laws and regulations that impose material compliance costs and liabilities;
- difficulty in obtaining necessary governmental permits, licenses, and approvals for our Demonstration Plant and other projects;
- governmental interventions in the mining and rare earth industries, including increases in barriers to international trade;
- uncertainties regarding our ability to maintain sufficient liquidity and attract sufficient capital resources to implement our projects and strategies;
- our ability to attract and retain key personnel;
- the impact of inflation affecting our business including the costs and ability to complete the Demonstration Plant construction, operations and decommissioning, and other projects;
- impact of external financial sector factors including the security of our bank and investment account deposits;
- risks and uncertainties inherent in management estimates of future operating results;
- changes in competitive factors, including the development or expansion of other projects that are competitive with ours;
- our ability to complete planned financings and other transactions;
- risks related to pandemics, epidemics, or other disease outbreaks, including the impact of COVID-19 on supply chains and the resulting disease containment measures implemented by various governments;
- risks relating to the availability and costs of goods and services we need to achieve our plans and goals resulting from military conflicts such as the Russia/Ukraine war;
- information technology system disruptions, damage or failures, or cyber-attacks;
- risks and uncertainties associated with litigation matters and opposition to our plans and operations by third parties;
- share price volatility;
- whether we deregister our common shares under the Exchange Act and/or list our common shares on another securities exchange;
- the impact of foreign and domestic government actions impacting the supply of rare earth products, including changes in the actual or perceived supply and demand for rare earths due to foreign government export controls;
- the OTCQB Venture Marketplace standards and the “penny stock” rules and the impact on trading volume and liquidity due to our stock trading on the OTCQB Venture Marketplace;
- risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2022; and
- other factors, many of which are beyond our control.

This list is not exhaustive of the factors that may affect our forward-looking statements. Although we have attempted to identify important factors that could cause actual results, performance, or achievements to differ materially from those described in forward-looking statements, there may be other factors that could cause results, performance, or achievements not to be as anticipated, estimated, intended, or expected. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance, or achievements may vary, possibly materially, from those anticipated, estimated, intended, 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, 2022. The reports and documents filed by us with the SEC are available at [www.sec.gov](http://www.sec.gov).

## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**RARE ELEMENT RESOURCES LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of U.S. dollars, except shares outstanding)

|                                                                                                                                                                   | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------|
|                                                                                                                                                                   | (unaudited)          | (audited)                |
| <b>ASSETS:</b>                                                                                                                                                    |                      |                          |
| <b>CURRENT ASSETS</b>                                                                                                                                             |                      |                          |
| Cash and cash equivalents                                                                                                                                         | \$ 11,454            | \$ 15,523                |
| Due from related party (Note 4)                                                                                                                                   | 278                  | 174                      |
| Prepaid to related party (Note 4)                                                                                                                                 | 1,631                | 2,142                    |
| Prepaid expenses and other                                                                                                                                        | 143                  | 140                      |
| <b>Total Current Assets</b>                                                                                                                                       | <u>13,506</u>        | <u>17,979</u>            |
| Equipment, net                                                                                                                                                    | 31                   | 15                       |
| Right of use asset (Note 5)                                                                                                                                       | 223                  | 273                      |
| Investment in land (Note 7)                                                                                                                                       | 600                  | 600                      |
| <b>Total Assets</b>                                                                                                                                               | <u>\$ 14,360</u>     | <u>\$ 18,867</u>         |
| <b>LIABILITIES:</b>                                                                                                                                               |                      |                          |
| <b>CURRENT LIABILITIES</b>                                                                                                                                        |                      |                          |
| Accounts payable and accrued liabilities                                                                                                                          | \$ 253               | \$ 227                   |
| Lease liability, current (Note 5)                                                                                                                                 | 124                  | 124                      |
| <b>Total Current Liabilities</b>                                                                                                                                  | <u>377</u>           | <u>351</u>               |
| Reclamation obligation                                                                                                                                            | 132                  | 132                      |
| Lease liability, long-term (Note 5)                                                                                                                               | 122                  | 168                      |
| Repurchase option (Note 7)                                                                                                                                        | 1,422                | 1,281                    |
| <b>Total Liabilities</b>                                                                                                                                          | <u>2,053</u>         | <u>1,932</u>             |
| <b>Commitments and Contingencies (Note 7)</b>                                                                                                                     |                      |                          |
| <b>SHAREHOLDERS' EQUITY:</b>                                                                                                                                      |                      |                          |
| Common shares, no par value – unlimited shares authorized; shares outstanding at June 30, 2023 and December 31, 2022 of 212,613,451 and 212,515,951, respectively | 136,913              | 136,906                  |
| Additional paid in capital                                                                                                                                        | 29,004               | 28,673                   |
| Accumulated deficit                                                                                                                                               | (153,610)            | (148,644)                |
| <b>Total Shareholders' Equity</b>                                                                                                                                 | <u>12,307</u>        | <u>16,935</u>            |
| <b>Total Liabilities and Shareholders' Equity</b>                                                                                                                 | <u>\$ 14,360</u>     | <u>\$ 18,867</u>         |

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

**RARE ELEMENT RESOURCES LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in thousands of U.S. dollars, except share and per share amounts)  
(unaudited)

|                                                                          | Three Months Ended June 30, |                   | Six Months Ended June 30, |                   |
|--------------------------------------------------------------------------|-----------------------------|-------------------|---------------------------|-------------------|
|                                                                          | 2023                        | 2022              | 2023                      | 2022              |
| <b>Operating expenses:</b>                                               |                             |                   |                           |                   |
| Exploration and evaluation ( <i>See Note 4 for related party costs</i> ) | \$ (2,165)                  | \$ (867)          | \$ (3,675)                | \$ (1,497)        |
| Corporate administration                                                 | (613)                       | (1,677)           | (1,355)                   | (3,147)           |
| Depreciation and amortization                                            | (26)                        | (24)              | (51)                      | (50)              |
| Total operating expenses                                                 | <u>(2,804)</u>              | <u>(2,568)</u>    | <u>(5,081)</u>            | <u>(4,694)</u>    |
| <b>Non-operating income (expense):</b>                                   |                             |                   |                           |                   |
| Interest income                                                          | 139                         | 21                | 261                       | 22                |
| Accretion expense                                                        | (71)                        | (71)              | (142)                     | (142)             |
| Interest expense                                                         | (8)                         | (8)               | (16)                      | (8)               |
| Gain on sale of equipment                                                | —                           | —                 | 12                        | —                 |
| Total non-operating income (expense)                                     | <u>60</u>                   | <u>(58)</u>       | <u>115</u>                | <u>(128)</u>      |
| <b>Net loss</b>                                                          | <u>\$ (2,744)</u>           | <u>\$ (2,626)</u> | <u>\$ (4,966)</u>         | <u>\$ (4,822)</u> |
| <b>LOSS PER SHARE - BASIC AND DILUTED</b>                                | \$ (0.01)                   | \$ (0.01)         | \$ (0.02)                 | \$ (0.02)         |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>                     | 212,607,895                 | 212,466,889       | 212,561,923               | 212,466,889       |

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

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

|                                                                                    | For the six months ended June 30, |                  |
|------------------------------------------------------------------------------------|-----------------------------------|------------------|
|                                                                                    | 2023                              | 2022             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                       |                                   |                  |
| Net loss                                                                           | \$ (4,966)                        | \$ (4,822)       |
| <b>Adjustments to reconcile net loss to net cash used in operating activities:</b> |                                   |                  |
| Depreciation                                                                       | 1                                 | 1                |
| Accretion expense                                                                  | 142                               | 142              |
| Right of use asset amortization                                                    | 50                                | 49               |
| Lease liability                                                                    | (46)                              | (41)             |
| Stock-based compensation                                                           | 331                               | 2,028            |
| Other                                                                              | (14)                              | (49)             |
|                                                                                    | <u>(4,502)</u>                    | <u>(2,692)</u>   |
| <b>Changes in working capital:</b>                                                 |                                   |                  |
| Due from related party                                                             | 407                               | (545)            |
| Prepaid expenses and other                                                         | (3)                               | (67)             |
| Accounts payable and accrued liabilities                                           | 26                                | (665)            |
| <b>Net cash used in operating activities</b>                                       | <u>(4,072)</u>                    | <u>(3,969)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                       |                                   |                  |
| Proceeds from the sale of equipment                                                | 12                                | —                |
| Purchase of equipment                                                              | (16)                              | —                |
| <b>Net cash used in investing activities</b>                                       | <u>(4)</u>                        | <u>—</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                       |                                   |                  |
| Stock option exercise                                                              | 7                                 | —                |
| <b>Net cash provided by financing activities</b>                                   | <u>7</u>                          | <u>—</u>         |
| <b>Net change in cash and cash equivalents</b>                                     | (4,069)                           | (3,969)          |
| <b>Cash and cash equivalents - beginning of the period</b>                         | 15,523                            | 24,947           |
| <b>Cash and cash equivalents - end of the period</b>                               | <u>\$ 11,454</u>                  | <u>\$ 20,978</u> |

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

**RARE ELEMENT RESOURCES LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)**  
(Expressed in thousands of U.S. dollars, except share amounts)  
(unaudited)

|                                | Common Shares      | Amount            | Additional<br>Paid in<br>Capital | Accumulated<br>Deficit | Total            |
|--------------------------------|--------------------|-------------------|----------------------------------|------------------------|------------------|
| <b>Balance, March 31, 2022</b> | 212,466,889        | \$ 136,906        | \$ 26,748                        | \$ (141,414)           | \$ 22,240        |
| Stock-based compensation       | —                  | —                 | 1,033                            | —                      | 1,033            |
| Net loss                       | —                  | —                 | —                                | (2,626)                | (2,626)          |
| <b>Balance, June 30, 2022</b>  | <u>212,466,889</u> | <u>\$ 136,906</u> | <u>\$ 27,781</u>                 | <u>\$ (144,040)</u>    | <u>\$ 20,647</u> |
| <b>Balance, March 31, 2023</b> | 212,515,951        | 136,906           | 28,845                           | (150,866)              | 14,885           |
| Stock option exercises         | 100,000            | 7                 | —                                | —                      | 7                |
| Stock-based compensation       | —                  | —                 | 159                              | —                      | 159              |
| Common shares cancelled        | (2,500)            | —                 | —                                | —                      | —                |
| Net loss                       | —                  | —                 | —                                | (2,744)                | (2,744)          |
| <b>Balance, June 30, 2023</b>  | <u>212,613,451</u> | <u>\$ 136,913</u> | <u>\$ 29,004</u>                 | <u>\$ (153,610)</u>    | <u>\$ 12,307</u> |

|                                   | Number of Shares   | Amount            | Additional<br>Paid in<br>Capital | Accumulated<br>Deficit | Total            |
|-----------------------------------|--------------------|-------------------|----------------------------------|------------------------|------------------|
| <b>Balance, December 31, 2021</b> | 212,466,889        | \$ 136,906        | \$ 25,753                        | \$ (139,218)           | \$ 23,441        |
| Stock-based compensation          | —                  | —                 | 2,028                            | —                      | 2,028            |
| Net loss                          | —                  | —                 | —                                | (4,822)                | (4,822)          |
| <b>Balance, June 30, 2022</b>     | <u>212,466,889</u> | <u>\$ 136,906</u> | <u>\$ 27,781</u>                 | <u>\$ (144,040)</u>    | <u>\$ 20,647</u> |
| <b>Balance, December 31, 2022</b> | 212,515,951        | \$ 136,906        | \$ 28,673                        | \$ (148,644)           | \$ 16,935        |
| Stock option exercises            | 100,000            | 7                 | —                                | —                      | 7                |
| Stock-based compensation          | —                  | —                 | 331                              | —                      | 331              |
| Common shares cancelled           | (2,500)            | —                 | —                                | —                      | —                |
| Net loss                          | —                  | —                 | —                                | (4,966)                | (4,966)          |
| <b>Balance, June 30, 2023</b>     | <u>212,613,451</u> | <u>\$ 136,913</u> | <u>\$ 29,004</u>                 | <u>\$ (153,610)</u>    | <u>\$ 12,307</u> |

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.



**RARE ELEMENT RESOURCES LTD.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2023**  
*(all amounts stated in thousands of U.S. dollars except share and per share amounts)*  
*(unaudited)*

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**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 holds a 100% interest in the Bear Lodge rare earth elements project (the “Bear Lodge REE Project”) located near the town of Sundance in northeast Wyoming. The Bear Lodge REE Project consists of several large, disseminated rare earth elements (“REE”) deposits that comprise one of the highest-grade REE deposits identified in North America. In addition, to neodymium-praseodymium (“Nd/Pr”), the Bear Lodge REE Project has a favorable distribution of a number of other critical rare earth elements. The Company also holds a 100% interest in the Sundance Gold Project that is adjacent to the Bear Lodge REE Project and contains a historical inferred mineral resource primarily composed of three gold targets within the area of the Bear Lodge property. Given the Company’s longstanding focus on the Bear Lodge REE Project and the current interest in REE, the advancement of the Sundance Gold Project has been on hold since 2011 and will likely remain so for the foreseeable future.

The Company is currently focused on the advancement of a rare earth processing and separation demonstration-scale plant (the “Demonstration Plant”) project. In January 2021, a consortium of companies, of which the Company is a part, received notice from the Department of Energy (“DoE”) that the consortium 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 is led by General Atomics, an affiliate of Synchron, the Company’s majority shareholder, and includes certain of General Atomics’ affiliates, and LNV, an Ardurra Group, Inc. company, as engineering and construction subcontractor. A formal proposal was submitted by the consortium in response to a published Funding Opportunity Announcement in mid-2020 for the construction and operation of a rare earth separation and processing demonstration plant utilizing proprietary technology to produce commercial-grade products. The DoE finalized the award, and an agreement was executed by the DoE’s grants/agreement officer on September 27, 2021, with an effective date of October 1, 2021. The Company, as a subrecipient of the award, along with the other consortium members, commenced work on the planning and design of the Demonstration Plant project in November 2021, with the Company’s contractual arrangement with General Atomics finalized in December 2021. The DoE funding is in the amount of \$21,900 and represents approximately one-half of the total estimated costs for the Demonstration Plant. The Demonstration Plant will process already stockpiled high-grade sample materials from the Bear Lodge REE Project.

To address the Company’s funding needs, during December 2021, the Company completed a rights offering for gross proceeds of approximately \$25,400. The Company is using the net proceeds from the rights offering primarily for the permitting, licensing, engineering, construction, and operation of the Demonstration Plant near the Company’s Bear Lodge REE Project. The previously noted \$21,900 financial award from the DoE is expected to fund approximately one-half of the expected total cost of the Demonstration Plant, with the balance of the required funding being provided by the Company utilizing the proceeds from the rights offering and the \$4,400 grant from the Wyoming Energy Authority (the “WEA”) as discussed more fully in Note 7. To the extent that inflationary pressures would cause the Demonstration Plant’s total cost to exceed its initial estimate of \$43,800, the Company and the DoE’s responsibility for funding any amounts in excess of the \$43,800 would have to be further considered and determined.

During 2022 and through the first half of 2023, the Company continued its work on the Demonstration Plant project. This work is expected to continue over the remainder of 2023 and through the Demonstration Plant project’s expected completion date in the early part of 2025. In December 2022, the Demonstration Plant achieved its final engineering design milestone marking the completion of the DoE’s first go/no-go decision point. The completion of this milestone was a gating event for the DoE’s continued funding of the Demonstration Plant as provided for in the 2021 award grant. Future gating milestones include the DoE National Environmental Policy Act of 1969 (NEPA) review, which is expected in the second half of 2023, and the approval to proceed with the Demonstration Plant’s construction, which is scheduled to follow shortly thereafter. Construction will commence thereafter and is expected to be complete in mid-2024. Operations to process and separate the REE from the stockpiled sample materials are expected to follow the completion of the Demonstration Plant’s construction for an additional eight-to-ten-month period.

**RARE ELEMENT RESOURCES LTD.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2023**  
*(all amounts stated in thousands of U.S. dollars except share and per share amounts)*  
*(unaudited)*

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Even with the completion of the 2021 rights offering and expected receipt of the WEA grant monies, the Company will not have sufficient funds to progress other activities, including with respect to (i) any potential additional costs that the Company may be asked to fund on the Demonstration Plant due to inflationary cost increases, and (ii) funds for any feasibility studies, permitting, licensing, development, and construction related to the Bear Lodge REE Project. Therefore, the achievement of these other activities will be dependent upon the receipt of additional funds through financings, off-take agreements, joint ventures, strategic transactions, grants, or sales of various assets.

The Company has incurred losses since its inception, and further losses are anticipated in the development of its business. As of June 30, 2023, the Company had cash and cash equivalents of \$11,454, and our cash used in operations during the six months ended June 30, 2023 was \$4,072, of which approximately \$3,000 was used for the payment of costs associated with the Demonstration Plant project, while the remainder was used for the payment of the Company's general and administrative expenses and other ongoing costs of sustaining its properties and mining claims.

## **2. BASIS OF ACCOUNTING AND PRESENTATION**

In accordance with U.S. GAAP for interim financial statements, these unaudited 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, 2022, which were included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. 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 the Company's financial position as of June 30, 2023, and the results of its operations and cash flows for the three and six months ended June 30, 2023 and 2022 in conformity with U.S. GAAP on a going concern basis. These interim results of operations for the three and six months ended June 30, 2023 may not be indicative of results that will be realized for the full year ending December 31, 2023.

## **3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

U.S. GAAP defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and establishes a fair-value hierarchy that prioritizes the inputs used to measure fair value using the following definitions (from highest to lowest priority):

- Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.
- Level 3 — Prices or valuation techniques requiring inputs that are both significant to the fair-value measurement and unobservable.

Financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used in such measurements by major security type as of June 30, 2023 and December 31, 2022 are presented in the following table:

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| <b>Fair value at June 30, 2023</b>     |          |          |         |         |
|----------------------------------------|----------|----------|---------|---------|
|                                        | Total    | Level 1  | Level 2 | Level 3 |
| <b>Assets:</b>                         |          |          |         |         |
| Money market funds                     | \$ 6,176 | \$ 6,176 | \$ —    | \$ —    |
| U.S. Treasury bills                    | 4,964    | 4,964    | —       | —       |
| <b>Fair value at December 31, 2022</b> |          |          |         |         |
|                                        | Total    | Level 1  | Level 2 | Level 3 |
| <b>Assets:</b>                         |          |          |         |         |
| Money market funds                     | \$ 5,216 | \$ 5,216 | \$ —    | \$ —    |
| U.S. Treasury bills                    | 9,961    | 9,961    | —       | —       |

Money market funds and U.S. Treasury bills are valued at cost, which approximates fair value. These amounts are included on the balance sheet in cash and cash equivalents at June 30, 2023 and December 31, 2022.

#### 4. RELATED PARTY

##### Cost Share Agreement with General Atomics

In January 2021, a consortium of companies, of which the Company is a part, received notice from the DoE that the consortium had been selected for negotiation of a potential financial award for the engineering, construction, and operation of the Demonstration Plant. The consortium of companies is led by General Atomics, an affiliate of Synchron (the Company's majority shareholder), and includes certain of General Atomics' affiliates, and LNV, an Ardurra Group, Inc. company, as engineering and construction subcontractor. A formal proposal was submitted by the consortium in response to a published Funding Opportunity Announcement in mid-2020 for the construction and operation of the Demonstration Plant utilizing proprietary technology to produce commercial-grade products. The DoE's share of the Demonstration Plant project funding is \$21,900 and represents approximately one-half of the total estimated costs for the project. The Demonstration Plant is planned to process already stockpiled high-grade sample materials from the Bear Lodge REE Project. The DoE agreement was executed by the DoE's grants/agreement officer on September 27, 2021, with an effective date of October 1, 2021. The DoE award was finalized through a cooperative agreement dated October 1, 2021 (the "Cooperative Agreement") that was awarded by the DoE for the Demonstration Plant. The Cooperative Agreement provides that up to approximately \$43,800 in allowable costs for the Demonstration Plant would be funded on a cost-share basis, 50% by the DoE and 50% by a non-federal entity.

On November 30, 2021, the Company and General Atomics entered into a Cost Share Funding Assumption Agreement (the "Cost Share Agreement") pursuant to which the Company agreed to assume and pay for certain costs incurred by, and on behalf of, General Atomics for the design, construction, and operation of the Demonstration Plant near the Bear Lodge REE Project in Upton, Wyoming.

Pursuant to the terms of the Cost Share Agreement, the Company has made payments to General Atomics, as leader of the consortium, totaling \$9,700 through June 30, 2023, for Company-assumed costs for the Demonstration Plant, with the number and amount of additional payments to be subject to the mutual written agreement of the parties.

The term of the Cost Share Agreement will continue until the date of completion of the Demonstration Plant, unless terminated earlier by either party. Either party may terminate the Cost Share Agreement immediately upon written notice to the other party if any of the following events occurs: (a) the Cooperative Agreement is terminated for any reason prior to the completion of the Demonstration Plant; (b) the other party commits a material breach of its obligations under the Cost Share Agreement and fails to cure such breach within 30 days; or (c) the other party makes an assignment for the benefit of its creditors, files a petition in bankruptcy, is adjudicated insolvent or bankrupt, or commences any insolvency or bankruptcy proceedings. Upon any early termination of the Cost Share Agreement, the Company must pay for all costs incurred by or on behalf of General Atomics to wind down the Demonstration Plant other than any allowable costs for such wind-down paid for by the DoE.

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The following table summarizes transactions under the Cost Share Agreement during the six months ended June 30, 2023:

|                                                                                                  |    |              |
|--------------------------------------------------------------------------------------------------|----|--------------|
| Balance of funds paid under the Cost Share Agreement at December 31, 2022                        | \$ | 6,700        |
| Funds transferred to General Atomics during the six months ended June 30, 2023                   |    | 3,000        |
| Company's share of Demonstration Plant project costs incurred through June 30, 2023              |    | (8,069)      |
| Balance of funds remaining on deposit as a prepaid expense with General Atomics at June 30, 2023 | \$ | <u>1,631</u> |

The following table summarizes related party receivables due from General Atomics for reimbursable costs incurred by the Company under the Cost Share Agreement during the six months ended June 30, 2023:

|                                                                                        |    |            |
|----------------------------------------------------------------------------------------|----|------------|
| Balance of receivables due from General Atomics at December 31, 2022                   | \$ | 174        |
| Reimbursable costs incurred by the Company during the six months ended June 30, 2023   |    | 571        |
| Reimbursements received from General Atomics during the six months ended June 30, 2023 |    | (467)      |
| Balance of receivables due from General Atomics at June 30, 2023                       | \$ | <u>278</u> |

In July 2023, the Company received \$68 from General Atomics for amounts owing under the Cost Share Agreement at June 30, 2023.

## 5. LEASES

The Company accounts for leases in accordance with ASC 842 – *Leases*. This accounting standard requires all lessees to record the impact of leasing contracts on the balance sheet as a right to use asset and corresponding liability. This is measured by taking the present value of the remaining lease payments over the lease term and recording a right to use asset and corresponding lease obligation for lease payments. Rent expense is realized on a straight-line basis and the lease obligation is amortized based on the effective interest method. The amounts recognized reflect the present value of the remaining lease payments for all leases that have a lease term greater than 12 months. The discount rate used is an estimate of the Company's incremental borrowing rate based on information available at lease commencement in determining the present value of lease payments.

In considering the lease asset value, the Company considers fixed or variable payment terms, prepayments, and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised.

Effective September 21, 2021, the Company entered into a lease agreement for real property including land and buildings in Upton, Wyoming for the Demonstration Plant. The lease is a 12-month lease with annual renewals at the option of the Company. In June 2023, the lease was renewed, extending the termination date to September 30, 2024. The agreement, which is classified as an operating lease, generally provides for base rent, and requires the Company to pay all insurance, personal property taxes on any structure or improvements made by the Company and other maintenance costs. The lease agreement does not include variable lease payments, nor does it contain residual value guarantees or restrictive covenants. For purposes of the following table, payments under the lease are assumed to run through September 30, 2025, the end of the lease renewal period most closely following the completion of Demonstration Plant operations.

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Total future lease payments as of June 30, 2023 are as follows:

|                                 |    |      |
|---------------------------------|----|------|
| Remainder of 2023               | \$ | 62   |
| 2024                            |    | 124  |
| 2025                            |    | 93   |
| Total lease payments            |    | 279  |
| Less interest                   |    | (33) |
| Present value of lease payments | \$ | 246  |

For the six months ended June 30, 2023, \$46 was included in operating cash flows for amounts paid for operating leases.

As of June 30, 2023 the weighted average lease term for the Company's one operating lease was 2.25 years (including renewal options) and the weighted average discount rate was estimated at 12%.

## 6. SHAREHOLDERS' EQUITY

### *Stock-based compensation*

As of June 30, 2023, the Company had 3,810,000 issued and outstanding stock options that were issued under the 10% Rolling Stock Option Plan, as amended and restated (the "2011 Plan") and 1,270,000 issued and outstanding stock options that were issued under its 2022 Equity Incentive Plan (the "2022 Plan").

The 2011 Plan was replaced in 2022 by the 2022 Plan, and as such, no additional stock options can be granted under the 2011 Plan. Under the 2011 Plan, our Board of Directors could from time-to-time grant stock options to eligible directors, officers, employees, and consultants. The maximum term of any stock option grant under the 2011 Plan was 10 years.

Under the 2022 Plan, as approved by our shareholders at the annual meeting of shareholders on August 23, 2022, our Board of Directors is authorized to grant stock options, stock appreciation rights, restricted stock units, performance stock units and other cash and share-based awards to eligible directors, officers, employees, or consultants up to a maximum of 17,236,689 common shares. The maximum term of any grant under the 2022 Plan is 10 years.

The Company estimates the fair value of its stock option grants using the Black-Scholes option valuation model and the closing price of our common shares on the business day prior to the grant date. The significant assumptions used to estimate the fair value of the 1,020,000 and 1,830,000 stock options awards granted during the six months ended June 30, 2023 and 2022, respectively, were as follows:

|                         | <u>Six Months Ended June 30,</u> |             |
|-------------------------|----------------------------------|-------------|
|                         | <u>2023</u>                      | <u>2022</u> |
| Risk-free interest rate | 1.54 %                           | 1.71 %      |
| Expected volatility     | 123 %                            | 135-144 %   |
| Expected dividend yield | Nil                              | Nil         |
| Expected term in years  | 8                                | 8           |

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The following table summarizes our stock option activity for each of the six months ended June 30, 2023 and 2022:

|                                  | Six Months Ended June 30,  |                                          |                            |                                          |
|----------------------------------|----------------------------|------------------------------------------|----------------------------|------------------------------------------|
|                                  | 2023                       |                                          | 2022                       |                                          |
|                                  | Number of Stock<br>Options | Weighted<br>Average<br>Exercise<br>Price | Number of Stock<br>Options | Weighted<br>Average<br>Exercise<br>Price |
| Outstanding, beginning of period | 4,160,000                  | \$ 1.26                                  | 2,180,000                  | \$ 1.18                                  |
| Granted                          | 1,020,000                  | \$ 0.38                                  | 1,830,000                  | \$ 1.40                                  |
| Exercised                        | (100,000)                  | \$ 0.07                                  | —                          | \$ —                                     |
| Outstanding, end of period       | <u>5,080,000</u>           | <u>\$ 1.10</u>                           | <u>4,010,000</u>           | <u>\$ 1.28</u>                           |
| Exercisable, end of period       | 3,726,250                  | \$ 1.34                                  | 1,752,500                  | \$ 0.92                                  |
| Non-vested, end of period        | 1,353,750                  | \$ 0.44                                  | 2,257,500                  | \$ 1.56                                  |

The following table summarizes the intrinsic value and weighted average remaining life for stock options as of June 30, 2023:

|                             | Intrinsic Value | Weighted<br>Average<br>Remaining<br>Life (Years) |
|-----------------------------|-----------------|--------------------------------------------------|
| <b>As of June 30, 2023:</b> |                 |                                                  |
| Stock options outstanding   | \$ 110          | 7.0                                              |
| Stock options exercisable   | \$ 110          | 6.2                                              |
| Stock options non-vested    | \$ —            | 9.4                                              |

Stock-based compensation expense is included in corporate administration expenses within the Company's interim condensed consolidated statements of operations. For the three months ended June 30, 2023 and 2022, the Company recognized compensation expense related to stock option awards of \$159 and \$1,033, respectively. For the six months ended June 30, 2023 and 2022, the Company recognized compensation expense related to stock option awards of \$331 and \$2,028, respectively. As of June 30, 2023, there was approximately \$198 of total unrecognized compensation cost related to the 1,353,750 unvested stock options that is expected to be recognized over a weighted-average remaining vesting period of approximately one year.

The weighted-average grant-date fair value of options granted during the six months ended June 30, 2023 was \$0.35.

## 7. COMMITMENTS AND CONTINGENCIES

Our commitments and contingencies include the following items:

### *Potential environmental contingency*

The Company's 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 regularly 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. 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.

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***Contract commitment – related party***

Pursuant to the Cost Share Agreement between the Company and General Atomics and as discussed more fully in Note 4, the Company has agreed to assume and pay for approximately one-half of the costs incurred by General Atomics and the other consortium members for the design, construction, and operation of the Demonstration Plant.

***Asset purchase agreement***

On October 25, 2021, the Company and Whitelaw Creek LLC, a Wyoming limited liability company (“Whitelaw Creek”), entered into an amendment (the “Amendment”) to the previously announced asset purchase agreement dated October 20, 2016 between the Company and Whitelaw Creek (the “APA”). The Amendment modified certain provisions of the APA related to the terms and conditions of the Company’s option to repurchase (the “Repurchase Option”) approximately 640 acres of non-core real property located in Crook County, Wyoming, that is under consideration for a stockpile facility for the Bear Lodge REE Project. Pursuant to and subject to the terms of the Amendment, among other things, the term of the Repurchase Option (which was to expire on October 26, 2021) was extended for up to three additional years, subject to annual option extension payments from the Company to Whitelaw Creek of \$25 in cash per year (each, a “Repurchase Option Extension Payment”); and the exercise price of the Repurchase Option was increased from \$1,000 to a price to be determined by a mutually agreed upon real estate appraiser (the “Repurchase Price”), provided that (i) the Repurchase Price must not be less than \$1,200 or greater than \$1,850 and (ii) any Repurchase Option Extension Payments paid by the Company to Whitelaw Creek must be credited toward the Company’s payment of the Repurchase Price if the Repurchase Option is later exercised. In October 2022, the Company made the \$25 Repurchase Option Extension Payment to Whitelaw Creek to extend the term of the Repurchase Option through October 26, 2023.

***Wyoming Energy Authority grant***

In June 2023, the Company, and the Wyoming Energy Authority (the “WEA”) entered into a Funding Agreement (the “Funding Agreement”) pursuant to which the WEA agreed to fund, subject to certain conditions, a \$4,400 grant to the Company, the proceeds of which are to be used for the Demonstration Plant. Pursuant to the Funding Agreement, the grant will be paid upon the WEA’s receipt of invoices from the Company detailing its actual expenses relating to the Demonstration Plant (half of which funds will be allocated to two milestone periods during the development process), minus a 10% (or \$440) retainer, the payment of which is conditioned upon the WEA’s receipt following the commencement of the Demonstration Plant’s operations of an invoice and the Company’s final executive summary report in a form to be approved by the WEA. Pursuant to the Funding Agreement, the funding for the Demonstration Plant will be provided to the WEA from the Energy Resources Council (the “ERC”) and is further conditioned upon the availability of government funds that are appropriated or allocated for the payment of the grant and which may be limited for any reason, including congressional, legislative, gubernatorial, or administration action.

The Funding Agreement will terminate when the funding has been fully disbursed, but no later than December 31, 2025, unless terminated sooner by either party in accordance with the terms of the Funding Agreement. The Funding Agreement may be terminated by either party if the WEA does not receive the requested funding from the ERC, if the grant funds are not allocated or available for the continued performance of the Funding Agreement, or by the WEA immediately for cause if the Company fails to perform in accordance with the terms of the Funding Agreement.

As of June 30, 2023, no funds had been received by the Company under the WEA grant, and no amounts related to the grant have been included in the Company’s financial statements. Any future recognition of this grant in the Company’s financial statements will occur with the achievement of the grant’s milestones.

**8. SUBSEQUENT EVENTS**

None.

## 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 and six months ended June 30, 2023, has been prepared based on information available to us as of August 9, 2023. This discussion should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and notes thereto included herewith and the audited Consolidated Financial Statements of Rare Element for the year ended December 31, 2022, 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, performance, or achievements 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.*

### Overview and Outlook

Our primary focus has been and continues to be the engineering, permitting, licensing, construction, and operation of a demonstration-scale REE processing and separation plant (the "Demonstration Plant") at the planned location in Upton, Wyoming. If successful, this Demonstration Plant will show that our propriety extraction technology is able to process and separate certain REEs from sample materials extracted from our Bear Lodge REE Project in a more efficient and economical manner than traditional processing methods and will serve as a precursor to inform the design and estimated cost for a future full-scale production facility.

During 2023, the Company, along with the other consortium members, continued their work on the Demonstration Plant, and this work is expected to continue through the project's expected completion date in the early part of 2025. In December 2022, the Demonstration Plant achieved its final engineering design milestone marking the completion of the DoE's first go/no-go decision point. The completion of this milestone was a gating event for the DoE's continued funding of the project as provided for in the 2021 award grant. Future gating milestones include the expected completion of permitting activities in the second half of 2023 and the completion of the Demonstration Plant's construction thereafter. Operations to process and separate the REE from the stockpiled sample are expected to follow the completion of the Demonstration Plant's construction for an additional eight-to-ten-month period.

In June 2023, the Company entered into the Funding Agreement for its previously announced award of a \$4,400 grant from the WEA to be used toward the advancement of the Demonstration Plant. This award, along with the funds remaining from the Company's December 2021 rights offering, will be used to fund the Company's fifty percent (50%) share of the Demonstration Plant's budgeted cost of approximately \$43,800 with the other fifty percent of the funding coming from the DoE. Through June 30, 2023, the Company had paid a total of \$9,700 toward its share of the expected cost of the Demonstration Plant (see Note 4 to our Consolidated Financial Statements for a more complete discussion). To the extent that inflationary pressures would cause the Demonstration Plant's total cost to exceed its initial estimate of approximately \$43,800, the Company and the DoE's responsibility for funding any amounts in excess of the \$43,800 would have to be further considered and determined.

The Company will not have sufficient funds to progress its development activities beyond the Demonstration Plant, including with respect to feasibility studies, permitting, and licensing, and development and construction related to its Bear Lodge REE Project. Therefore, the achievement of these other activities will be dependent upon securing additional funds through financings, off-take agreements, joint ventures, strategic transactions, grants, or sales of non-core assets. There can be no assurance, however, that the Company will be successful in completing any such other financings or transactions. Ultimately, in the event the Company cannot secure additional financial resources or complete a strategic transaction in a timely manner, we may need to suspend our operational plans or potentially liquidate our business interests, and investors may lose all or part of their investment.

### *Current External Factors Impacting our Business*

We continued to monitor the general U.S. political climate and actions taken by the U.S. government to secure a domestic, 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."



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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 our potential rare earth products as a critical upstream segment of the supply chain, particularly considering China’s dominance in the global rare earth market.

In addition, the impacts of the COVID-19 pandemic and other external influences (such as the Russia/Ukraine war) have further focused the U.S. government on the importance of implementing secure domestic supply chains, including for rare earths. In February 2021, a Presidential Executive Order called for an expedited 100-day review to address the strengthening of America’s supply chains, specifically requiring the Department of Defense (“DoD”) 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. The 100-day review led to another Executive Order on June 8, 2021, calling for an investment in sustainable domestic and international production and processing of critical minerals, including a recommendation that Congress take actions to recapitalize and restore the National Defense Stockpile of critical minerals and materials. In February 2023, a Presidential Waiver of Statutory Requirements Pursuant to Section 303 of the Defense Production Act of 1950, as amended, on DoD Supply Chains Resilience was declared to avert shortfalls in critical DoD supply chains that would severely impair national defense capability, specifically for defense organic industrial base supply chains critical to the DoD and critical supply chains for electronics, kinetic capabilities, castings and forgings, minerals and materials, and power and energy storage. The Company monitors and participates in these initiatives as they are critical to the production of rare earth magnets to support the manufacturing of, among other things, defense technologies, electric vehicles, wind turbines, consumer electronics, and oil refining equipment.

### **Results of Operations**

#### ***Summary***

For the three-and six-month periods ended June 30, 2023, we experienced net losses of \$2,744 (\$0.01 per share) and \$4,966 (\$0.02 per share), respectively, compared with net losses of \$2,626 (\$0.01 per share) and 4,822 (\$0.02 per share) for the three-and six-month periods ended June 30, 2022, respectively. See our discussion below for the primary drivers of this change. As an exploration stage company, we had no properties in production and generated no revenues during either period.

#### ***Exploration and evaluation***

Our exploration and evaluation costs increased by \$1,298 over the comparative three-month period, rising from \$867 for the three months ended June 30, 2022 to \$2,165 for the three months ended June 30, 2023, and by \$2,178 over the comparative six-month period, rising from \$1,497 for the six months ended June 30, 2022 to \$3,675 for the six months ended June 30, 2023. These increases were largely attributable to the activities associated with our Bear Lodge REE Project and the Demonstration Plant as work progressed under the Cost Share Agreement. See Note 4 to the Consolidated Financial Statements for a more complete discussion of this Cost Share Agreement.

#### ***Corporate administration***

Our corporate administrative costs decreased by \$1,064 over the comparative three-month period, falling from \$1,677 for the three months ended June 30, 2022 to \$613 for the three months ended June 30, 2023, and by \$1,792 over the comparative six-month period, falling from \$3,147 for the six months ended June 30, 2022 to \$1,355 for the six months ended June 30, 2023. These decreases were largely driven by the decreases in our stock-based compensation of \$874 and \$1,697 over the comparative three and six-month periods, respectively.

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***Interest Income***

For the three months ended June 30, 2023 and 2022, the Company generated interest income of \$139 and \$21, respectively, and \$261 and \$22 for the six months ended June 30, 2023 and 2022, respectively, from investments of the remaining proceeds from its December 2021 rights offering. These increases from period-to-period were primarily the result of the substantially higher short-term interest rates that existed during 2023, partially offset by the lower average cash balances available for investment during the three- and six- month periods ended June 30, 2023.

***Accretion expense***

We recorded accretion expense of \$71 for each of the three months ended June 30, 2023 and 2022 and \$142 for each of the six months ended June 30, 2023 and 2022, in each case related to the Company's option to repurchase approximately 640 acres of non-core real property in Wyoming for not less than \$1,200 nor greater than \$1,850 in the form of cash, or a combination of cash and common shares of the Company. Accretion expense is recorded each reporting period to increase the repurchase option liability to the maximum exercise price of \$1,850, less any annual option payments of \$25. See Note 7 to the Consolidated Financial Statements for a more complete discussion of the repurchase option.

**Financial Position, Liquidity and Capital Resources**

**Operating Activities**

Net cash used in operating activities was mostly unchanged for the comparative six-month periods, rising to \$4,072 for the six months ended June 30, 2023 from \$3,969 for the six months ended June 30, 2022 for a change of \$103. This change was largely driven by the increase in exploration and evaluation spending of \$2,178 partially offset by working capital reductions of \$1,707.

**Investing Activities**

Net cash used in investing activities of \$4 for the six months ended June 30, 2023 resulted from a \$12 sale of non-essential equipment, offset by a \$16 purchase of equipment. There were no similar transactions during the six months ended June 30, 2022.

**Financing Activities**

Net cash provided by financing activities of \$7 for the six months ended June 30, 2023 stemmed from the exercise of 100,000 stock options. There were no similar transactions during the six months ended June 30, 2022.

**Financial Position, Liquidity and Capital Resources**

At June 30, 2023, we had a working capital balance of \$13,129, which represented a decrease of \$4,499 from our December 31, 2022 working capital balance of \$17,628. This decrease was largely the result of amounts paid by the Company during the six months ended June 30, 2023 under the Cost Share Agreement and for the payment of other ongoing expenses.

In June 2023, the Company entered into the Funding Agreement for its previously announced award of a \$4,400 grant from the WEA to be used toward the advancement of the Demonstration Plant. The WEA grant is a cost-reimbursement award that will be available to the Company for the reimbursement of future Demonstration Plant expenses. As of June 30, 2023, no amount of the \$4,400 award had been received by the Company and no amounts related to this grant have been included in the Company's June 30, 2023 financial statements. The Company may be able to claim a portion of the \$4,400 grant during the latter half of 2023 as discussed more fully in Note 7.

Inclusive of amounts already advanced of \$9,700 through June 30, 2023, the Company's share of the total costs under the Cost Share Agreement are expected to equal or exceed \$22,000 over the life of the Demonstration Plant project. As a result, the Company will not have sufficient funds to progress its other activities, including with respect to feasibility studies, permitting, development and construction related to the Bear Lodge REE Project, even after taking into account the expected receipt of the \$4,400 in WEA grant monies. Therefore, the achievement of these other activities will be dependent upon additional financings, off-take agreements, joint ventures, strategic transactions, grants, or sales of various assets. There can be no assurance, however, that the Company will be

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successful in completing any such financings or other transactions. Ultimately, in the event the Company cannot secure additional financial resources or complete a strategic transaction in a timely manner, it may need to suspend its operational plans or potentially liquidate its business interests, and investors may lose all or part of their investment.

**Contractual Obligations**

There were no material changes to the contractual obligations disclosed in Item 8 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2022.

**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 Chief Financial Officer (“CFO”), 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 CFO 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 CFO, 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 June 30, 2023, 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 June 30, 2023 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, 2022.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

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**ITEM 4. MINE SAFETY DISCLOSURES**

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

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 three months ended June 30, 2023, the Company was not subject to regulation by MSHA under the Mine Act.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

| Exhibit Number | Description                                                                                                                                                           |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1+[†]       | <a href="#">Funding Agreement, dated as of June 6, 2023, by and between Rare Element Resources, Inc. and the Wyoming Energy Authority</a>                             |
| 31.1+          | <a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14 promulgated under the Securities and Exchange Act of 1934, as amended</a>                |
| 31.2+          | <a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14 promulgated under the Securities and Exchange Act of 1934, as amended</a>                |
| 32.1++         | <a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>                                                    |
| 32.2++         | <a href="#">Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>                                                |
| 101.INS+       | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH+       | XBRL Schema Document                                                                                                                                                  |
| 101.CAL+       | XBRL Calculation Linkbase Document                                                                                                                                    |
| 101.DEF+       | XBRL Definition Linkbase Document                                                                                                                                     |
| 101.LAB+       | XBRL Label Linkbase Document                                                                                                                                          |
| 101.PRE+       | XBRL Presentation Linkbase Document                                                                                                                                   |
| 104            | Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).                                 |

+ Filed herewith.  
++ Furnished herewith.  
\* Indicated a management contract or compensatory plan, contract, or arrangement.  
[†] Certain schedules or similar attachments to this exhibit have been omitted in accordance with Item 601(a)(5) of Regulation S-K. The registrant hereby agrees to furnish supplementally to the Securities and Exchange Commission upon request a copy of any omitted schedule or attachment to this exhibit.

**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/ Brent D. Berg  
**Brent D. Berg**  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

Date: August 9, 2023

By: /s/ Wayne E. Rich  
**Wayne E. Rich**  
Chief Financial Officer  
(Principal Financial Officer)

Date: August 9, 2023

**FUNDING AGREEMENT BETWEEN  
WYOMING ENERGY AUTHORITY AND  
RARE ELEMENT RESOURCES, INC.**

1. **Parties.** This Funding Agreement (“**Agreement**”) is made between the Wyoming Energy Authority, an instrumentality of the State of Wyoming (“**WEA**”), 325 West 18th Street, Suite 1, Cheyenne, WY, 82001, and Rare Element Resources, Inc. (“**Recipient**”), PO Box 271049, Littleton, CO 80127, each a (“**Party**”) or collectively the (“**Parties**”). In consideration of the mutual covenants contained herein, the Parties agree as follows:
  
2. **Purpose of Agreement.**
  - a. The mission of the WEA is to advance Wyoming’s energy strategy by driving data, technology and infrastructure investments. In 2020, the Wyoming Legislature appropriated \$12 million in funds to the University of Wyoming for research grants and contracts for flameless pressurized oxygen combustion technology, but provided that WEA could use remaining funds for a rare earth pilot processing facility at the Western Research Institute (WRI). 2020 Wyo. Sess. Laws 171, 198 (ch. 80, § 67, n. 7) (“**Program**”).
  - b. WRI lacks the resources necessary for the development of a rare earth pilot processing facility at its Laramie, Wyoming facility.
  - c. WRI agrees the objectives of the Program are best met by the funding of this grant to Recipient to assist in the development of its Upton, Wyoming demonstration plant.
  - d. Recipient has submitted a successful proposal for funding as part of the Program for which it intends to carry out the pilot project described in Exhibit A, attached hereto and incorporated herein by this reference (the “**Project**”).
  - e. Therefore, the Parties desire to enter into this Agreement defining their rights, duties, and liabilities relating to the funding of Recipient’s Project. The Parties agree to not take any action or actions inconsistent with the laws, rules, regulations or ordinances governing this Agreement.
  
3. **Term of Agreement.** This Agreement is effective when all parties have executed it (“**Effective Date**”), and shall terminate when funding has been fully dispersed, or no later than December 31, 2025, or sooner as provided herein. Nothing in this Agreement shall be interpreted or deemed to create an expectation that this Agreement will be extended beyond the term described herein.
  
4. **Payment.**
  - a. The WEA agrees to pay Recipient a sum of four million four hundred thousand dollars (\$4,400,000.00) (the “**Funding Amount**” or “**Funds**”). Subject to the provisions of Sections 4(a) and (b), the Funds shall be paid upon receipt of invoices from Recipient as set forth in Exhibit C, which invoices shall detail Recipient’s actual expenses related to the Project, minus a ten percent (10%) retainer. Payment of the retainer is conditioned upon receipt by the WEA of an invoice and Recipient’s Final Executive Summary Report and Final Technical Report. In

Agreement between the Wyoming Energy Authority  
and Rare Element Resources, Inc.

the event that sufficient funds are not received to timely pay any installment when due, WEA will continue to pay over to Recipient any Funds received in any amount in one (1) or more installments within twenty (20) days of receipt until the Funding Amount is paid in full. The Funds shall be paid within forty-five (45) days after submission of each invoice subject to Wyo. Stat. § 16-6-602.

- b. Funding for the Program will be provided to the WEA from the ERC and is conditioned upon the availability of government funds which are appropriated or allocated for the payment of this obligation and which may be limited for any reason including, but not limited to, congressional, legislative, gubernatorial, or administrative action. Funds in the amount listed in Section 4(a) above will be paid to Recipient by the WEA in consideration for Recipient's performance as described in this Agreement and the terms and conditions of all other agreements required, if any, to be entered into by and between the ERC, the WEA, and the Recipient. Notwithstanding the foregoing, neither Party shall be obligated to proceed with the Project, including without limitation contributing the funds described above, and may terminate the Agreement at the end of the period for which funds are available if the WEA does not receive the requested funding from the ERC, or if the Funds are not allocated or available for the continued performance of the Project. The WEA shall not be obligated to expend funds for the Project in excess of any amounts received from the ERC for the Project as described above, and the WEA shall not be liable for any future payments due or for any damages resulting from termination of this Agreement under this Section.

5. **Responsibilities of the WEA.**

- a. The WEA shall pay Recipient the sums described in Section 4.
- b. The responsibilities and obligations of the WEA are limited to those expressly specified above. The WEA assumes no other obligations or liability, except as expressly stated in this Agreement.

6. **Responsibilities of Recipient.** The Recipient shall:

- a. The Recipient is exclusively responsible for any and all costs associated with the Project which may exceed the total amount awarded through WEA funding.
- b. Subject to receiving WEA funding, complete the Project, pursuant to the terms of Recipient's proposal for funding, as described in Exhibit B, "Statement of Work," and Exhibit C, "Recipient's Responsibilities and Reporting Requirements," attached hereto and incorporated herein by this reference.
- c. Maintain reasonable and responsible accounting procedures and practices, and maintain books, records, documents, and other evidence to sufficiently and properly reflect all transactions of any nature relating to this Agreement and any funds provided by or through the WEA. Such books, records, documents, and other evidence shall be made available upon written request of the WEA for inspection electronically or at the offices of the Recipient in Littleton, Colorado or such other location as agreed to by the Parties. Recipient shall also retain all required records for three (3) years after receipt of final payment of the WEA funds.

- d. Provide invoices and/or reimbursement requests to the WEA for payment of the Funds.
- e. Timely submit all deliverables due to the WEA.
- f. Recipient shall adhere to a standard of reasonable care while conducting all activities as part of the Program, and Recipient shall require its agents and consultants to adhere to a standard of reasonable care while conducting all activities as part of the Program.
- g. Recipient, in exchange for the Funding Amount from the WEA, shall provide the WEA with performance and technical data and information that is developed in relation to the Project, as defined herein (“**Technical Data**”), but will not be required to provide background data, information, knowledge, know-how, confidential information, or intellectual property that is used in the development of Technical Data. In conjunction with its receipt of Technical Data, Recipient grants the WEA a non-exclusive, royalty free, fully paid up, perpetual license to use such data, for its own business purposes, but the WEA will have (i) no other ownership of, title to, interest in or other similar proprietary right (other than the license granted above) to such Technical Data; and (ii) no right to commercialize the Technical Data for its own for-profit purposes.
- h. The release of any data and information to the WEA in connection with this Agreement will be subject to and in accordance with (i) the confidentiality obligations described in this Agreement, and (ii) any applicable legal requirements, including applicable United States export laws and regulations.
- i. Recipient shall use all commercially reasonable efforts to complete the Project, however, the WEA recognizes the research, experimental and developmental nature of the Project and acknowledges that the Recipient does not make any warranty or representation, express or implied, regarding the Technical Data, the research or with respect to the results or anticipated results associated with the Project.
- j. As part of this Agreement, Recipient has provided the WEA with a list of specific milestones to be met or achieved as part of Recipient’s Project, which list of specific milestones is set out in Exhibit C. Upon the completion of each milestone, Recipient shall, within ten (10) days, submit documentation to the WEA confirming satisfactory completion of each milestone. The documentation submitted to the WEA shall, at a minimum, include a statement of the work completed to date, a detailed explanation of any variation from the mutually agreed upon scope of work and deliverables, and a summary of any other relevant information regarding Recipient’s Project. After reviewing the documentation submitted by the Recipient, the WEA may request additional documentation to evaluate Recipient’s progress. Recipient shall obtain written authorization, which may be in the form of an email authorization, from the WEA prior to altering the mutually agreed upon scope of work set out in this Agreement in Exhibit B or the milestones set out in Exhibit C. Recipient shall also obtain written authorization, which may be in the form of email authorization, from the WEA prior to beginning or continuing work associated with each milestone.



7. **Project Management and Fund Management.**

- a. Subject to the terms of Section 6 above, the WEA understands and agrees that Recipient has final responsibility and authority with regard to project management, direction and all decisions related to the scope of work and schedule or timing of project activities. The WEA will be afforded the rights and benefits described herein, but, in all events, Recipient will have sole discretion over all plans and decisions relating to the Project and will make the final determination as to the use and inclusion of the WEA's input regarding expenditure of Program funds.
- b. Recipient agrees to use and apply the WEA's funds solely in connection with the Project described in Exhibit A as part of the Program. The WEA understands and agrees that the funds it provides may be commingled with other non-State of Wyoming funds and used by Recipient in the execution of its rights and obligations related to the Project, and that the WEA's funds will be indistinguishable from the funds of other sponsors and participants; however, Recipient will not commingle any funds provided by the WEA with any funds that are not dedicated to the Project.

8. **Special Provisions.**

- a. See Exhibit D attached hereto and incorporated herein by this reference.

9. **General Provisions.**

- a. **Amendments.** Any changes, modifications, revisions, or amendments to this Agreement that are mutually agreed upon by the Parties to this Agreement shall be incorporated by written instrument and executed by all Parties to this Agreement.
- b. **Americans with Disabilities Act and Nondiscrimination.** Recipient shall comply with the Civil Rights Act of 1964, the Wyoming Fair Employment Practices Act (Wyo. Stat. §§ 27-9-101 - 106), the Americans with Disabilities Act, 42 U.S.C. § 12101 - 12213, the Age Discrimination Act of 1975, 42 U.S.C. § 6101 - 6107, and any rules or regulations promulgated under these state and federal anti-discrimination statutes. Recipient shall not discriminate against any individual on the grounds of age, sex, sexual orientation, creed, color, race, religion, national origin, ancestry, pregnancy, or disability in connection with the performance under this Agreement.
- c. **Applicable Law/Venue.** The construction, interpretation, and enforcement of this Agreement shall be governed by the laws of the State of Wyoming, without regard to conflicts of law principles. The terms "hereof," "hereunder," "herein," and words of similar import, are intended to refer to this Agreement as a whole and not to any particular provision or part. The Courts of the State of Wyoming shall have jurisdiction over this Agreement and the Parties. The venue shall be the First Judicial District, Laramie County, Wyoming.
- d. **Assignment.** Neither Party shall assign or otherwise transfer any of the rights or delegate any of the duties set out in this Agreement without the prior written consent of the other Party. Provided, however, that Recipient may delegate certain duties to one or more of its affiliates without the prior consent of the WEA. Recipient shall not use this Agreement, or any portion

thereof, for collateral for any financial obligation without the prior written permission of the WEA.

- e. **Audit and Access to Records.** Subject to the other provisions of this Agreement, the WEA and its representatives shall have access to any books, documents, papers, electronic data, and records of the Recipient that are pertinent to this Agreement.
- f. **Availability of Funds.** Each payment obligation of the WEA is conditioned upon the availability of government funds which are appropriated or allocated for the payment of this obligation and which may be limited for any reason including, but not limited to, congressional legislative, gubernatorial, or administrative action. If funds are not allocated and available for the continued performance of the Agreement, then the Agreement may be terminated by either Party at the end of the period for which the funds are available. The WEA shall notify Recipient at the earliest possible time of the payment(s) which will or may be affected by a shortage of funds. No penalty shall accrue to either party in the event this provision is exercised, and neither party shall be obligated or liable for any future payments due or for any damages as a result of termination under this section.
- g. **Compliance with Laws.** Recipient shall keep informed of and comply with all applicable federal, state, and local laws and regulations in the performance of this Agreement.
- h. **Entirety of Agreement.** This Agreement, consisting of eleven (11) pages; Exhibit A, consisting of one (1) page; Exhibit B, consisting of one (1) page; Exhibit C, consisting of one (1) page; and Exhibit D, consisting of two (2) pages, represent the entire and integrated agreement between the Parties and supersede all prior negotiations, representations, and agreements, whether written or oral. In the event of a conflict or inconsistency between the language of this Agreement and the language of any document incorporated by reference, the language of this Agreement shall control.
- i. **Ethics.** Recipient shall read and comply with the Wyoming Ethics and Disclosure Act (Wyo. Stat. §§ 9-13-101 - 109), State of Wyoming Executive Order 1997-4, and any other applicable laws and ethical standards governing their professions.
- j. **Force Majeure.** No Party shall be liable for failure to perform under this Agreement if such failure to perform arises out of causes beyond the control and without the fault or negligence of the nonperforming Party or Parties. Such causes may include, but are not limited to, acts of God or the public enemy, fires, floods, epidemics, quarantine restrictions, freight embargoes, unforeseen legal, regulatory, or governmental delay, or unusually severe weather. This provision shall become effective only if the Party failing to perform promptly notifies the other Parties of the extent and nature of the problem, limits delay in performance to that required by the event and takes all reasonable steps to minimize delays.
- k. **Good Standing.** The Recipient shall provide to the WEA a Certificate of Good Standing from the Wyoming Secretary of State, or other proof that Recipient is authorized to conduct business in the State of Wyoming, if required, before performing work under this Agreement. Recipient shall ensure that all filings and corporate taxes due and owing to the Secretary of State's office are up-to-date before signing this Agreement.

- l. **Independent Contractor.** Recipient shall function as an independent contractor for the purposes of this Agreement and shall not be considered an employee of the State of Wyoming or the WEA for any purpose. Consistent with the express terms of this Agreement, Recipient shall be free from control or direction over the details of the performance of services under this Agreement. Recipient shall assume sole responsibility for any debts or liabilities that may be incurred by Recipient in fulfilling the terms of this Agreement and shall be solely responsible for the payment of all federal, state, and local taxes which may accrue because of this Agreement. Nothing in this Agreement shall be interpreted as authorizing Recipient or its agents or employees to act as an agent or representative for or on behalf of the State of Wyoming or the WEA or to incur any obligation of any kind on behalf of the State of Wyoming or the WEA. Recipient agrees that no health or hospitalization benefits, workers' compensation, unemployment insurance or similar benefits available to State of Wyoming employees will inure to the benefit of Recipient or its agents or employees as a result of this Agreement.
- m. **Indemnification.** The Recipient shall release, indemnify, and hold harmless the State of Wyoming, the WEA, and their officers, agents and employees from any and all claims, suits, liabilities, court awards, damages, costs, attorneys' fees, and expenses arising out of Recipient's failure to perform any of Recipient's duties and obligations hereunder or in connection with the negligent performance of Recipient's duties or obligations, including, but not limited to, any claims, suits, liabilities, court awards, damages, costs, attorneys' fees, and expenses arising out of Recipient's negligence or other tortious conduct.
- n. **Notices.** All notices arising out of, or from, the provisions of this Agreement shall be in writing and provided either by reputable overnight courier or in-person hand delivery to the addresses below. Courtesy copies may be provided via email but are not required.

**The WEA:**

Rob Creager, Executive Director  
325 W. 18th Street #1  
Cheyenne, WY 82001  
rob.creager@wyo.gov  
307-635-3573

**Recipient:**

Rare Element Resources, Inc.  
Brent Berg, President and Chief Executive Officer  
PO Box 271049  
Littleton, CO 80127  
bberg@rareelementresources.com  
307-258-0833

- o. **Notice of Sale or Transfer.** The Recipient shall provide the WEA with notice of any sale, transfer, merger, or consolidation of the assets of Recipient. Such notice shall be provided in accordance with the notices provision of this Agreement and, when possible and lawful, in advance of the transaction. If the WEA determines that the sale, transfer, merger, or consolidation is not consistent with the continued performance of the Recipient's obligations

under this Agreement, then the WEA may, at its discretion, terminate or renegotiate the Agreement.

- p. **Publicity.** The Parties shall not use the other Party's name, logo, or mark in advertising, signage, promotion, publicity, or fund-raising without the other's prior written approval (with email approval being sufficient). The Parties will mutually agree upon the contents of a press release to be published at the time of execution of this Agreement. Subject to the last sentence of this subparagraph 9(p) and subparagraph 9(r), Recipient shall have the right to publish at any time and in any publication that it shall choose in its sole discretion any information regarding or the results or findings of the Project.

Before releasing publicity that includes any specific references to a Wyoming state official or state agency, the Recipient shall contact the Governor's Communication Director, via telephone at (307) 777-7437, to obtain prior approval (with email approval being sufficient).

- q. **Public Records and Meetings Acts.** The Parties acknowledge that the WEA, as an instrumentality of the State of Wyoming, is subject to the requirements of the Wyoming Public Meetings Act (Wyo. Stats. §§ 16-4-401 - 408) and the Wyoming Public Records Act (Wyo. Stats. §§ 16-4-201 - 205) ("**Acts**").

The Parties acknowledge that the Acts may require the WEA to conduct certain business in public and make certain records available for public inspection, on request. The WEA shall provide the Recipient with all public notices required under the Public Meetings Act. If the Recipient is concerned about any information that could be revealed or discussed during the noticed public meeting, the Recipient and the WEA shall work together prior to the public meeting to address those concerns, with the final decision on any disclosure being made in the sole discretion of the WEA.

If the WEA receives a public records request, the WEA shall forward a copy of the request to the Recipient. Recipient shall communicate any objection or concerns regarding the request to the WEA within ten (10) business days of receipt of the request. Recipient and the WEA shall work together to respond to any public records request and shall fully cooperate and assist one another in responding to any such request, with the final decision on any disclosure being made in the sole discretion of the WEA.

The WEA shall work in good faith to protect from disclosure any materials properly exempted under the Acts, and the Recipient shall hold the WEA harmless for any disclosures the WEA is required to make under either Act or any accidental disclosures made in the course of seeking to comply with the Act.

- r. **Confidentiality.** Any non-public information of one Party (the "**Disclosing Party**") disclosed to the other Party (the "**Receiving Party**") in connection with the Project, including information concerning the Disclosing Party's business, plans, technology, privileged information, proprietary or trade secrets or, due to its nature, that the Receiving Party should know is confidential ("**Confidential Information**"). Confidential information shall include the Intellectual Property (defined below). The Receiving Party agrees that it will not use the Confidential Information except as necessary in connection with and in accordance with this Agreement; provided, however, the Parties expressly agree that the foregoing use restriction

shall not apply to Recipient with respect to the Technical Data or any Intellectual Property and Recipient shall not be limited in any manner whatsoever with regard to its use thereof. Without the Disclosing Party's consent, the Receiving Party shall not disclose the Disclosing Party's Confidential Information to any third party except to its Representatives (as defined below) or as required by law and shall take reasonable precautions to protect the confidentiality of such Confidential Information. The obligations to hold the Confidential Information in confidence will continue for three (3) years after the completion, cancellation, termination or expiration of this Agreement; provided, however, the duty of non-disclosure relative to trade secrets (if any) shall continue for as long as an item remains a trade secret, no matter how long this may be.

Notwithstanding anything to the contrary, the term "Confidential Information" shall not include, and nothing in the Agreement will limit the Receiving Party's use or disclosure of, information that is: (i) now generally known or available on an unrestricted basis to the public or becomes so known or available on an unrestricted basis through no fault of the Receiving Party; (ii) already in the Receiving Party's possession without restriction as to its use or disclosure before receiving it from the Disclosing Party; (iii) developed by or for the Receiving Party independently of and without reference to the other Party's Confidential Information; or (iv) is required to be disclosed by any law, rule, regulation or any order, decree, subpoena or ruling or other similar process of any court of competent jurisdiction, governmental agency or governmental or regulatory authority; *provided, however*, that prior to making such disclosure, the Receiving Party will, if allowed by applicable law, provide the Disclosing Party with prompt written notice of any requirement so that the Disclosing Party may seek a protective order or other appropriate protection or remedy at the Disclosing Party's expense.

The Receiving Party may disclose Confidential Information without the Disclosing Party's prior written consent to the following persons ("**Representatives**") to the extent that they have a clear need to know in order to evaluate or consummate the Project: (i) employees, officers, partners and directors of the Receiving Party; (ii) employees, officers, partners and directors of a Receiving Party's affiliate; and (iii) any legal counsel, accountant, consultant, advisor or agent retained by the Receiving Party or its affiliate. The Receiving Party shall inform its Representatives of the confidential and proprietary nature of the Confidential Information and shall instruct its Representatives to comply with the provisions hereof. The Receiving Party shall be responsible for any breach of this Paragraph.

- s. **Ownership and Return of Documents and Information.** Where specifically requested by the other Party, each Party (and its Representatives) shall promptly return or destroy (at the Receiving Party's option) all Confidential Information (originals and copies) and any derivative information, documents and materials to the requesting Party in a useable format. In the case of electronic transmission, such transmission shall be secured. The return of information by any other means shall be by a parcel service that utilizes tracking numbers. Except as required for compliance with the Acts, with written consent of the requesting Party such materials may be destroyed, with certification of destruction provided to the requesting Party. The foregoing shall not apply to and the Receiving Party and its Representatives shall be entitled to retain Confidential Information (and any derivative thereof) as required by law, regulation, stock exchange rule and to the extent that backup copies of computer or other electronic records are retained by a Party in the ordinary course of its business (provided the same is maintained in accordance with the terms of this Agreement).

- t. **Intellectual Property.** Subject to the other terms and provisions of this Agreement, the WEA understands and agrees that, as between the WEA and Recipient, Recipient shall own all right, title and interest in and to all data (including the Technical Data), information, and results created or developed during the course of, and arising out of the performance of the activities conducted with regard to Recipient's Project, including all know-how, inventions and intellectual property (all of the foregoing collectively referred to as the "**Intellectual Property**"). The WEA agrees that it will not, in any manner, assert or claim any ownership rights in any invention or intellectual property that is generated, developed, conceived of or first reduced to practice during the Project.

Should the WEA and Recipient contemplate the joint development of inventions or intellectual property related to the Project, the terms and conditions of such involvement and activities will be governed by a separate written agreement(s) that establishes the rights and obligations of the respective parties.

This Section is not intended to, and shall not, diminish the license granted by Recipient to the WEA in Section 6(g).

- u. **Severability.** Should any portion of this Agreement be judicially determined to be illegal or unenforceable, the remainder of the Agreement shall continue in full force and effect, and the Parties may renegotiate the terms affected by the severance.
- v. **Sovereign Immunity.** Pursuant to Wyo. Stat. § 1-39-104(a), the State of Wyoming and the WEA expressly reserve sovereign immunity by entering into this Agreement and specifically retain all immunities and defenses available to them as sovereigns. The Parties acknowledge that the State of Wyoming and WEA have sovereign immunity. Designations of venue, choice of law, enforcement actions, and similar provisions shall not be construed as a waiver of sovereign immunity. The Parties agree that any ambiguity in this Agreement shall not be strictly construed, either against or for any Party, except that any ambiguity as to sovereign immunity shall be construed in favor of sovereign immunity.
- w. **Successors and Assigns.** This Agreement and the terms and conditions hereof apply to and are binding on the successors, permitted assigns, agents and employees of all Parties.
- x. **Taxes.** Recipient shall be responsible for and pay all taxes, fees, and other such amounts required by federal, state, and local law, including but not limited to, federal and social security taxes, workers' compensation, unemployment insurance, property and sales and use taxes associated with Recipient's Project.
- y. **Termination.** This Agreement may be terminated by the WEA immediately for cause if the Recipient fails to perform in accordance with the terms of this Agreement.

Notwithstanding anything to the contrary contained herein, the license granted by Recipient to the WEA in Section 6(g) shall survive any termination of this Agreement, other than Recipient's termination of this Agreement as a result of the WEA's breach of any of its obligations under this Agreement. In the event of any termination, the WEA may – subject to the confidentiality obligations - retain any information and data that it received from

Recipient pursuant to this Agreement (including, without limitation, Technical Data and Confidential Information) and will be entitled to receive (i) any Technical Data identified as a deliverable that began to be developed and would become due before such termination and (ii) any Technical Data identified as a deliverable that began to be developed and was previously identified as becoming due within thirty (30) days after the effective date of such termination.

- z. **Third Party Beneficiary Rights & Obligations.** The Parties do not intend to create in any other individual or entity the status of third-party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only between the Parties to this Agreement and shall inure solely to the benefit of the Parties to this Agreement.
- aa. **Time is of the Essence.** Time is of the essence in all provisions of this Agreement.
- bb. **Titles Not Controlling.** Titles of sections and subsections are for reference only and shall not be used to construe the language in this Agreement.
- cc. **Unlawful Activity.** Both Parties shall refrain from unlawful activity during the term of this Agreement. A violation of this section by either Party shall constitute sufficient grounds for immediate termination of this Agreement by the non-violating Party in its absolute discretion.
- dd. **Waiver.** The failure by a Party to insist upon the strict performance of any term or condition of this Agreement, or to exercise any right, power or remedy consequent upon a breach, shall not constitute a waiver of any such breach of such term or condition. A waiver of any breach shall not affect or alter this Agreement, and each and every term and condition of this Agreement shall continue in full force and effect regardless of any breach.
- ee. **Counterparts.** This Agreement may be executed at different times in one or more counterparts and by signatures transmitted electronically, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.

**THE REMAINDER OF THIS PAGE WAS INTENTIONALLY LEFT BLANK.**

10. **Signatures.** The Parties to this Agreement, through their duly authorized representatives, have executed this Agreement on the dates set out below, and certify that they have read, understand, and agree to the terms and conditions of this Agreement.

The Effective Date of this Agreement is the date of the signature last affixed to this page.

**WEA:**

Wyoming Energy Authority

/s/ Rob Creager  
Rob Creager, Executive Director

6/6/23  
Date

**RECIPIENT:**

Rare Element Resources, Inc.

/s/ Brent Berg  
Brent Berg, President and CEO

5/25/23  
Date

**ATTORNEY GENERAL'S OFFICE: APPROVAL AS TO FORM**

/s/ Tyler M. Runner  
Tyler M. Renner, Supervising Attorney General

5/24/23  
Date



## Exhibit A

### The Project

Rare Earth Elements (REE) are the seeds of technology, yet America relies heavily on Chinese sources of critical minerals, including rare earth material needed for high-strength permanent magnets, electronics, fiber optics, laser systems for medical technology and defense, electric vehicles, solar panels and wind turbines. Rare Element Resources' (RER) Bear Lodge Project in Crook County, Wyoming is poised to address this need. RER and its strategic partner, General Atomics (GA), is designing, constructing and operating a rare earth demonstration-scale processing and separation plant in Upton, Wyoming. By processing rare earth material already stockpiled from the Wyoming Bear Lodge Project deposit, the plant is intended to prove the operational flow sheet and scalability for final plant design for a commercial rare earth separation and processing facility as it catapults Wyoming's place as a critical mineral production hub, providing employment and training opportunities in this emerging industry.

The objectives of this demonstration project are to create a Wyoming facility that:

- Is at a permitted and licensed Wyoming production site.
- Will produce up to 10 tons of NdPr at >99.5% purity as well as La, SEG (Sm, Gd, and Eu) and Heavy Rare Earth Element (HREE) concentrates, subject to further refining which can be used to explore additional downstream product production, including high-strength permanent magnets.
- Provides clear pathways for the separation of other rare earth elements, including Tb, Dy and other essential elements.
- Provides a basis for scale-up to a larger processing facility.
- Demonstrates a process which may be capable of processing feed from any other rare earth element sources from within the U.S. or allied nations.
- Provides vital workforce training in key technical skills in the rare earth processing arena.
- Provides partnering opportunities with School of Energy Resources in rare earth science.

The project is funded 50% through a DOE cost share with RER using its own funds for the matching cost-share.

**Exhibit B**

**Statement of Work**

The Project is executed in phases. First is the engineering and design, commencement of permitting, and early procurement which was completed in December 2022. Second is the completion of permitting and further procurement phase. Third is the final procurement and construction phase, and the last phase is the operations and decommissioning phase utilizing previously stockpiled material from the Bear Lodge Project. See Exhibit C for the Project timeline.

Exhibit B to the  
Agreement between the Wyoming Energy Authority  
and Rare Element Resources, Inc.  
Page 1 of 1

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### Exhibit C

#### Project Milestone, Recipient’s Responsibilities and Reporting Requirements

The Rare Earth Demonstration Plant Project is subject to two Project Milestones and WEA funding dates that are in tandem with the U.S. Department of Energy (“DOE”) Go/No-Go decision approvals. The following schedule provides expectations regarding key schedule milestones.



Recipient shall provide to WEA a project update including accomplishments to-date together with the DOE documented approval to proceed at each of the two decision points above (as potentially adjusted and approved by the DOE). Any DOE approved adjustments to the two scheduled milestones will be provided to WEA. It is understood any adjustments will require WEA’s consideration of project status and may require additional documentation.

Each milestone period (BP1 and BP2) will allocate one-half of the total grant funding of \$4,400,000.00 (up to \$2,200,000.00 per period) for each of the two performance periods, which must be actual project costs expended by Recipient, and not subject to federal funding reimbursement, during that period. Recipient shall provide WEA a detailed summary of eligible reimbursable project costs for each of the two periods (BP1 and BP2) along with the DOE approval to proceed at each DOE Go/No Go decision point.

The retainer held by WEA of 10% of the total funding in accordance with the Funding Agreement shall be invoiced by Recipient sixty (60) days following operation commencement, estimated to be in July 2024, and submission of the Final Executive Summary Report in a form approved by WEA.

## Exhibit D

### Special Provisions

- A. **Insurance.** During the term of this Agreement, the Recipient shall meet and comply with the insurance requirements as set forth below.

#### Insurance Requirements.

- (i) During the term of this Agreement, the Recipient shall obtain and maintain, and ensure that each subcontractor obtains and maintains, each type of insurance coverage specified in Insurance Coverage, below.
- (ii) All policies shall be primary over any insurance or self-insurance program carried by the Recipient or the State of Wyoming. All policies shall include clauses stating that each insurance carrier shall waive all rights of recovery under subrogation or otherwise against Recipient or the State, its agencies, institutions, organizations, officers, agents, employees, and volunteers.
- (iii) The Recipient shall provide Certificates of Insurance to the WEA verifying each type of coverage required herein. If the policy is a "claims made" policy instead of an "occurrence" policy, the information provided shall include, but is not limited to, retroactive dates and extended reporting periods or tails.
- (iv) All policies shall be endorsed to provide at least thirty (30) days advance written notice of cancellation to the WEA. A copy of the policy endorsement shall be provided with the Certificate of Insurance.
- (v) All policies required by this Agreement shall be issued by an insurance company with an A.M. Best rating of A- VIII or better.
- (vi) The WEA reserves the right to reject any policy issued by an insurance company that does not meet these requirements.
- (vii) Subject to the total required amount of insurance for each individual insurance coverage requirement herein, the amounts of insurance specified in this Exhibit C may be satisfied in whole by self-insurance or a combination of self-insurance and insurance limits.

**Insurance Coverage.** The Recipient shall obtain and maintain the following insurance in accordance with the Insurance Requirements set forth above:

- (i) Commercial General Liability Insurance. Commercial general liability insurance (CGL) coverage, occurrence form, covering liability claims for bodily injury and property damage arising out of premises, operations, products and completed operations, and personal and advertising injury, with minimum limits as follows:

- (a) \$1,000,000.00 each occurrence;
- (b) \$1,000,000.00 personal injury and advertising injury;
- (c) \$2,000,000.00 general aggregate; and
- (d) \$2,000,000.00 products and completed operations.

The CGL policy shall include coverage for Explosion, Collapse and Underground property damage. This coverage may not be excluded by endorsement.

- (ii) Workers' Compensation and Employer's Liability Insurance. Employees hired in Wyoming to perform work under this Agreement shall be covered by workers' compensation coverage obtained through the Wyoming Department of Workforce Services' workers' compensation program, if statutorily required. Employees brought into Wyoming from Recipient's home state to perform work under this Agreement shall be covered by workers' compensation coverage obtained through the Wyoming Department of Workforce Services' workers' compensation program or other state or private workers' compensation insurance approved by the Wyoming Department of Workforce Services, if statutorily required.

The Recipient shall provide the WEA with a Certificate of Good Standing or other proof of workers' compensation coverage for all of its employees who are to perform work under this Agreement, if such coverage is required by law. If workers' compensation coverage is obtained by Recipient through the Wyoming Department of Workforce Services' workers' compensation program, Recipient shall also obtain Employer's Liability "Stop Gap" coverage through an endorsement to the CGL policy required by this Agreement, with minimum limits as follows:

- (a) Bodily Injury by Accident: \$1,000,000.00 each accident;
- (b) Bodily Injury by Disease: \$1,000,000.00 each employee; and
- (c) Bodily Injury by Disease: \$1,000,000.00 policy limit.

- (iii) Unemployment Insurance. The Recipient shall be duly registered with the Department of Workforce Services and obtain such unemployment insurance coverage as required. The Recipient shall supply the WEA with a Certificate of Good Standing or other proof of unemployment insurance coverage.

- (iv) Automobile Liability Insurance. Automobile liability insurance covering any auto (including owned, hired, and non-owned) with minimum limits of \$1,000,000.00 each accident combined single limit.

**CERTIFICATIONS**

I, Brent Berg, 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.

Date: August 9, 2023

*/s/ Brent Berg*

\_\_\_\_\_  
Brent Berg  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

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**CERTIFICATIONS**

I, Wayne Rich, 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.

Date: August 9, 2023

/s/ Wayne Rich  
Wayne Rich  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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**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 June 30, 2023 (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: August 9, 2023

*/s/ Brent Berg*

\_\_\_\_\_  
Brent Berg  
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.

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**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 June 30, 2023 (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: August 9, 2023

*/s/ Wayne Rich*

\_\_\_\_\_  
Wayne Rich  
Chief Financial Officer  
(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.

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