

RARE ELEMENT RESOURCES LTD
Form 10-K
March 28, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF**
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR

p **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)

British Columbia

(State or other jurisdiction of incorporation or organization)

N/A

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

P.O. Box 271049

Littleton, Colorado

(Address of Principal Executive Offices)

(720) 278-2460

80127

(Zip Code)

(Registrant's Telephone Number, including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: **None**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Title of Each Class
Common Shares, No Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

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 definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

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Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company
Emerging Growth Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2017, the aggregate market value of the registrant's voting common shares held by non-affiliates of the registrant was \$8,943,000 based upon the closing sale price of the common shares as reported by the OTCQB Venture Marketplace.

The number of the registrant's common shares outstanding as of March 19, 2018 was 79,591,880.

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PRELIMINARY NOTES

As used in this Annual Report on Form 10-K (Annual Report), references to Rare Element, the Company, we, or us mean Rare Element Resources Ltd., our predecessors and consolidated subsidiaries, or any one or more of them, as the context requires. Rare Element is focused on advancing into production its Bear Lodge rare earth elements project (the Bear Lodge REE Project) and further exploring its Sundance Gold Project (the Sundance Gold Project) both located primarily on the Bear Lodge property, near the town of Sundance in the state of Wyoming (the Bear Lodge Property). See Part I, Item 1. Business.

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

In this Annual Report, unless otherwise specified, all dollar amounts are expressed in thousands of United States Dollars (\$ or US\$). If necessary, we may disclose certain information in Canadian Dollars (CDN\$).

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of Securities Act of 1933, as amended (the Securities Act), the Securities Exchange Act of 1934, as amended (the Exchange Act), and forward-looking information within the meaning of Canadian securities laws (collectively, forward-looking statements). Any statements that express or involve discussions with respect to business prospects, predictions, expectations, beliefs, plans, intentions, projections, objectives, strategies, assumptions, future events, performance or exploration and development efforts using words or phrases (including negative and grammatical variations) such as, but not limited to, expects, anticipates, plans, estimates, intends, forecasts, likely, projects, believes, seeks, 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 Annual Report. Forward-looking statements in this Annual Report include, but are not limited to, statements regarding the following:

.
the impact of the transaction with Synchron (as described under Item 1. Business - Recent Corporate Developments) on our future development, operational and financing plans;

.
our ability to resume suspended operational and permitting activities successfully;

our ability and the timing to obtain the necessary permits and licenses, including project development, mining, beneficiation and processing permits and source material licenses;

our ability and timing to exercise our right to purchase certain non-mineral lands for waste rock storage and mineral processing operations;

the potential liquidation or sale of part or all of the Company's assets and the possible loss by investors of part or all of their investment;

anticipated losses in the operation of our business going forward;

the narrowed focus or suspension of the Company's near-term operational and permitting activities;

the pursuit of potential financing and strategic alternatives;

expectations regarding the ability to raise capital or secure strategic or joint venture partners in order to advance our Bear Lodge REE Project or the exploration of our Sundance Gold Project (together, the Projects);

future expenditures to comply with environmental and other laws and regulations;

expectations regarding the global supply and demand for rare earth elements (REE), including the potential impact of the Chinese-dominated market;

.
the timing and potential conclusions of a future Feasibility Study (FS) on the Bear Lodge REE Project;

.
the estimated capital costs required to bring the Bear Lodge REE Project into commercial production and the estimated life-of-mine costs, including sustaining capital;

.
expectations as to the marketability and prices of our future rare earth product(s); and

.
our potential status as a passive foreign investment company under U.S. tax laws.

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

.
our ability to maintain relationships and meet our obligations with significant investors or attract future investors or strategic partners;

.
our ability to obtain additional financial resources on acceptable terms or at all, in order to (i) maintain our assets, (ii) conduct our Projects activities and (iii) maintain our general and administrative expenditures at appropriate levels;

.
whether we deregister our common shares under the Exchange Act and/or list our common shares on another securities exchange;

.
depressed and volatile mineral markets, including fluctuations in demand for, and prices of, rare earth products and gold, including the potential impact of the Chinese-dominated rare earth market;

.
our lack of production from our mineral properties;

.
our history of losses and numerous uncertainties that could affect the profitability or feasibility of our Projects;

.
the potential outcome of future feasibility studies that may indicate that the Projects' economics are less favorable than previously expected;

.
our ability to resume our currently suspended federal and state permitting efforts for the Bear Lodge REE Project in a timely and cost effective manner, or at all;

.
the permitting, exploration, development and operation of our Projects;

.
increased costs affecting our financial condition;

.
establishing adequate distribution channels to place our future suite of products;

.
competition in the mining, rare earth and gold industries, including an increase in global supplies or predatory pricing and dumping by our competitors;

.
technological advancements, substitutes, and the establishment of new uses and markets for rare earth products;

.
the specific product(s) from the Bear Lodge REE Project potentially having a limited number of customers, which could reduce our bargaining power, product pricing, and profitability;

.
our proprietary, patent-pending, rare earth processing technology encountering infringement, unforeseen problems, or unexpected costs in development, deployment or scaling up to commercial application;

.
our ability to maintain our interest in our patent-pending intellectual property and related technical information licensed to third parties;

.
mineral reserve and mineral resource estimation;

.
the permitting, licensing and regulatory approval processes for our planned operations;

.
our ability to exercise our right to purchase certain non-mineral lands for waste rock storage and processing operations and the ability to acquire another location if necessary;

.
opposition to any of our Projects from third parties;

.
continued compliance with current environmental regulations and the possibility of new legislation, environmental regulations or permit requirements adverse to the mining industry, including measures regarding reclamation, water protection, land use and climate change;

.
our dependence on and the potential difficulty of attracting and retaining key personnel, consultants and qualified management;

.
any shortage of equipment and supplies;

.
mining and resource exploration, development and recovery being a potentially hazardous activity;

.
operating in the resource industry, which can be highly speculative and subject to market forces outside of our control;

.
title to our properties or mining claims;

.
insurance for our operations that could become unavailable, unaffordable or commercially unreasonable or exclude from coverage certain risks to our business;

.
our land reclamation and remediation requirements;

.
information technology system disruptions, damage or failures;

.
effects of proposed legislation on the mining industry and our business;

.
our executive officers, directors and consultants being engaged in other businesses;

.
costs associated with any unforeseen litigation;

.
enforcement of civil liabilities in the United States and elsewhere;

.
our common shares continuing not to pay cash dividends;

.
our securities, including in relation to both Company performance and general security market conditions;

.
the OTCQB Venture Marketplace standards and the penny stock rules and the impact on trading volume and liquidity due to our listing on the OTCQB Venture Marketplace;

.
tax consequences to U.S. shareholders related to our potential status as a passive foreign investment company ;

.
risk factors discussed in this Annual Report; 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. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the section headings Item 1. Business, Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial

Condition and Results of Operations of this Annual Report. Although we have attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary, possibly materially, from those anticipated, believed, estimated or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Except as required by law, we disclaim any obligation to revise 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 Annual Report by the foregoing cautionary statements.**

GLOSSARY OF TERMS

Conversion Factors and Abbreviations

All units in this Annual Report are stated in metric measurements unless otherwise noted. For ease of reference, the following conversion factors are provided:

To Convert Imperial Measurement Units	To Metric Measurement Units	Multiply by
Acres	Hectares	0.4047
Feet	Meters	0.3048
Miles	Kilometers	1.6093
Tons (short)	Tonnes	0.9071
Gallons	Liters	3.7850

We report our mineralized material to meet the Canadian reporting requirements for disclosure of information regarding mineral properties, which are governed by National Instrument 43-101 (NI 43-101). The definitions of the various categories of mineral reserves and mineral resources in NI 43-101 have the meanings given by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council. U.S. reporting requirements for disclosure of information regarding mineral properties are governed by U.S. Securities and Exchange Commission (SEC) Industry Guide 7. The Canadian and U.S. reporting standards have similar goals in terms of conveying an appropriate level of confidence in the disclosures being reported but embody differing approaches and definitions. Although certain terms describing mineralized material are recognized and required by Canadian regulations under NI 43-101, the SEC does not recognize them. The definitions for each reporting standard are presented below with supplementary explanations and descriptions of the similarities and differences.

Mineral Reserve The term Mineral Reserve refers to the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. The study must include adequate information on mining, processing, metallurgical, economic, and other

relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

Proven Mineral Reserve

The term **Proven Mineral Reserve** refers to the economically mineable part of a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

Probable Mineral Reserve

The term **Probable Mineral Reserve** refers to the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

Mineral Resource	The term Mineral Resource refers to a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material, including base and precious metals, coal, rare earth elements and industrial minerals in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.
Measured Mineral Resource	The term Measured Mineral Resource refers to that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
Indicated Mineral Resource	The term Indicated Mineral Resource refers to that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
Inferred Mineral Resource	The term Inferred Mineral Resource refers to that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
Qualified Person ⁽¹⁾	The term Qualified Person refers to an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, and has experience relevant to the subject matter of the mineral project and the technical report, and is a member in good standing of a professional association.

(1)

SEC Industry Guide 7 does not require designation of a Qualified Person.

SEC Industry Guide 7 Definitions

Reserve

The term Reserve refers to that part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination. Reserves must be supported by a feasibility study⁽²⁾ done to bankable standards that demonstrates their economic extraction (bankable standards implies that the confidence attached to the costs and achievements developed in the study is sufficient for the project to be eligible for external debt financing). A reserve includes adjustments to the in-situ tonnes and grade to include diluting materials and allowances for losses that might occur when the material is mined.

Proven Reserve	The term Proven Reserve refers to reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (b) grade and/or quality are computed from the results of detailed sampling; and (c) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well-defined that size, shape, depth and mineral content of reserves are well established.
Probable Reserve	The term Probable Reserve refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.
Mineralized Material⁽³⁾	The term Mineralized Material refers to material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.
Non-Reserves	The term Non-Reserves refers to mineralized material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.
Exploration Stage	An Exploration Stage prospect is one that is not in either the development or production stage.
Development Stage	A Development Stage project is one that is undergoing preparation of an established commercially mineable deposit for ore extraction but that is not yet in production. This stage occurs after completion of a feasibility study.
Production Stage	A Production Stage project is actively engaged in the process of extraction and beneficiation of Mineral Reserves to produce a marketable metal or mineral product.

(2) For SEC Industry Guide 7 purposes, the feasibility study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

(3) This category is substantially equivalent to the combined categories of Measured Mineral Resource and Indicated Mineral Resource specified in NI 43-101.

Additional Definitions

assay a measure of the valuable mineral content.

bastnasite a mixed lanthanide fluoro-carbonate mineral (LaCO_3F) that currently provides the bulk of the world's supply of the LREEs. Bastnasite and monazite are the two most common sources of cerium and other REEs. Bastnasite is found in carbonatites, carbonate rocks of igneous derivation.

beneficiation operations that concentrate and separate mineral values in ore from waste material, and typically include, but are not limited to, crushing, grinding, washing, filtration, and leaching.

cerium (Ce) a soft, silvery, ductile metallic element that easily oxidizes in air. Ce is the most abundant of the REEs and is found in a number of minerals, including monazite and bastnasite. Ce has two relatively stable oxidation states (Ce^{3+} and Ce^{4+}), enabling both the storage of oxygen and its widespread use in catalytic converters. Ce is also widely used in glass polishing.

concentrate a mineral beneficiation product that generally describes the material that is produced after crushing and grinding ore, effecting significant separation of gangue (waste) minerals from the desired metal and/or metallic minerals, and discarding the waste minerals. The resulting concentrate of minerals typically has an order of magnitude higher content of minerals than does the beginning ore material.

critical rare earth elements (CREE) Nd, Eu, Dy, Tb and Y were identified by the U.S. Department of Energy (DOE) as critical in its 2011 Critical Materials Strategy Report. CREEs are those projected by the DOE to have the greatest economic importance for clean energy development and the highest risk of supply disruption. The Company includes Pr as a CREE because of its use in conjunction with Nd in didymium as a raw material for high-intensity permanent magnets.

cut-off grade when determining economically viable Mineral Reserves, it is the lowest grade of mineralized material that qualifies as ore (i.e., that can be mined and processed at a profit).

didymium a mixture of the elements praseodymium and neodymium. It is used in safety glasses for glassblowing and blacksmithing, especially when a gas (propane) powered forge is used, where it provides a filter which selectively blocks the yellowish light at 589 nm emitted by the hot sodium in the glass, without having a detrimental effect on general vision, unlike dark welder s glasses.

dysprosium (Dy) a soft metallic element of the lanthanide series, mainly used in high-performance, permanent magnets. Dy has a high melting point and absorbs neutrons well. It is therefore also used in nuclear control rods to help control nuclear reactions. Dy is also used in laser materials.

europium (Eu) a very rare metallic element that is the softest member of the lanthanide series. It is used in making color television tubes and lasers and as a neutron absorber in nuclear research. It is desirable due to its photon emission. Excitation of the Eu atom, by absorption of electrons or by UV radiation, results in changes in energy levels that create a visible emission. Almost all practical uses of Eu utilize this luminescent behavior.

fault a surface or zone of rock fracture along which there has been displacement.

Feasibility Study (FS) a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision to develop the deposit for mineral production.

FMR mineralization that includes iron oxide, manganese oxide and rare earth elements.

formation a distinct layer or group of layers of rock of similar composition and geological origin.

gadolinium (Gd) a malleable, ductile metallic element of the lanthanide series that has seven natural isotopes and 11 artificial isotopes. Two of the natural isotopes, Gd 155 and Gd 157, are the best-known neutron absorbers. Gd is used to improve the heat and corrosion resistance of iron, chromium, and various alloys in medicine as a contrast medium for magnetic resonance imaging and as a radioisotope in bone mineral analysis.

geochemical related to the distribution and amounts of the chemical elements in minerals, ores, rocks, solids, water and the atmosphere.

geophysical related to the mechanical, electrical, gravitational and magnetic properties of the earth s crust.

geophysical surveys survey methods used in the mining industry as exploration tools that apply the properties and methods of physics and engineering to the earth's surface and subsurface.

grade quantity of metal per unit weight of host rock.

heavy rare earth elements (HREEs) defined as the elements Tb, Dy, Ho, Er, Tm, Yb, Lu and Y.

host rock the rock in which a mineral or an ore body is contained.

Lanthanides a series of 15 metallic chemical elements with atomic numbers 57 through 71, from lanthanum through lutetium. These 15 lanthanide elements, along with the chemically similar elements scandium and yttrium, are often collectively known as the rare earth elements.

lanthanum (La) the first metallic element of the lanthanide series. La is a strategically important rare earth element due to its use in fluid cracking catalysts (FCC), which are used in the production of transportation and aircraft fuel. La is also used in fuel cells and batteries.

life-of-mine a term commonly used to refer to the likely term of a mining operation and normally determined by dividing the tonnes of Mineral Reserve by the annual rate of mining and processing.

light rare earth elements (LREEs) defined as the elements La, Ce, Pr, Nd, Pm, Sm, Eu and Gd.

LQD-WDEQ the Land Quality Division of the Wyoming Department of Environmental Quality.

mineral a naturally occurring, inorganic crystalline material having a definite chemical composition.

mineralization a natural accumulation or concentration of one or more potentially economic minerals in rocks or soil. Also, the process by which minerals are introduced or concentrated in rocks or soil.

monazite a reddish-brown rare earth phosphate mineral. Monazite-group minerals are typically accompanied by elevated concentrations of uranium and thorium. This has historically limited the processing of monazite. However, this mineral is becoming more attractive because it typically has elevated concentrations of heavier rare earth elements.

National Instrument 43-101 (NI 43-101) Standards of Disclosure for Mineral Projects, as prescribed by the Canadian Securities Administrators.

neodymium (Nd) a metallic element of the lanthanide series, occurring principally in REE fluorocarbonate and monazite minerals. Nd is a key constituent of NdFeB permanent magnets and an additive to capacitor dielectrics. NdFeB magnets maximize the power/weight ratio and are found in a large variety of motors, generators, sensors, and hard disk drives. Capacitors containing Nd are found in cellular telephones, computers and nearly all other electronic devices. A minor application of Nd is for lasers.

open pit surface mining in which the ore is extracted from a pit or quarry. The geometry of the pit will vary with the characteristics of the ore body.

ore mineral-bearing rock that can be mined and treated profitably under current, or immediately foreseeable, economic conditions.

ore body a mostly solid and fairly continuous mass of mineralization estimated to be economically mineable.

ore grade the average weight of the valuable metal or mineral contained in a specific weight of ore (i.e., 1.5% REO/tonne).

oxide for purposes of the deposits found at the Bear Lodge Property, rare earth bearing mineralized material that results from the complete oxidation by natural processes of sulfide-bearing material.

p.a. per annum.

praseodymium (Pr) a metallic element that constitutes about 4% of the lanthanide content of bastnasite and has a few specific applications, based mainly on its optical properties. It is a common coloring pigment, and is used in photographic filters, airport signal lenses, and welder's glasses. Because it chemically and magnetically is so similar to its periodic chart neighbors Nd and La, Pr is typically found in small amounts in applications where Nd and La are popular, such as NdFeB magnets and catalysts. These latter applications are actually the largest uses for Pr because the magnet and catalyst markets are so large. Thus, Pr plays an important role in extending the availability of the more popular Nd and La.

preliminary economic assessment (PEA) a study that includes an economic analysis of the potential viability of Mineral Resources taken at an early stage of the project prior to the completion of a preliminary feasibility study.

preliminary feasibility study or pre-feasibility study (PFS) each mean a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral beneficiation and processing has been determined. It includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors that are sufficient for a qualified person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve under NI 43-101 standards.

rare earth elements (REE) a group of metallic elements with unique chemical, catalytic, magnetic, metallurgical and phosphorescent properties.

rare earth oxide (REO) the oxide form of REE.

RC (reverse circulation) drilling a rotary drilling method using either a hammer or a tri-cone bit to produce rock cuttings that are forced upward from the bottom of the drill hole to the surface through an outer tube, using liquid and/or air pressure moving downward through an inner tube.

recovery the percentage of contained metal actually extracted from ore in the course of beneficiating/processing such ore.

samarium (Sm) a metallic element of the lanthanide series predominantly used to produce Sm cobalt magnets. Although these magnets are slightly less powerful than NdFeB magnets at room temperature, Sm cobalt magnets can be used over a wider range of temperatures and are less susceptible to corrosion.

sampling and analytical variance/precision an estimate of the total error induced by sampling, sample preparation and analysis.

stockwork complex system of structurally controlled or randomly oriented veins that can be standalone ore bodies or occur on the periphery of larger veins. They are also referred to as stringer zones.

strike the direction or trend that a structural surface (e.g., a bedding or fault plane) takes as it intersects the horizontal.

strip to remove overburden in order to expose ore.

sulfide a mineral combining sulfur and base metals, such as iron and less commonly copper, lead, zinc and/or molybdenum; metallic sulfur-bearing mineral associated with primary REE mineralization.

tailings finely ground waste material produced from beneficiating ore to recover metals or minerals.

total rare earth oxide (TREO) refers to the sum total of REO present in a deposit.

vein a sheet-like body of mineralized rock. On many properties, veins may consist largely of quartz gangue. However, on the Bear Lodge Property, veins can contain a variable assemblage that includes, but is not limited to,

gangue minerals like iron and manganese oxides, quartz, calcite, clay, apatite and/or potassium feldspar with or without ore minerals.

PART I

ITEM 1. BUSINESS

CORPORATE BACKGROUND

Rare Element was incorporated under the laws of the Province of British Columbia, Canada, on June 3, 1999 as Spartacus Capital Inc. We are governed under the Business Corporations Act (British Columbia). Our executive office address is P.O. Box 271049, Littleton, Colorado 80127. The telephone number for our executive office is (720) 278-2460. We maintain a corporate website at www.rareelementresources.com.

Effective as of October 8, 1999, we completed our initial public offering of 1,500,000 common shares at CDN\$0.20 per share, raising CDN\$300. The common shares began trading on the predecessor exchange to the TSX Venture Exchange (TSX-V) in Canada on November 15, 1999 under the ticker symbol SCI.

Originally organized as a capital pool company whose activities were focused on the identification and completion of a qualifying transaction as required by the rules of the TSX-V, we transitioned to a venture company on July 25, 2003, coincident with (1) the completion of a reverse takeover acquisition of Rare Element Holdings Ltd. (the qualifying transaction), (2) a name change of Spartacus Capital, Inc. to Rare Element Resources Ltd., and (3) the completion of a CDN\$551 private placement. Rare Element Holdings Ltd.'s main asset, through its wholly owned subsidiary, Rare Element Resources, Inc., a Wyoming corporation, is its 100% interest in a group of unpatented mining claims and repurchase rights to adjacent private property, together known as the Bear Lodge Property.

On December 20, 2004, our authorized share capital was changed from 100,000,000 common shares to an unlimited number of common shares without par value. Our common shares began trading on the NYSE American on August 18, 2010 under the ticker symbol REE. On May 27, 2011, we transitioned from a listing on the TSX-V to the Toronto Stock Exchange (TSX) and traded under the ticker symbol RES until December 31, 2015, when we voluntarily delisted from and ceased to trade on the TSX. Our common shares traded on the NYSE American until February 26, 2016. Since February 29, 2016, our common shares have been trading on the OTCQB Venture Marketplace under the ticker symbol REEMF. As of December 31, 2017, there were 79,591,880 common shares issued and outstanding.

SUBSIDIARIES

We have one direct wholly owned subsidiary, incorporated under the laws of British Columbia, Canada on July 12, 1996 under the name Rare Element Holdings Ltd. That subsidiary has one direct wholly owned subsidiary, Rare Element Resources, Inc., incorporated on August 21, 1997 in the state of Wyoming, USA, formerly known as Paso

Rico (USA), Inc.

DESCRIPTION OF BUSINESS

We are focused on advancing the Bear Lodge REE Project located near the town of Sundance in northeast Wyoming. The Bear Lodge REE Project consists of several large, disseminated REE deposits and a proposed hydrometallurgical plant to be located near Upton, Wyoming. The Bear Lodge REE Project is one of the highest-grade REE deposits identified in North America and one of the highest-grade europium deposits in the world. In addition, the Bear Lodge REE Project has a favorable distribution of the remaining critical rare earth elements, which the Company defines as neodymium, praseodymium, dysprosium, europium, terbium and yttrium.

In its development efforts for the Bear Lodge REE Project, the Company has done extensive laboratory bench-scale and pilot plant testing on appropriate metallurgical processes to recover saleable rare earth products and has filed six patents on its metallurgical processing innovations. Among them, the Company has pilot tested and filed for patent protection on a rare earth separation technique that modifies conventional solvent extraction (SX) methods used for rare earth separation to be more efficient and environmentally sound, involving minimal waste effluents discharged from the process.

During the first quarter of 2016, we placed the Bear Lodge REE Project under care-and-maintenance, and all permitting activities were suspended. The Company continued the 2016 implemented cost-conservation measures throughout 2017. With the completion of the transaction with Synchron on October 2, 2017 (discussed below), the Company is considering an updated work plan to (i) confirm and enhance our proprietary technology for rare earth processing and separation through pilot plant testing, (ii) progress engineering work to optimize our mine plan, and (iii) determine the timing for the resumption of permitting efforts. The Company will additionally continue with certain limited exploration-related reclamation activities in 2018 as required and appropriate.

Based on current permitting timetables and other factors, the Company anticipates that it could receive all permits and licenses for the Bear Lodge REE Project approximately 18 to 30 months after resuming permitting efforts. Once the decision to resume development activities is made, our plan is to advance engineering in preparation for the FS, including an evaluation of a potential modular approach to development beginning with a smaller initial production facility which would then be scaled up. Our ability to begin construction activities on the Bear Lodge REE Project will be subject to various factors including: (i) the availability of adequate capital, (ii) a positive FS, (iii) securing off-take customers, (iv) obtaining necessary permits and licenses, and (v) Board approval. The Bear Lodge REE Project deposit is located near excellent mining infrastructure, including good road access and power lines within two kilometers of the property. The Bear Lodge REE Project site is 100 kilometers east of Gillette, Wyoming, a major infrastructure, support and logistics center for coal mines in the Powder River Basin that should provide for ready access to the required production supplies and materials as well as skilled labor. Additionally, the deposit is situated only 64 kilometers from the nearest railhead at Upton, Wyoming, where the proposed hydrometallurgical plant is planned to be sited, allowing access to major distribution channels via the adjacent railhead.

Additional information regarding the Bear Lodge REE Project and the Bear Lodge Property is included under the section heading *Item 2. Properties* in this Annual Report.

RECENT CORPORATE DEVELOPMENTS

Accomplishments in 2017

During 2017, the Company focused its efforts on maintaining its assets and conserving cash. The Company continued its costs reduction efforts implemented during 2016. The Company also continued to pursue strategic alternatives for both the Bear Lodge REE Project and the Sundance Gold Project.

On August 18, 2017, the Company and General Atomics Uranium Resources, LLC, executed a term sheet for the purchase of common shares of the Company, the grant of an option to purchase additional common shares, and the grant of rights to the Company's intellectual property (the *Term Sheet*). The *Term Sheet* provided that, subject to the conditions set forth in the *Term Sheet*, among other things, (i) General Atomics Uranium Resources, LLC or one or

more of its affiliates (General Atomics) would pay \$500 in cash (the Preliminary Payment) to the Company within three business days of the execution of the Term Sheet; (ii) the Company and General Atomics would enter into an investment agreement (the Investment Agreement), an Option Agreement (the Option Agreement) and an intellectual property rights Agreement (the IP Rights Agreement), all discussed below, for gross proceeds of \$4,752 in cash, less the Preliminary Payment, at the closing of the transaction.

On October 2, 2017, the Company and Synchron, a subsidiary of General Atomics Technologies Corporation (Synchron) completed the transaction in accordance with the following terms. Pursuant to an Investment Agreement the Company: (i) issued to Synchron 26,650,000 common shares of the Company (the Acquired Shares), which constituted approximately 33.5% of the issued and outstanding common shares of the Company; (ii) received gross proceeds of \$4,752 in cash less the Preliminary Payment; and (iii) granted Synchron an option (the Option) to purchase approximately an additional 15.49% of the Company s fully diluted common shares immediately after the exercise for an aggregate exercise price of an additional \$5,040. Synchron s ownership percentage, immediately after giving effect to such exercise, is limited to 49.9% of the Company s common shares issued and outstanding. The Option is exercisable for a period up to four years from Synchron's initial investment. Additionally, the parties executed an IP Rights Agreement, whereby Synchron and its affiliates received rights to use and improve the Company s intellectual property relating to our rare earth patents-pending and related technical information.

The Company made customary representations and warranties in the Investment Agreement. The representations and warranties of the parties survive the closing of the transactions contemplated by the Investment Agreement until the earliest to occur of (i) the fourth anniversary of such closing and (ii) the exercise date of the Option.

Pursuant to and subject to the terms and conditions of the Investment Agreement, Synchron is entitled to nominate two directors for appointment or election to the Company's Board of Directors, where the Board is comprised of six or seven directors following such appointment. If the Option is exercised in full and Synchron continues to own the Acquired Shares, then Synchron is entitled to nominate one additional director for appointment or election to the Company's Board of Directors. On November 17, 2017, two Synchron designees were appointed to the Company's Board of Directors.

Pursuant to and subject to the terms and conditions of the Investment Agreement, absent a waiver approved by the Company's Board of Directors with the concurrence of a majority of Synchron's director designees, the Company may not take the following major actions without the approval of the holders of a majority of the common shares then outstanding: (i) authorizing the issuance of additional shares of capital stock of the Company; (ii) incurring indebtedness in excess of \$1,000; (iii) entering into any transaction or series of related transactions involving the acquisition of any assets or equity interests or the disposition of the Company's assets, in each case involving consideration in excess of \$1,000; or (iv) authorizing any dividend or distribution. In addition, pursuant to and subject to the terms and conditions of the Investment Agreement, Synchron has (A) the right to purchase its pro rata share of any common shares that are issued by the Company in connection with any financing, (B) certain customary piggyback registration rights for the common shares of the Company held by Synchron and (C) certain information and indemnification rights.

Pursuant to the IP Rights Agreement, Synchron and its affiliates were granted certain rights to the Company's intellectual property relating to our patents-pending and related technical information. Pursuant to and subject to the terms and conditions of the IP Rights Agreement, Synchron and its affiliates were granted a perpetual non-exclusive license in the Company's rare earth intellectual property which, upon exercise of the Option, will become exclusive to Synchron subject to all rights in the intellectual property retained by the Company. The Company made certain representations and warranties as to the current status of its intellectual property at the time of the license grant. In addition, pursuant to and subject to the terms and conditions of the IP Rights Agreement, Synchron (i) will receive a royalty-free exclusive right to the Company's rare earth processing and separation intellectual property if the Option is exercised in full but (ii) will be required to pay a commercially reasonable royalty to the Company for its intellectual property if Synchron does not exercise the Option prior to its expiration.

Plans for 2018

During the first quarter of 2016, we placed the Bear Lodge REE Project under care-and-maintenance, and all permitting activities were suspended. The Company continued the 2016 implemented cost-conservation measures throughout 2017. With the completion of the transaction with Synchron on October 2, 2017 (discussed above), the Company is considering an updated work plan to (i) confirm and enhance our proprietary technology for rare earth processing and separation through pilot plant testing, (ii) progress engineering work to optimize our mine plan, and (iii) determine the timing for the resumption of permitting efforts. The Company will additionally continue with certain limited exploration-related reclamation activities in 2018 as required and appropriate.

TRENDS AND DESCRIPTION OF THE REE MARKET

Uses for REE Products

Due to variations in physical, chemical, molecular and application characteristics, different rare earth metals possess their own market drivers and challenges. REEs are used in computers, cellular telephones, television screens, wind turbines, fuel cells, automobiles, magnetic refrigeration technologies, energy-efficient lighting, petroleum-refining catalysts and numerous other modern specialty technologies including military applications. Lately the major driver for the rare earth metals market has been the increasing consumption in permanent Neodymium-Iron-Boron (NdFeB) rare earth magnets, in which rare earth metals such as neodymium, praseodymium, terbium, and dysprosium are used. Specifically, these REEs are used in hybrid-electric vehicles and all-electric vehicles as well as in wind turbines. Cerium, lanthanum, and other rare earth elements are widely used in applications such as metallurgy, catalysts, glass, ceramics, optical instruments, and polishing.

Trends Affecting REE Supply, Demand and Prices

Global REE supply continues to be dominated by production from China, which produced an estimated 90% of the world's REE output in 2016 and approximately 85% in 2017. Although illegal or unauthorized Chinese REE production remained one of the main themes for China, the crackdown on uncontrolled, illegal mining has had a significant impact during the last two years. China's total annual rare earth mining output is to be restricted to no more than 140,000 tonnes per annum of REO by 2020. No new mining rights are to be issued to companies other than the selected six state owned enterprises. China has taken seriously the prospect that domestic demand will soon outgrow domestic production and will limit exports. This has led China to look to invest/acquire rare earth resources outside of China. During 2017, the Mountain Pass operation in California was sold out of bankruptcy to a consortium led by the Chinese rare earth company Shenghe Resources, but the mine has yet to restart production. Rare earth production in the rest of the world, though only 10% of estimated production in 2016, grew to an estimated 15% in 2017 as Lynas Corporation expanded production.

The growth in demand for certain rare earth elements, including Nd and Pr, used in permanent magnets is expected to continue. Nd and Pr are also expected to remain in relatively short supply for the next several years. Increasing focus on clean energy is pushing the demand for electric vehicles, which in turn will drive the demand for rare earth magnets in electric motor and generator applications. Moreover, increasing applications of cerium and lanthanum in battery and catalytic converter applications, will drive the global demand of rare earth metals.

Growing demand for renewable energy has increased the demand for rare earth containing magnets, as they give improved performance compared with other magnets. A typical wind turbine requires approximately 200 kilograms of rare earths per one megawatt of capacity for motors and generators. Some analysts have forecast that onshore wind power will account for a quarter share of all new global power generating capacity additions over the coming 20 to 25 years.

The first three quarters of 2017 saw a marked increase in rare earth prices especially for Nd and Pr. Price increases are expected to be more gradual in 2018, reducing price shocks to consumers and maintaining good selling conditions for producers. Supply in China is expected to remain at a similar level, causing neodymium oxide to move further into supply deficit and become increasingly reliant upon inventories. The research and advisory firm, Adamas Intelligence, has estimated that the value of global annual rare earth oxides for the production of rare earth containing permanent magnets totaled \$1.44 billion in 2016. The firm sees demand for magnet-oriented rare earth oxides increasing to \$6.07 billion by 2025, representing a compound annual growth rate of 17.4 percent. During 2017 and early 2018, there have been signs of improving trends in published market prices for Nd and Pr.

Supply and demand factors for REE products that could positively impact future REE prices include the following, among other factors:

.
the use of Nd, Pr, Tb and Dy in high-strength magnets that are critical to hybrid and electric vehicles and the increased construction of wind power generation facilities, particularly large off-shore installations;

.
the use of La and Ce for NiMH batteries that are utilized in hybrid and electric vehicles;

.
the use of Eu, Tb, Y and Ce in the production of compact fluorescent and LED light bulbs;

.
the use of high-strength NdFeB magnets in the miniaturization of electronic products;

.
the use of La in FCCs by refineries processing lower quality crude oil that consumes greater quantities of the catalysts;

.
the increased use of REEs in the drive to improve energy efficiency and reduce greenhouse gases, (GHGs) by the United States, China and the European Union;

.
China consolidating its REE industry and closing small, inefficient and polluting REE producers;

.
the capping of production and the tightening of export volumes through licensing and increases in production taxes by China;

.
possible changes in trade policies, including changes in taxes or import duties for REE materials by the U.S. government;

.
the use of Ce in glass, ceramics, glass polishing, and advanced water filtration applications;

.
the continued research and commercialization of new applications for REE products; and

.
the rising costs in China due to stricter environmental controls and rising wages.

Supply and demand factors for REE products that could negatively impact future REE prices include the following, among other factors:

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the potential for oversupply of certain REEs due to new production outside of China and/or increased exports from China;

.
strong demand for selected REEs like magnet materials, driving overproduction of other co-product REEs and creating oversupply conditions for the less desired REEs;

.
the potential substitution of other materials for high-priced REEs;

.
economization by intermediate and end-users to reduce their usage of REEs in end-products;

the potential for increased recycling of high-priced REEs;

low oil, gas and coal prices that could reduce the demand for technologies using REEs;

static or lower global economic growth, reducing overall demand growth for REEs; and

potential by-product production of REEs that may increase supply irrespective of the normal economics of REE production.

The feasibility of the Bear Lodge REE Project and our ability to raise additional funds to develop the Bear Lodge REE Project may be impacted by global supply and demand and future prices of REEs.

SEASONALITY

Seasonality in the state of Wyoming is not a material factor to exploration activities and any future development and operating activities on the Bear Lodge Property. Snowfall in the winter may temporarily limit our access to the Bear Lodge Property and our ability to explore or operate from approximately November through June, but it is not a material issue at this time.

COMPETITION

The industry in which we operate is highly competitive. We compete with other mining and exploration companies in connection with, and the funding for, the exploration and development of mineral properties. There is competition for the limited number of opportunities, some involving companies having substantially greater financial resources, staff and facilities than we do. We also compete with other mining and exploration companies in our efforts to hire and retain experienced professionals. As a result, we may have difficulty attracting or retaining key personnel or securing outside technical resources.

In 2017, China accounted for an estimated 85% of global REE production and 60% of worldwide demand. While REE projects exist outside of China, current non-Chinese production is relatively limited. Further, even though one large mine outside of China is in production, it is likely that the Chinese will be able to dominate the market for REEs for the foreseeable future. This gives the Chinese producers a competitive advantage in controlling the supply and processing of REEs and an opportunity to reduce prices to discourage competition. Any increase in the amount of REEs exported from other nations increases competition and may result in price reductions, reduced margins and loss

of potential market share, any of which could materially adversely affect our business. As a result

of these factors, the Company may not be able to compete effectively against current and future competitors. See Item 1A. Risk Factors of this Annual Report.

PATENTS, TRADEMARKS AND LICENSES

We plan to rely on a combination of trade secret protection, nondisclosure agreements, trademarks and patents-pending to establish and protect our proprietary intellectual property rights. We utilize trade secret protection and nondisclosure agreements to protect our proprietary rare earth technology. As of December 31, 2017, we had filed six U.S. provisional patent applications relating to processing methods, including (1) selective recovery of REEs from mixed chloride leach solutions using oxalic acid, (2) thorium extraction process technology and (3) separation of cerium from bulk REEs in an SX process. Two of these provisional applications were converted to a single utility application and an application under the international Patent Cooperation Treaty (PCT). This PCT application was nationalized in several foreign jurisdictions in 2015. During 2015, we converted another one of these provisional applications into a single utility application and an application under the PCT, and combined another three of these provisional patent applications into a single PCT application that also designates the United States for patent protection. This PCT application was nationalized in the United States and in two foreign jurisdictions in the first half of 2017. If allowed, a U.S. patent granted from the utility patent application would have a term of 20 years measured from the filing date of the utility patent application. See Item 1A. Risk Factors of this Annual Report. Several of these technologies have potential value for application in other industries, and the Company is evaluating this potential

ENVIRONMENTAL REGULATION

Our exploration and planned development and mining activities are subject to extensive and burdensome environmental laws and regulations under various federal, state, county and local laws relating to the protection of the environment, which generally includes air and water quality, hazardous waste management, radionuclide handling and reclamation. Failure to comply with these requirements can result in civil and/or criminal liability for non-compliance, fines and penalties, clean-up costs and other environmental damages. Also, unanticipated developments or changes in the law could require us to make environmental expenditures significantly greater than those we currently expect. Environmental legislation has evolved in a manner that may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Current and future laws, regulations and permits will impose significant costs, liabilities or obligations or could limit or prevent our ability to continue operations or undertake new operations. Environmental hazards may exist on the properties in which we hold interests that are unknown to us at present and that have been caused by previous owners of the properties.

Our Bear Lodge Property in Wyoming is subject to federal and state environmental laws, regulations, and permits. The federal agency with primary regulatory jurisdiction is the U.S. Forest Service (the USFS), Bearlodge Ranger District, Sundance, Wyoming. The state agency with regulatory jurisdiction is the Wyoming Department of Environmental Quality. We operate under approvals and permits granted by these two agencies and have established a surety bond to ensure environmental reclamation of areas disturbed. As of December 31, 2017, the Company was able

to reduce its surety bond with the state of Wyoming from \$241 to \$132, a reduction of \$109. Prior to operating, we will require several other permits and licenses including those issued by the Nuclear Regulatory Commission (the NRC), U.S. Army Corps of Engineers and others.

In 2009, the U.S. Environmental Protection Agency (EPA) announced that it would develop financial assurance requirements under of the U.S. Comprehensive Environmental Response, Compensation & Liability Act of 1980 (CERCLA) Section 108(b) for the hard rock mining industry. On January 29, 2016, the U.S. District Court for the District of Columbia issued an order requiring that if the EPA intends to prepare such regulations, it must do so by December 1, 2016. The EPA issued its proposed rule on January 11, 2017. Under the proposed rule, owners and operators of facilities subject to the rule would be required to (i) notify the EPA that they are subject to the rule; (ii) calculate a level of financial responsibility for their facility using a formula provided in the rule; (iii) obtain a financial responsibility instrument, or qualify to self-assure, for the amount of financial responsibility; (iv) demonstrate that they have obtained such evidence of financial responsibility; and (v) update and maintain financial responsibility until the EPA releases the owner or operator from the CERCLA Section 108(b) regulations.

On February 21, 2018, the EPA issued a final action in which it announced its decision to not to issue final regulations because the EPA determined that final regulations are not appropriate. 83 Fed. Reg. 7556 (Feb. 21,

2018). This action may be challenged in court, and the results of any such challenge is uncertain. If such requirements are retained in a final rule, they could require significant additional financial assurance for our Projects, which could have a material adverse effect on our project development and business operations.

MINERALS EXPLORATION REGULATION

Mining operations and exploration and development activities are subject to various national, state, county and local laws and regulations in the United States that govern prospecting, exploration, development, mining, production, processing, exports, taxes, labor standards, occupational health, waste disposal, protection of the environment, mine safety, hazardous substances and other matters. The Company believes that it is in compliance in all material respects with applicable mining, health, safety and environmental statutes and the regulations. There are no current orders or notices of violations relating to the Company under applicable laws and regulations.

Compliance with these laws and regulations may impose substantial costs on the Company and could subject it to significant potential liabilities. Changes in these laws or regulations could require us to expend significant resources to comply with new laws or regulations, or changes to current requirements, and could have a material adverse effect on our business operations.

MINE SAFETY AND HEALTH REGULATIONS

Pursuant to Section 1503(a) of the Dodd Frank Wall Street Reform and Consumer Protection Act (the Dodd Frank Act), 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. During the year ended December 31, 2017, our Bear Lodge Property was not subject to regulation by the federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977.

EMPLOYEES

At December 31, 2017, we had one full-time employee and no part-time employees as a result of the Company's cost containment measures. Our employee is not covered by any collective bargaining agreements. When required, our one employee calls on the services of third parties under consulting or service agreements.

AVAILABLE INFORMATION

We make available, free of charge, on or through our Internet website, at www.rareelementresources.com, our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. Our Internet website and the information contained therein or connected thereto are not intended to be, and are not, incorporated into this Annual Report.

Our reports and other information can be inspected on the SEC's website at www.sec.gov and such information can also be inspected, and copies ordered, at the public reference facilities maintained by the SEC at the following location: 100 F Street NE, Washington, D.C. 20549. Information regarding the operation of the SEC's public reference facilities may be obtained by calling the SEC at 1-800-SEC-0330. The Company also files reports under Canadian regulatory requirements on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. You may access our reports filed on SEDAR by accessing the Company's profile on SEDAR's website at www.sedar.com.

ITEM 1A. RISK FACTORS

The following sets forth certain risks and uncertainties that could have a material adverse effect on our business, financial condition and/or results of operations and the trading price of our common shares, which may decline, and investors may lose all or part of their investment. Additional risks and uncertainties that we do not presently know or that we currently deem immaterial also may impair our business operations. We cannot assure you that we will successfully address these risks.

We have no revenues from operations and expect to incur losses for a significant period of time. Any future revenues and profits are uncertain.

We incurred net losses of \$853 and \$3,426 during the fiscal years ended December 31, 2017 and 2016, respectively. Our accumulated deficit at December 31, 2017 was \$127,427. In addition, we have limited financial resources. As of December 31, 2017, we had cash and cash equivalents of \$4,360 and working capital of \$4,349.

Notwithstanding the transaction with Synchron in October 2017, we do not have sufficient funds to fully complete feasibility studies, permitting, development and construction of the Bear Lodge REE Project. Therefore, the achievement of these activities will be dependent upon future financings, off-take agreements, joint ventures, strategic transactions, or sales of various assets. There is no assurance, however, that we will be successful in completing such a financing or transaction. Ultimately, in the event that we cannot obtain additional financial resources or complete a strategic transaction, we may have to liquidate our business interests, and investors may lose all or part of their investment.

Our largest shareholder beneficially owns a significant percentage of our common shares and an option to purchase additional shares, has significant influence on our major corporate decisions, including veto power over some matters, and could take actions that may not be viewed favorably by certain other shareholders, any of which could adversely affect the market price of our common shares.

On August 18, 2017, we executed a term sheet with General Atomics relating to a strategic investment in the Company. On October 2, 2017, we closed the transaction and entered into an Investment Agreement, Option Agreement and an IP Rights Agreement with Synchron, a subsidiary of General Atomics. As a result of the transaction, Synchron acquired approximately 33.5% of the issued and outstanding common shares of the Company, with an option to purchase such number of common shares that constitute an additional approximately 15.5% of the fully diluted common shares of the Company. The Investment Agreement grants specific rights to Synchron, including approval rights for certain corporate actions and the right to nominate for appointment two or three directors to the Company's Board, depending on whether the Option is exercised, all as described in Note 6 to the consolidated financial statements for the year ended December 31, 2017 in this Annual Report.

As a result of the foregoing, Synchron has significant influence on our major corporate decisions and matters requiring shareholder approval. These rights, along with the concentration of ownership and voting power with Synchron, (i) may make it more difficult for any other holder or group of holders of our common shares to be able to significantly influence the way we are managed or the direction of our business and (ii) may make it more difficult for another company to acquire us and for shareholders to receive any related takeover premium unless Synchron approves the acquisition. The interests of Synchron with respect to matters potentially or actually involving or affecting us, such as future acquisitions, financings, and other corporate opportunities, and attempts to acquire us, may conflict with the interests of our other shareholders. The ability of Synchron to influence certain of our major corporate decisions may affect the market price of our common shares by delaying, deferring, or preventing transactions that are or are perceived to be in the best interest of other shareholders or by discouraging third-party investors.

Similarly, the Option may harm the market price of our common shares because it grants Synchron the right to purchase approximately 15.5% of our fully diluted common shares at the time it is exercised for a fixed price, regardless of the then-market price of our common shares or the number of fully diluted common shares then outstanding.

By granting a license in our intellectual property rights, we may be limited in our ability to protect our intellectual property rights, which could adversely impact our competitive position or results of operations.

On October 2, 2017, we entered into an IP Rights Agreement with Synchron pursuant to which Synchron, and its affiliates, were granted certain perpetual rights to the Company's intellectual property relating to our rare earths patents-pending and related technical information. As a result of the transactions contemplated by the IP Rights Agreement, we may be forced to enforce or defend our intellectual property rights against infringement and unauthorized use, and to protect our trade secrets. Further, by granting a license to use our intellectual property, we may be limited in our ability to protect our intellectual property rights by legal recourse or otherwise. In defending our intellectual property rights, we may place our intellectual property at risk of being invalidated, held unenforceable, narrowed in scope or otherwise limited, any of which could have a material adverse effect on our

business and financial condition. Our inability to preserve or maintain an interest in certain intellectual property rights could adversely impact our competitive position or results of operations.

We have suspended our federal and state permitting progression, and there is a risk to the resumption of those efforts in a timely and cost-effective manner.

During the first quarter of 2016, we placed the Bear Lodge REE Project under care-and-maintenance, and all permitting activities were suspended, including the environmental impact statement (EIS) process, state permitting, and the NRC licensing process. The Company continued the 2016 implemented cost-conservation measures throughout 2017. Given the completion of the Transaction with Synchron on October 2, 2017 (discussed in Recent Corporate Developments - Accomplishments in 2017 above), the Company is considering an updated work plan to (i) confirm and enhance our proprietary technology for rare earth processing and separation through pilot plant testing, (ii) progress engineering work to optimize our mine plan, and (iii) determine the timing for the resumption of permitting efforts. However, our ability to obtain further financing or attract a strategic partner to fund the completion of the permitting once resumed is uncertain. If we are unable to timely progress our permitting while the information is still deemed adequate by the agencies, we may have to restart the permitting process, or take extra steps to reinstate the process, which would impact the cost and timing of permitting.

Our ability and timing to exercise our right to purchase certain non-mineral lands for stockpile storage and processing operations is uncertain.

Our current plan of operations for the Bear Lodge REE Project includes a waste rock storage site located on private property adjacent to the planned mine. This private property consists of 640 acres and was sold to a third party on October 26, 2016. Although we hold a repurchase option on the property until the fifth anniversary of the land sale, our ability and the timing of our exercise of the repurchase option is uncertain. If we were unable to repurchase the property, we would have to update our planned operations to identify an alternative stockpile storage area. Additionally, we hold a land purchase option on private property located in Upton, Wyoming, which is the location for the planned processing operations. If we are unable to maintain the purchase option, we would have to locate and secure another site as a suitable rare earth processing location.

We may elect to deregister our common shares under the Exchange Act. Deregistration will result in less disclosure about us and may negatively affect the liquidity and trading prices of our common shares.

Due to the relatively high cost of being a public company in the United States, our Board of Directors may elect to voluntarily deregister our common shares under the Exchange Act and suspend our reporting obligations in the United States, possibly in combination with an effort to list our common shares on the TSX Venture Exchange or another securities exchange. No definitive Board approval of deregistration has taken place, but after the filing of this Annual Report, the Board may authorize the Company to file with the SEC a Form 15 to voluntarily deregister our common shares under Section 12(g) of the Exchange Act and suspend our reporting obligations under Section 15(d) of the Exchange Act. If the Board approves such deregistration, we would file a Form 15 and our obligations to file periodic

reports, such as annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, would be suspended immediately upon the filing of the Form 15 with the SEC, and our proxy statement, Section 16 and other Section 12(g) reporting responsibilities would terminate effective 90 days after the filing of the Form 15. We believe that we are eligible to deregister under the Exchange Act. If we were to file a Form 15, we expect that our common shares, which currently trade on the OTCQB Venture Marketplace, would not continue to be quoted on the OTCQB Venture Marketplace. Following any deregistration, we would not expect to publish periodic financial information or furnish such information to our shareholders except as may be required by applicable laws or stock exchange rules. As a result of the foregoing factors, deregistration may result in less disclosure about us and may negatively affect the liquidity and trading prices of our common shares. If the Company elects to deregister under the Exchange Act, it is our current intention to list our securities on the TSX Venture Exchange or another securities exchange, subject to acceptance by the exchange.

We have no history of producing mineral products from our properties.

We have no history of mining, recovering or refining any mineral products, and our Bear Lodge REE Project is not currently producing. There can be no assurance that the Bear Lodge REE Project will be successfully developed or placed into production, produce minerals in commercial quantities or otherwise generate operating earnings. Advancing properties from the exploration stage into development and commercial production requires

significant capital and time and will be subject to further feasibility studies, permitting requirements and construction of the mine, processing plants, roads and related works and infrastructure. We will continue to incur losses until our mining activities successfully reach commercial production levels and generate sufficient revenue to fund continuing operations. There is no certainty that we will produce revenue from any source, operate profitably, or provide a return on investment in the future. If we are unable to generate revenues or profits, our shareholders might not be able to realize returns on their investment in our common shares.

The planned development of our Bear Lodge REE Project involves numerous uncertainties that could affect the feasibility or profitability of such project.

Mine development projects typically require a number of years and significant expenditures during the exploration and development phases before production is possible. The economic feasibility of exploration and development projects is based on many factors, such as the following:

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completion of feasibility studies to further verify Mineral Resources and establish Mineral Reserves and commercial viability;

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the timing and cost, which can be considerable, of further exploration, permitting and construction of infrastructure, mining, beneficiation and processing facilities;

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our ability to utilize our proprietary process technologies, which could encounter problems or costs in scale-up;

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securing commercially viable sales outlet for our REE products;

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the potential need to enter into joint venture or other partnership arrangements to develop the Projects;

the availability and costs of equipment and skilled labor, as required;

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the availability and cost of appropriate processing and/or refining arrangements, if required;

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compliance with environmental and other governmental approval and permit requirements;

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the availability of funds to finance exploration, development and construction activities, as warranted;

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future prices for rare earth minerals and gold;

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potential opposition from non-governmental organizations, environmental, indigenous or local groups or inhabitants that may delay or prevent development activities;

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potential increases in exploration, construction and operating costs due to changes in the cost of fuel, power, materials or supplies;

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potential shortages of mineral beneficiation, processing, construction or other facilities-related equipment or supplies; and

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the ability to attract and retain talent for development and operation of the Bear Lodge REE Project and the Sundance Gold Project.

It is common in exploration programs and in development, construction and mine start-ups to experience unexpected problems and delays. Accordingly, our activities may not result in profitable mining operations, and we may not succeed in establishing mining operations or profitably producing minerals from our Projects at all or in the anticipated timeframe.

Joint ventures and other partnerships may expose us to risks.

We will require additional capital through investment, joint ventures and/or other partnership arrangements with current investors or other parties for the development of our Projects. Although such arrangements may lessen our financial burden in exploring and developing the Projects, they will likely also dilute our interest therein or affect our ability to control development of the Projects. Our ability to attract additional capital may be impeded by our investor Synchron, as they hold certain minority voting rights and their approval may be required. Further, any failure of a joint venturer or other partner to meet its obligations to us or to third parties, or any disputes with respect to the parties respective rights and obligations, could have a material adverse effect on the joint venture or other partnership arrangement and, in turn, on our business performance and on our ability to develop the Projects.

Subject to further financing, we expect to commence a FS on our Bear Lodge REE Project, and the results of this FS are uncertain.

In October 2014, we completed a PFS for our Bear Lodge REE Project that updated our Mineral Resource estimate and refined our process technology. Subject to further financing, we anticipate that we may resume work on the FS in 2018. The results of this study are uncertain and may indicate project economics that are more or less favorable than those previously reported. As our project optimization efforts continue, we cannot ensure that the FS will be based upon all of the same inputs used in the PFS. As a result, we may need to update our beneficiation, processing technology and/or project development plans to enhance economics or further study aspects of the Bear Lodge REE Project. This could result in significant additional delays and expenses or could make financing efforts with respect to such efforts more difficult or not possible.

Our viability as a rare earth company depends on the financing, permitting, development and operation of our Bear Lodge REE Project, which is our only rare earth project.

Our only rare earth exploration project at this time is our Bear Lodge REE Project. Our continued viability is based on successfully implementing our strategy, including completion of a FS, permitting and construction of a mine and beneficiation and processing facilities in an expected timeframe. If we are unable to secure additional capital or enter into a strategic transaction and implement our strategy, or in the event of the imposition of significant additional regulatory burdens or delays or a significant deterioration of the market for rare earth products, our ability to develop a sustainable or profitable business would be materially adversely affected.

Increased costs could affect our ability to bring the Bear Lodge REE Project into production and, once in production, to be profitable.

We have estimated the initial capital costs required to bring the Bear Lodge REE Project into commercial production in our PFS, dated October 9, 2014, at approximately \$290,000. Our FS, once completed, may suggest that our actual costs may be higher than those that we presently anticipate, which could make it more difficult to finance the Project or to successfully establish mining operations.

We anticipate that our future operating costs at the Bear Lodge REE Project will vary from year to year due to a number of factors, such as changing ore grade, metallurgy and revisions to mine plans in response to the physical shape and location of the ore body. In addition, costs are affected by the price of commodities such as oil, gas, reagents/chemicals, steel, rubber and electricity. Such commodities are at times subject to volatile price movements, including increases that could make production less profitable or not profitable at all. A material increase in costs could also impact our ability to commence or maintain future development or mining operations.

Market factors outside of our control could have significant adverse impacts on our business, operations and/or prospects.

Operating in the volatile and cyclical natural resource industry subjects us to numerous market factors outside of our control that could have significant and sometimes adverse impacts on our business. Such factors could include significant price declines for key rare earth materials, inflationary impacts on capital and operating costs, public opposition, poor financial and operating performance of other companies in the same industry sector, environmental incidents from resource projects, major technological advances that reduce demand for key rare earth products, and unforeseen regulation or geopolitical factors that broadly impact the industry. To the extent that such factors affect attitudes toward investments in the natural resource sector generally or the rare earths industry

specifically, they could affect our ability to raise the additional capital needed to continue to advance our Projects and business plan.

We may be adversely affected by fluctuations in demand for, and prices of, rare earth products.

Because our primary focus currently is the advancement and development of the Bear Lodge REE Project, changes in demand for, and the market price of, REE products could significantly affect our ability to develop or finance the Bear Lodge REE Project and eventually attain commercial production or profitability. REE product prices may fluctuate and are affected by numerous factors beyond our control such as interest rates, exchange rates, inflation or deflation, fluctuation in the relative value of the U.S. dollar against foreign currencies on the world market, global and regional supply and demand for REE products, and the political and economic conditions of countries that produce and use REEs.

As a result of the global economic crisis, REE prices declined by approximately 50% between 2008 and the end of the third quarter of 2009. REE prices then increased significantly during 2010 and most of 2011 only to again decline from 2012 through 2016. During the first three quarter of 2017 REE prices increased significantly from the 2016 lows. This was led by a doubling of Nd and Pr prices. During the fourth quarter of 2017 prices retreated but remained well above 2016 prices. Protracted periods of low prices for REE products could significantly reduce our ability to develop the Bear Lodge REE Project and, if we attain commercial production, to maintain profitable operations.

Demand for REE products is impacted by demand for downstream products incorporating rare earths, including hybrid and electric vehicles, wind power equipment and other clean technology products, as well as demand in the general automotive and electronics industries. Lack of growth in these markets could adversely affect the demand for REE products, which would have a material adverse effect on our Bear Lodge REE Project and our business. In contrast, periods of high REE prices are generally beneficial to us; however, strong REE prices, as well as real or perceived disruptions in the supply of REE, also create economic pressure to identify or create non-REE alternate technologies that ultimately could reduce future long-term demand for REE products, and at the same time may incentivize development of otherwise marginal mining properties. For example, automobile manufacturers have previously announced plans to develop motors for electric and hybrid cars that do not require REE products due to concerns about the available supply of rare earths. If the automobile industry or other industries reduce their reliance on rare earth products, the resulting change in demand could have a material adverse effect on our business. In particular, if prices or demand for rare earths were to decline, our share price would likely decline, and this could also impair our ability to obtain capital needed for our Bear Lodge REE Project and our ability to find purchasers for our products at prices acceptable to us or at all.

An increase in the global supply of rare earth products, dumping and/or predatory pricing by our competitors may materially adversely affect our ability to raise capital, develop our Bear Lodge REE Project or operate profitably.

The pricing and demand for REE products is affected by a number of factors beyond our control, including growth of economic development and the global supply and demand for REE products. REE supply markets continue to be dominated by production from China, which produced an estimated 85% of the global REE production in 2017.

China also dominates the manufacture of metals, NdFeB magnets and other products from rare earths. The threat of increased competition may lead our competitors to engage in predatory pricing behavior or manipulation of the available supply of REEs. Advanced technology in recycling REEs may also impact supply and prices. Any increase in the amount of rare earth products exported from other nations and increased competition may result in price reductions, reduced margins or loss of potential market share, any of which could materially adversely affect our business. As a result of these factors, we may not be able to compete effectively against our future competitors.

The success of our business may depend, in part, on the establishment of new uses and markets for rare earth products.

The success of our business may depend, in part, on the establishment of new markets by us or third parties for certain rare earth products. Although we plan to produce rare earth products for use in end-products such as NdFeB magnets, which are used in critical existing and emerging technologies such as hybrid and electric vehicles and wind power turbines, oil refining catalysts and compact fluorescent lighting, the success of our business may

depend on the creation of new markets and the successful commercialization of REE products in existing and emerging markets. Any unexpected costs or delays in the commercialization of any of the foregoing products or applications could have a material adverse effect on our ability to develop our Bear Lodge REE Project or operate our business profitably.

We rely on our proprietary technology and processes to further our Bear Lodge REE Project.

We utilize trade secret protection, patent-pending filings, and nondisclosure agreements to protect our proprietary rare earth technology and other intellectual property rights. As of December 31, 2017, we had filed six U.S. provisional patent applications relating to rare earth processing and separation methods. Two of these provisional applications were converted to a single utility application and an application under the international PCT. This PCT application was nationalized in several foreign jurisdictions in 2015. Also during 2015, we converted another one of these provisional applications into a single utility application and an application under the PCT, and combined another three of these provisional patent applications into a single PCT application that also designates the United States as the jurisdiction for patent protection. This PCT application was nationalized in the United States and in two foreign jurisdictions in the first half of 2017. If allowed, a U.S. patent granted from the utility patent application would have a term of 20 years measured from the filing date of the utility patent application. These intellectual property rights may be challenged or infringed upon by third parties or we may be unable to maintain, renew or enter into new license agreements with third-party owners of intellectual property on reasonable terms. In addition, our intellectual property could be subject to infringement or other unauthorized use outside of the United States. In such case, our ability to protect our intellectual property rights by legal recourse or otherwise may be limited, particularly in countries where laws or enforcement practices are undeveloped or do not recognize or protect intellectual property rights to the same extent as does the United States. Unauthorized use of our intellectual property rights or our inability to preserve existing intellectual property rights could adversely impact our competitive position or results of operations. The loss of our patents could reduce the value of the related products. Further, the licensing of our intellectual property relating to rare earths to Synchron in October 2017 may impact our ability to fully utilize or progress our patents pending in a manner deemed most beneficial to the Company.

The success of our business depends, in part, on our ability to utilize our proprietary process technologies, and we could encounter unforeseen problems or costs, or both, in scaling up our technologies to commercial applications.

Our Mineral Resource estimates may be inaccurate and any material change in these estimates could affect the economic viability of placing our Bear Lodge REE Project into production.

Unless otherwise indicated, our Mineral Resources are based upon estimates made by independent geologists. When making determinations about whether to advance the Bear Lodge REE Project or the Sundance Gold Project to development, we must rely upon such estimated calculations as to the quantity and grades of mineralization on the property as well as estimates about mining and processing costs and future prices. Until mineralized material is actually mined and processed, Mineral Resources and grades of such mineralization must be considered estimates only, which may prove to be unreliable.

Because we have not completed a FS on the Bear Lodge REE Project and have not commenced actual production, mineralization estimates, including Mineral Resource estimates, for the Bear Lodge REE Project may require adjustments, including potential downward revisions. In addition, the grade of material ultimately mined, if any, may differ from that indicated in our Mineral Resource estimates or in future feasibility studies. The Sundance Gold Project is in the exploration stage and it is too early to estimate resources or the gold production potential of the property.

Our Mineral Resource estimates for the Bear Lodge REE Project have been determined based on assumed cut-off grades that depend upon projected REE prices, recovery rates and project operating costs. Any significant change in cut-off grades could reduce our estimates of mineralization, or the amount of mineralization to be extracted, and could have a material adverse effect on our share price and the value of the Bear Lodge REE Project.

We are subject to significant governmental regulations, including permitting, licensing and approval processes that affect our operations and could impact the cost and timing of conducting our business.

Our current and future activities will be governed by laws and regulations, including the following among others:

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laws and regulations governing mineral concession acquisition, prospecting, development, mining, processing, and production;

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laws and regulations related to exports, taxes and fees;

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labor standards and regulations related to occupational health and mine safety;

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laws and regulations relating to environmental protection concerning waste management, transportation, and disposal of toxic and radioactive substances, land use and the protection of threatened and endangered species; and

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other matters.

We believe that we hold, or are in the process of obtaining, all licenses and permits necessary to carry on the activities we currently are conducting or propose to conduct in the near term under applicable laws and regulations. Such licenses and permits are subject to changes in regulations and changes in various operating circumstances. There can be no guarantee that we will be able to obtain all necessary licenses and permits that may be required to maintain the current or planned exploration, development and mining activities, including constructing mines and/or beneficiation and processing facilities, and commencing operations at the Bear Lodge REE Project. In addition, if we proceed to production on the Bear Lodge REE Project, we must obtain and comply with permits and licenses that may contain specific operating or other conditions. There can be no assurance that we will be able to obtain such permits and licenses or that we will be able to comply with any such conditions. Our Sundance Gold Project, previously in the active exploration stage, but on hold since 2014, does not currently have any of the permits or licenses that would be necessary to carry on further activities on the project. Costs related to applying for and obtaining permits and licenses may be prohibitive and could delay planned exploration and development activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued

by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Parties engaged in mining operations may be required to compensate those suffering loss or damage relating to mining activities and may be subject to civil or criminal liability, fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on our operations, cause increases in capital expenditures or production costs, or require abandonment or delays in the exploration of the Sundance Gold Project or the development of the Bear Lodge REE Project.

Our activities are subject to environmental risks and compliance with environmental regulations that are increasing and costly.

Our business and activities are subject to environmental regulation in the jurisdictions in which we operate. Environmental legislation at the local, state and federal level is evolving in a manner that may impose stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. These laws address emissions into the air, discharges into water, management of waste and hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Compliance with environmental laws and regulations at the local, state and federal level and future changes in these laws and regulations may require significant capital outlays and may cause material changes or delays in our current and planned operations and future activities. It is possible that future changes in these laws or regulations could have a significant adverse impact on our Projects or some portion of our business, causing us to reevaluate those activities at that time.

Examples of some of the current U.S. federal laws that may affect our business and planned operations include, but are not limited to, the following:

The National Environmental Policy Act of 1969 (NEPA) requires federal agencies to integrate environmental considerations into their decision-making processes by evaluating the environmental impacts of proposed actions, including issuance of permits to mining facilities, and assessing alternatives to those actions. Under NEPA, a federal agency must prepare an environmental impact statement detailing the environmental impacts of major federal actions significantly affecting the quality of the human environment. The EPA will, and other federal agencies and any interested third parties can, review and comment on the scope of the EIS and the adequacy of and findings set forth in the draft and final EIS. As required, we began in 2012 to undertake the NEPA process for the Bear Lodge REE Project. However, we have since placed the Bear Lodge REE Project under care-and-maintenance, and all permitting activities have been suspended, including the EIS process. The NEPA process can cause delays in issuance of required permits or result in changes to a project to mitigate potential environmental impacts, which in turn can impact the economic feasibility of a proposed project, including the ability to construct or operate the Bear Lodge REE Project or other projects entirely.

The NRC, pursuant to its authority under the Atomic Energy Act, oversees the regulatory framework governing the control of radioactive materials, including beneficiation and processing of rare earth elements that contain radioactive source materials such as uranium and thorium. The NRC is responsible for issuing licenses for source material involving concentrations of uranium or thorium that exceed 0.05% by weight. If a proposed action, including waste generation, results in materials with concentrations of uranium and thorium that equal or exceed 0.05% by weight, a license to receive title to, possess, use, transfer, or deliver source and byproduct materials may be required. We are required to follow the regulations pertaining to a license application for the Bear Lodge REE Project. The licensing process, including NEPA review relating to the NRC licensing, may cause delays or result in changes to the Project design to mitigate impacts as required under the license.

Under CERCLA and similar state laws, responsibility for the entire cost of cleanup of a contaminated site, as well as natural resource damages, can be imposed upon current or former site owners or operators, or upon any party who released one or more designated hazardous substances at the site, regardless of the lawfulness of the original activities that led to the contamination. CERCLA also authorizes the EPA and, in some cases, third parties to take actions in response to threats to public health or the environment and to seek to recover from the potentially responsible parties the costs of such action. We may also be an owner or operator of facilities at which hazardous substances have been released by previous owners or operators. We may be responsible under CERCLA for all or part of the costs of cleaning up facilities at which such substances have been released and for natural resource damages. We have not, to our knowledge, been identified as a potentially responsible party under CERCLA, nor are we aware of any prior owners or operators of our properties that have been so identified with respect to their ownership or operation of those properties.

The Resource Conservation and Recovery Act, as amended (RCRA), and comparable state statutes, govern the disposal of solid and hazardous waste and authorize the imposition of substantial fines and penalties for noncompliance, as well as requirements for corrective actions. Although certain mining, beneficiation, and mineral processing wastes currently are exempt from regulation as hazardous wastes under RCRA, the EPA has limited the disposal options for certain wastes designated as hazardous wastes under RCRA. It is possible that certain wastes generated by our potential future operations that currently are exempt from regulation as hazardous wastes may in the future be designated as hazardous wastes, and may therefore become subject to more rigorous and costly management, disposal and clean-up requirements.

The Clean Air Act, as amended (CAA), and comparable state statutes, restricts the emission of air pollutants from many stationary and mobile sources, including mining, beneficiation, and processing activities. Our planned mining operations may produce air emissions, including fugitive dust and other air pollutants, from stationary equipment, storage facilities, and the use of mobile sources such as trucks and heavy construction equipment that are subject to review, monitoring, control requirements and emission limits under the CAA and state air quality laws. New facilities may be required to obtain

permits before work can begin, and existing facilities may be required to incur capital costs to remain in compliance. In addition, permitting rules and issued permits may impose limitations on production levels or result in additional capital expenditures to comply with such rules or permits. In certain circumstances, private citizens may also sue sources of pollutants for alleged violations of the CAA.

The Clean Water Act (CWA) and comparable state statutes impose restrictions and controls on the discharge of pollutants into waters of the United States. These controls generally have become more stringent over time, and it is possible that additional restrictions will be imposed in the future. Violation of the CWA and similar state regulatory programs can result in civil, criminal and administrative penalties for unauthorized discharges of hazardous substances and other pollutants. They also can impose substantial liability for the costs of removal or remediation associated with such discharges. The CWA also regulates stormwater handling at mining facilities, requires a stormwater discharge permit for certain activities, and requires the implementation of a Stormwater Pollution Prevention Plan establishing best management practices, training, periodic monitoring of covered activities, and monitoring and sampling of stormwater run-off. The CWA and regulations implemented thereunder also prohibit discharges of dredged and fill material in wetlands and other waters of the United States unless authorized by a permit issued by the U.S. Army Corps of Engineers.

The Safe Drinking Water Act (SDWA) and the Underground Injection Control (UIC) program promulgated thereunder regulate the drilling and operation of subsurface injection wells. The EPA directly administers the UIC program in some states, and in others the responsibility for the program has been delegated to the state. Violation of these regulations and/or contamination of groundwater by mining related activities may result in fines, penalties, and/or remediation costs, among other sanctions and liabilities under the SDWA and state laws.

The Endangered Species Act (ESA) regulates activities that could have an adverse effect on threatened and endangered species, including the habitat and ecosystems upon which they depend. The ESA protects threatened and endangered species primarily by prohibiting the unauthorized taking of listed species. The ESA also requires consultation with other agencies in certain circumstances. Compliance with ESA requirements can significantly delay, limit, or even prevent the development of projects, including the development of mining claims, and can also result in increased development costs. In addition, civil and criminal penalties for violations of the ESA are provided, and citizen suits against any person alleged to be in violation of the ESA are authorized.

The recently passed comprehensive tax reform bill could adversely affect our business and financial condition.

On December 22, 2017, President Trump signed into law the budget reconciliation act commonly referred to as the Tax Cuts and Jobs Act, or the TCJA, that significantly changes the federal income taxation of business entities. The TCJA, among other things, reduces the corporate income tax rate to 21%, partially limits the deductibility of business interest expense and net operating losses, imposes a one-time tax on unrepatriated earnings from certain foreign

subsidiaries, taxes offshore earnings at reduced rates regardless of whether they are repatriated and allows the immediate deduction of certain new investments instead of deductions for depreciation expense over time. We are still evaluating the impact of the TCJA to us. Notwithstanding the reduction in the corporate income tax rate, we cannot yet conclude that the overall impact of the TCJA to us is positive.

Regulations and pending legislation governing issues involving climate change could result in increased operating costs that could have a material adverse effect on our business.

A number of governments or governmental bodies have adopted or are contemplating regulatory changes in response to the potential impact of climate change. For example, the EPA has issued a notice of finding and determination that emissions of carbon dioxide, methane, and other GHGs present an endangerment to human health and the environment, which has allowed the EPA to begin regulating emissions of GHGs under existing provisions of the Clean Air Act. Legislation and increased regulation regarding climate change could impose significant costs on us and/or our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting and/or other costs to comply with such regulations. Any adopted future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such regulations. We cannot predict how legislation and regulation will affect our financial condition, operating performance or ability to compete.

Even without such regulation, increased awareness or any adverse publicity in the global marketplace about the rare earth industry's potential impacts on climate change could harm our reputation.

The potential physical impacts of climate change on our operations are highly uncertain and would be particular to the geographic circumstances in areas in which we operate. These may include changes in precipitation, storm patterns and intensities, water shortages and changing temperatures. These factors may have an adverse impact on the cost, production or financial performance of our operations.

We depend on key personnel, and the absence of any of these individuals could adversely affect our business.

Our success is currently largely dependent on the performance, retention and abilities of our directors, President and Chief Executive Officer ("CEO") and consultants. The loss of the services of these persons could have a material adverse effect on our business and prospects. There is no assurance that we can maintain the services of our directors, CEO, or other qualified personnel and consultants required to operate our business. Failure to do so could have a material adverse effect on us and our prospects. We do not maintain life insurance policies on our employee, directors or consultants.

A shortage of equipment and supplies could adversely affect our ability to operate our business.

We depend on various supplies and equipment to carry out our exploration and, if warranted, future development and mining operations. A shortage of such supplies, equipment or parts could have a material adverse effect on our ability to carry out our planned activities or increase our operating costs and expenses.

Mineral exploration and development and mining are potentially hazardous and subject to conditions or events beyond our control, which could have a material adverse effect on our business or plans.

Mineral exploration, development and mining involve various types of risks and hazards, including, but not limited to the following:

environmental hazards;

power outages;

metallurgical and other processing problems;

unusual or unexpected geological formations or conditions;

personal injury, flooding, fire, explosions, cave-ins, earthquakes, landslides and rock-bursts;

mineral exploration or mining accidents;

concentrate losses;

fluctuations in exploration, development and production costs;

labor disputes;

supply interruptions;

unanticipated variations in grade;

mechanical equipment failure;

periodic interruptions due to inclement or hazardous weather conditions; and

regulatory delays, curtailments or shutdowns.

These risks could result in damage to, or destruction of, mineral properties, production equipment, facilities or other properties, personal injury, environmental damage, delays in mining, increased production costs, monetary losses or

possible legal liability. We may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. Insurance against certain environmental risks, including potential liability for pollution or other hazards resulting from the disposal of waste products from production, may be prohibitively expensive or not available. Any losses we incur related to any significant events that are not covered by insurance policies may have a material adverse effect on our business.

Mineral exploration and development is highly speculative, and certain inherent risks could have a negative effect on our business.

Our long-term success depends on our ability to develop mineral deposits on existing properties that can be developed into commercially viable mining operations. Resource exploration is a highly speculative business, characterized by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. Substantial expenditures are required to establish Proven and Probable Mineral Reserves through drilling and analysis, to develop metallurgical processes to extract metal, and to develop the mining, beneficiation and processing facilities and infrastructure at any site chosen for mining. The marketability of minerals discovered by us may be affected by numerous factors that are beyond our control and cannot be accurately predicted, such as market pricing fluctuations, the proximity and capacity of milling facilities, mineral markets demand, available supply and processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Any one or a combination of these factors may result in a failure to receive an adequate return on our investment capital. The decision to abandon a project may have a material adverse effect on the market value of our common shares or our ability to complete future financings.

Title to our Bear Lodge Property may be subject to other claims, or we may lose our interest in our claims, which could affect our property rights and claims.

There are risks that title to our Bear Lodge Property may be challenged or impugned. Our Bear Lodge Property is located in the state of Wyoming and may be subject to prior unrecorded agreements, transfers or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of our Bear Lodge Property which, if successful, could impair or result in the cessation of development and/or operations.

The vast majority of the mineral rights to our Bear Lodge Property consist of unpatented mining claims created and maintained in accordance with the U.S. General Mining Law. Unpatented mining claims are unique property interests and are generally considered to be subject to greater title risk than are other real property interests because the validity of unpatented mining claims can be uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations an owner of an unpatented mining claim must comply with to locate and maintain a valid claim. Also, unpatented mining claims are always subject to possible challenges by third parties or validity contests by the federal government. The validity of an unpatented mining claim, in terms of both its location and its maintenance, is dependent on strict compliance with not only a complex body of U.S. federal and state statutory law, but also administrative and judicial decisions interpreting those statutes and case law. In addition, there may be limitations as

to the completeness of public records that determine prior claimants that could impact the validity or ownership of unpatented mining claims. The Company's right to continue activities on the Bear Lodge Property is dependent upon our ability to pay annual claim maintenance fees.

Our operations are subject to significant uninsured risks that could negatively impact future profitability as we maintain limited insurance against our operations.

The exploration of our Bear Lodge Property entails certain risks including unexpected or unusual operating conditions, such as rock slides, cave-ins, flooding, fire and earthquakes. It is not always possible to insure against these risks. Should events such as these arise, they could reduce or eliminate our assets and shareholder equity as well as result in increased costs and/or a decline in the value of our assets or common shares. We expect to maintain general liability, director and officer insurance, and some insurance against our assets but not with the expectation of full replacement value. We may decide to update or amend our insurance portfolio in the future if coverage is available at economically viable rates.

Increased competition could adversely affect our ability to attract necessary capital funding.

The mining industry is intensely competitive and we must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than we have. This competition from other mining companies could adversely impact our efforts to hire experienced mining professionals. Competition for resources at all levels can be very intense, particularly affecting the availability of manpower, drill rigs, mining equipment and production equipment. Increased competition could adversely affect our ability to attract necessary capital funding or attract or retain key personnel or outside technical resources.

Land reclamation requirements for our properties may be burdensome or too expensive.

Although land reclamation requirements vary depending on the location and governing authority, such requirements generally are imposed on mineral exploration companies as well as companies with mining operations to minimize long-term effects of land disturbance.

Reclamation requirements may include the following, among other things:

control dispersion of potentially deleterious effluents;

reduce mine pit slope angles;

treat ground and surface water to drinking water standards; and

reasonably re-establish pre-disturbance vegetation and land forms.

To carry out reclamation obligations imposed on us in connection with the potential future development activities at the Bear Lodge Property, we must allocate financial resources that might otherwise be spent on further exploration and future development programs. We have set up a provision for reclamation obligations as currently anticipated for exploration completed on the Bear Lodge Property, as appropriate, but this provision may not be adequate. If we are required to carry out unanticipated reclamation work, our financial position could be adversely affected.

Legislation and regulations have been proposed that would significantly affect the mining industry and our business.

The U.S. Congress from time to time has considered proposed revisions to the General Mining Law of 1872. If these proposed revisions are enacted, such legislation could change the cost of holding unpatented mining claims or significantly impact our ability to develop mineralized resource on unpatented mining claims. Such bills have proposed, among other things, to (i) impose a federal royalty on production from unpatented mining claims, (ii) impose a fee on the amount of material displaced at a mine, (iii) impose time limits on the effectiveness of plans of operation that may not coincide with mine life, (iv) impose more stringent environmental compliance and reclamation requirements on activities on unpatented mining claims, (v) establish a mechanism that would allow states, localities and Native American tribes to petition for the withdrawal of identified tracts of federal land from the operation of the U.S. general mining laws, (vi) replace the location of mining claims with federal leases for locatable minerals, and (vii) allow for administrative determinations that mining would not be allowed in situations where undue degradation of the federal lands in question could not be prevented. Although we cannot predict what legislated royalties might be, the enactment of a federal royalty or other provisions contained in these proposed bills could adversely affect the potential for development of our unpatented mining claims, and our ability to operate or our financial performance. The effect of any proposed revision of the General Mining Law on operations cannot be determined until enactment. However, it is possible that revisions would materially increase the carrying and operating costs of mineral properties located on federal unpatented mining claims.

In 2009, the EPA announced that it would develop financial assurance requirements under CERCLA Section 108(b) for the hard rock mining industry. On January 29, 2016, the U.S. District Court for the District of Columbia issued an order requiring that if the EPA intends to prepare such regulations, it must do so by December 1, 2016. The EPA issued its proposed rule on January 11, 2017. Under the proposed rule, owners and operators of facilities subject to the rule would be required to (i) notify the EPA that they are subject to the rule; (ii) calculate a level of financial responsibility for their facility using a formula provided in the rule; (iii) obtain a financial responsibility instrument, or qualify to self-assure, for the amount of financial responsibility; (iv) demonstrate that

they have obtained such evidence of financial responsibility; and (v) update and maintain financial responsibility until the EPA releases them from the CERCLA Section 108(b) regulations. On February 21, 2018, the EPA issued a final action in which it announced its decision to not to issue final regulations because the EPA determined that final regulations are not appropriate. 83 Fed. Reg. 7556 (Feb. 21, 2018). This action likely will be challenged in court, and the results of any such challenge are uncertain. If such requirements are ever implemented, they could require significant additional financial assurance, which could have a material adverse effect on our business operations.

In 2015, U.S. President Obama issued a Presidential Memorandum to the Secretary of Interior and other federal agencies requiring them to undertake rulemaking regarding avoidance, minimization, and compensation for impacts to natural resources, among other public lands impact items. The U.S. Fish and Wildlife Service (the FWS) and the Bureau of Land Management (the BLM) released their final policies regarding mitigation of impacts to public lands and resources in December 2016. The BLM's regional mitigation strategy is designed to guide agency officials in avoiding and minimizing impacts of development on federal lands. The strategy requires BLM officials to mitigate impacts through a landscape-scale approach, utilize best management practices, maintain durability for mitigation measures, monitor mitigation measures for compliance and effectiveness, and adaptively manage mitigation measures. . . . The FWS's new policy provides guidance to offset development impacts to at-risk species and their habitats. The policy calls for mitigation measures, such as permittee-responsible mitigation, conservation banking, in-lieu fee programs, and habitat credit exchanges. In December 2017, the Department of the Interior issued Order No. 3360, which revoked the BLM policy. Portions of the FWS policies are currently under review. Any potential changes to the Obama Presidential Memorandum and resulting FWS policies or their impact on our Projects, remain uncertain.

Our directors, officers and consultants may be engaged in other businesses. Potential conflicts of interest or other obligations of directors, officers and consultants could interfere with corporate operations.

Some of our directors, officers and consultants may be engaged in additional businesses, or situations may arise where our directors, officers and consultants could be in direct competition with us. Conflicts, if any, will be dealt with in accordance with the relevant provisions of applicable policies, regulations and legislation. Some of our directors and officers are or may become directors or officers of other entities engaged in other business ventures. As a result of their other business endeavors, our directors, officers and consultants may not be able to devote sufficient time to our business affairs, which may negatively affect our ability to conduct ongoing operations or to generate revenues.

We are subject to the risk of litigation, the causes and costs of which are not always known.

We are subject to litigation arising in the normal course of business and may be involved in disputes that may result in litigation. Although we are not aware of any material pending or threatened litigation or of any legal proceedings known to be contemplated which are, or would be, likely to have a material adverse effect upon us or our operations, taken as a whole, the causes of potential future litigation cannot be known and may arise from, among other things, business activities, environmental and health and safety concerns, share price volatility or failure to comply with disclosure obligations. The results of litigation cannot be predicted with certainty but could include costly damage awards or settlements, fines, and the loss of licenses, concessions or rights, among other things. If we are unable to

resolve a dispute favorably, either by judicial determination or settlement, it may have a material adverse effect on our financial condition, cash flows or results of operations.

We depend upon information technology systems, which are subject to disruption, damage, or failure and have risks associated with implementation and integration.

We depend upon information technology systems in the conduct of our operations. Our information technology systems are subject to disruption, damage or failure from a variety of sources, including, without limitation, computer viruses, security breaches, cyber-attacks, natural disasters and defects in design. Cybersecurity incidents, in particular, are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information or the corruption of data. Various measures have been implemented to manage our risks related to information technology systems and network disruptions. However, given the unpredictability of the timing, nature and scope of information technology disruptions, we could potentially be subject to downtimes, operational delays, the compromising of confidential or otherwise protected

information, destruction or corruption of data, security breaches, other manipulation or improper use of our systems and networks or financial losses from remedial actions, any of which could have a material adverse effect on our cash flows, competitive position, financial condition or results of operations.

U.S. investors may not be able to enforce their civil liabilities against us or our directors, controlling persons and officers.

It may be difficult to bring and enforce suits against us. We are incorporated in the province of British Columbia, Canada under the *Business Corporations Act* (British Columbia). Some of our directors may be residents of Canada, and a substantial portion of their assets are located outside of the United States. As a result, it may be difficult for U.S. holders of our common shares to effect service of process on these persons within the United States or to recover in the United States on judgments rendered against them. In addition, a shareholder should not assume that the courts of Canada (i) would enforce judgments of U.S. courts obtained in actions against us or such persons predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States, or (ii) would enforce, in original actions, liabilities against us or such persons predicated upon the U.S. federal securities laws or other laws of the United States.

We do not currently intend to pay cash dividends.

We have not declared any dividends since our incorporation and do not anticipate that we will do so in the foreseeable future. Our present policy is to retain all available funds for use in our business development, operations and expansion. Payment of future cash dividends, if any, will be at the discretion of the Board of Directors and will depend on our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the Board of Directors considers relevant. In the absence of dividends, investors will only see a return on their investment if the value of our common shares appreciates.

Dilution through outstanding common share options and warrants could adversely affect the trading price of our common shares.

Because our success is highly dependent upon our employee, consultants and directors, we have granted to some or all of our key employee, directors and consultants options to purchase common shares as non-cash incentives. To the extent that significant numbers of such options may be granted and exercised, the interests of the other shareholders may be diluted. We also issued warrants to purchase up to a total of 4,349,481 common shares in September 2013 and April 2015. During September 2016, 1,472,557 warrants expired unexercised. As of December 31, 2017, there were 2,876,924 common share purchase warrants and 4,031,400 stock options outstanding to employees, former employees, consultants and directors, which, if exercised, would result in an additional 6,908,324 common shares being issued and outstanding, which equals approximately 8.7% of our common shares outstanding as of December 31, 2017. Additionally, Synchron holds an option, that if exercised would result in the issuance of approximately an

additional 14,600,000 common shares, which would represent approximately 15.49% of our common shares outstanding after issuance.

Future sales of our securities in the public or private markets could adversely affect the trading price of our common shares or our ability to continue to raise funds in new equity offerings.

It is likely that we will sell common shares, or securities exercisable or convertible into common shares, in order to finance our planned development activities. Future sales of substantial amounts of our securities in the public or private markets would dilute our existing shareholders and potentially adversely affect the trading prices of our common shares or could impair our ability to raise capital through future offerings of securities. Alternatively, we may rely on debt financing and assume debt obligations that require us to make substantial interest and principal payments that could adversely affect our business or future growth potential.

Price volatility of our publicly traded securities could adversely affect investors' portfolios.

In recent years and months, the securities markets in the United States and Canada have experienced high levels of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in the market price of our common shares will not occur. It may be anticipated that any quoted market for the common shares will be subject to market trends

and conditions generally, notwithstanding any potential success we have in creating revenues, cash flows or earnings. The price of our common shares has been subject to price and volume volatility in the past and will likely continue to be subject to such volatility in the future.

Because our common shares are not listed on a national securities exchange, a broker-dealer may find it more difficult to trade our common shares, and an investor may find it more difficult to acquire or dispose of our common shares in the secondary market.

We are subject to the so-called "penny stock" rules. The SEC has adopted regulations that define a "penny stock" to be any equity security that has a market price per share of less than \$5.00, subject to certain exceptions, such as any securities listed on a national securities exchange. For any transaction involving a "penny stock," unless exempt, the rules impose additional sales practice requirements on broker-dealers, subject to certain exceptions. A broker-dealer may find it more difficult to trade, and an investor may find it more difficult to acquire or dispose of, our common shares on the OTCQB Venture Marketplace. These factors could significantly negatively affect the market price of our common shares and our ability to raise capital.

We might have been a passive foreign investment company (PFIC) for the year ended December 31, 2017, and could be a PFIC in subsequent years, which could have adverse U.S. federal income tax consequences for U.S. shareholders.

Investors in our common shares that are U.S. taxpayers (referred to as a U.S. shareholder) should be aware that, although we believe we are not a passive foreign investment company for the year ended December 31, 2017, our PFIC status for such year may not be free from doubt. Regardless of our PFIC status for such year, we could be a PFIC for the year ending December 31, 2018, and in subsequent years. We will use commercially reasonable efforts to provide information regarding our status as a PFIC and the PFIC status of any subsidiary in which the Company owns more than 50% of such subsidiary's total aggregate voting power to U.S. shareholders who make a written request for such information. Adverse rules apply to U.S. shareholders who own our common shares if we are a PFIC and have a non-U.S. subsidiary that is itself a PFIC, as may be the case with our wholly owned subsidiary, Rare Earth Holdings, Ltd. Each U.S. shareholder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, and U.S. state and local tax consequences of the PFIC rules and the acquisition, ownership, and disposition of our common shares if we are or become a PFIC. For additional information regarding PFIC tax consequences, see Part II, Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Certain U.S. Federal Income Tax Considerations Passive Foreign Investment Company Rules.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

BEAR LODGE PROPERTY (WYOMING, USA)

The Bear Lodge Property contains two projects, the Bear Lodge REE Project and the Sundance Gold Project. The Bear Lodge REE Project consists of the Bull Hill Mine, inclusive of the Bull Hill and Whitetail Ridge deposits and the exploration targets of East Taylor and Carbon, all of which are located near Sundance, Wyoming. The Bear Lodge REE Project also includes the proposed hydrometallurgical plant site to be located on private property in Upton, Wyoming that the Company currently has an option to purchase. Additional details on each of these areas are set forth below under the heading **Bear Lodge REE Project** and in the Technical Report (as defined below). We hold our interest in the Bear Lodge Property through our indirect wholly owned subsidiary, Rare Element Resources, Inc., a Wyoming corporation.

The Bear Lodge Property is located in central Crook County, northeast Wyoming, and is approximately 19 kilometers northwest of Sundance, Wyoming. The Bear Lodge Property is accessible by paved and well-maintained gravel roads. The Bear Lodge Property lies within the Black Hills National Forest along the crest of the northern part of the Bear Lodge Mountains, a narrow northwest-trending range. Physiographically, it is the northwest extension of the Black Hills in western South Dakota and is characterized by rolling grass and pine-covered mountains that reach elevations of 1,950 meters within the Bear Lodge Property. The mountains have moderate

slopes covered by western yellow pine forest interspersed with dense thickets of brush. Narrow grassy meadows cover the upper reaches of seasonal drainages. The lowest point within the Bear Lodge Property is about 1,768 meters in elevation. The climate during the summer is warm and relatively dry, followed by cold winters with variable amounts of snow.

We control 100% of the mineral rights at the Bear Lodge Property, consisting of unpatented mining claims and a right of repurchase on adjacent private land. We hold 499 unpatented mining claims located on land administered by the USFS. The Bear Lodge Property is located within parts of Sections 5, 7 through 9, Sections 14 through 23 and Sections 26 through 35 in Township 52 North and Range 63 West, Sixth Principal Meridian, Crook County, Wyoming. All of the public property mining claims are unpatented, such that the paramount title to the land is held by the United States of America. To be valid, an unpatented mining claim must contain a discovery of valuable mineral deposit. In addition, claim maintenance payments must be timely paid on an annual basis and related documents must be filed annually with the Wyoming State Office of the BLM and recorded with the Crook County, Wyoming Clerk and Recorder to keep the claims from terminating by operation of law, and the claims can be maintained in good standing so long as those requirements are met. All of our Mineral Resources are located on mining claims that we hold.

On October 20, 2016, the Company and Whitelaw Creek LLC, a Wyoming limited liability company (Whitelaw Creek), executed an asset purchase agreement (the Asset Purchase Agreement). On October 26, 2016, the Company and Whitelaw Creek closed the transactions contemplated by the Asset Purchase Agreement, pursuant to which the Company sold to Whitelaw Creek for approximately \$600 in cash 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 (the Land Sale). The Company has the right to repurchase the land (i) for \$900 within three years following the Land Sale or (ii) for \$1,000 after the third anniversary following the Land Sale but on or before the fifth anniversary of the Land Sale, in each case subject to certain adjustments (the Repurchase Price). Payment of the Repurchase Price may be made, at Whitelaw Creek's option, in the form of cash, common shares of the Company, or a combination of cash and common shares of the Company.

Our 100% interest in the 499 unpatented mining claims was, in part, acquired from Phelps Dodge Exploration Company (now a subsidiary of Freeport-McMoRan Copper Inc. (Freeport)) by way of a Mineral Lease and Option for Deed in 2000, and 404 claims were transferred from Newmont Mining Corporation (Newmont) to us in May 2010. A portion of the Newmont-transferred claims had been held in a joint venture between Newmont and the Company since 2006 until such joint venture was terminated in May 2010. A portion of the Newmont-transferred claims (i.e. approximately 327 claims) are subject to a perpetual 0.5% production Net Smelter Return (NSR) royalty on minerals except for rare earth minerals, which are excluded from any royalty obligation. In addition, and in connection with the Newmont joint venture termination, we assumed all obligations of Newmont under a consulting agreement with Bronco Creek Exploration and Mining, Inc. (Bronco Creek) requiring us to pay as a finder's fee, 3% of exploration expenditures made during each quarter until a cap of \$500 has been paid. The claims covered by the Bronco Creek consulting agreement, which are located outside of the rare earth deposits, are further subject to a 0.25% NSR royalty with a cap of \$3,000. We located additional unpatented mining claims in 2011 and 2012, and now have a 100% interest in 499 total unpatented mining claims.

Some of our mining claims and a portion of a defined area of influence surrounding the claims were previously subject to a production royalty of 2% of NSR royalty payable to Freeport, but the Company purchased the royalty in March 2009. As a result of the agreements above, we hold an unencumbered rare earth project, including all 499 unpatented mining claims, free of third-party royalties for rare earth production.

Exploration has been carried out on the Bear Lodge Property since 1949. In addition to Freeport, several mining companies have conducted exploration and drilling programs at or near the Bear Lodge Property since the discovery of mineralization. No mining or operations were conducted at the Bear Lodge Property by any of the prior owners.

Necessary infrastructure, such as housing, food and fuel is available in communities in close proximity to the Bear Lodge Property. Supplies can be delivered on both U.S. Interstate Highway 90 and rail lines. A Burlington Northern rail transport line also runs through Moorcroft, 55 kilometers west of Sundance, and through Upton, the site of the proposed hydrometallurgical plant, 64 kilometers south of Sundance. The Gillette, Wyoming area, located approximately 89 kilometers to the west, has two coal-fired power plants and is currently a major logistics center for Powder River Basin coal mining activity and will serve as such for any development at the Bear Lodge

Property. The current size of the Bear Lodge Property is sufficiently large to support a mining operation, with no foreseeable obstacles regarding expansion, subject to a favorable outcome regarding permitting.

We are not aware of any outstanding environmental liabilities associated with the Bear Lodge Property, except for required reclamation work associated with our exploration and drilling activities. Previous exploration activities were approved by both the USFS and the Wyoming Department of Environmental Quality. We have an approved reclamation plan and a posted surety bond to cover the required reclamation.

Additional local, state and federal permits will be required for exploration, mining, beneficiation and processing operations, if we decide to proceed with further exploration or mine development and operations.

Bear Lodge Property Location Map

Geological Setting

The Bear Lodge Mountains of northeast Wyoming are composed primarily of the upper levels of a mineralized tertiary alkaline igneous complex that is a component of the Black Hills Uplift of western South Dakota and northeast Wyoming. Tertiary alkaline intrusive bodies in the northern Black Hills occur along a N70-80W trending belt that extends from Bear Butte in South Dakota, through the Bear Lodge Mountains, to Devil's Tower and Missouri Buttes in northeast Wyoming. The Bear Lodge mining district is in the Bear Lodge Mountains, near the western end of the northern Black Hills intrusive belt. The Bear Lodge Mountains expose and are underlain by multiple alkaline plugs,

sills, and dikes and intruded into Precambrian basement and Paleozoic and Mesozoic sedimentary rocks approximately 38-52 million years ago. Rare earth and gold mineralization are found in separate areas of the central crest and northern part of the Bear Lodge Mountains.

The Bear Lodge alkaline-igneous complex is a northwest-trending alkaline intrusive dome with dimensions of approximately 10 kilometers NW-SE by 6 kilometers NE-SW. The complex consists predominantly of multiple intrusions of phonolite, trachyte, and other alkaline igneous rocks, and a variety of associated breccias and diatremes.

Exploration and Drilling

Historical exploration in the Bear Lodge district, including REE exploration carried out by the Company from 2004 through 2012, is summarized in the Technical Report. Exploration activities carried out by the Company in 2013 through 2015 were limited as the focus turned to development drilling at the Bull Hill and Whitetail Ridge deposits. These exploration activities included geochemical, geophysical, geological and mineralogical modeling of the district and individual deposits.

The 2013 drilling program was conducted in two phases. The first phase took place in June and July and involved infill drilling at the Whitetail Ridge deposit in order to upgrade a significant portion of the resource from the Inferred Mineral Resource category to the Indicated Mineral Resource category. During this phase, 14 core holes were drilled for a total of 3,556.3 meters (11,697.5 feet). The second phase was designed to upgrade part of the high-grade resource at the Bull Hill deposit to the Measured Mineral Resource category, develop a more detailed model of the REE grade distribution and provide additional material for bulk metallurgical testing. It consisted of 21 core holes totaling 3,247.1 meters (10,650.5 feet) and six reverse circulation (RC) twin holes totaling 832.3 meters (2,730 feet). The RC twin holes were drilled using a center return hammer with the objective of minimizing hole erosion and obtaining assay data directly correlative to that from the adjacent core holes.

The 2014 program consisted of the excavation of a test trench along the southwestern flank of Bull Hill in August. The main mineralized zone (Bull Hill Main) was exposed and exploited for the collection of geological information including dike dimension and structural continuity, grade variation, ore and gangue mineralogy, pit slope stability engineering and confirmation of parameters utilized in ore resource calculations. The program netted 907 tonnes (1,000 tons) of material that is stored for future metallurgical work. Bulk samples were taken from the material average 10.1% TREO. Additional crosscut excavation provided 45 tonnes (50 tons) of material to determine physical upgrading potential of lower grades.

The 2015 condemnation program consisted of six rotary holes, and a total of 3,000 feet was drilled in September of 2015 to complete a program that was halted by the USFS in 2012 due to an archeological discovery. The program evaluated the subsurface for carbonatite-hosted REE mineralization and followed up on gold mineralization discovered in 2010 within and adjacent to the proposed physical upgrade (PUG) site. Based on results from the 2015 condemnation program, the PUG area is considered void of economic mineralization.

No drilling was performed in 2016 or 2017.

Bear Lodge REE Project

The Bear Lodge REE Project comprises several REE resource areas within the Bear Lodge Property. REE mineralization at the Bear Lodge Property occurs in the central lobe of the Bear Lodge alkaline-igneous complex. Most of the important identified REE deposits and occurrences within the Bear Lodge alkaline complex are contained within the Company's block of unpatented lode mining claims. The REE deposits are located primarily in the vicinity of the Bull Hill deposit.

REE mineralized bodies occur as dikes, veins, and stockworks within the Bull Hill and Whitetail deposit areas of the Bear Lodge Property. The mineralization includes a well-defined, near-surface, oxidized FMR zone; a near-surface, oxidized, but incompletely leached, carbonatite zone (oxide-carbonate zone); a transitional or mixed zone (oxide + sulfide); and a deeper sulfide-bearing carbonatite (a high-carbonate igneous rock) zone. The oxide-carbonate and transitional zones were referred to collectively as a transitional zone in some prior news releases and technical reports. The mineralized zones were subsequently sub-classified, based on key characteristics of those zones. The FMR dikes and veins contain no matrix carbonates or sulfides. The sulfides are completely oxidized to hydrous iron oxides, and the non-REE bearing carbonate minerals (calcite and strontianite) show near-complete leaching from the zone, which ranges from the surface to depths of about 90-150 meters. The oxide-carbonate zone generally occurs beneath the oxide zone but approaches the surface locally in select dikes. It is characterized by the near absence of sulfides, with

the residual iron oxides formed during almost complete oxidation of the former sulfide minerals, and by variable amounts of relict matrix carbonates (calcite ± strontianite) and the REE mineral, ancylite (a hydrous Sr-REE carbonate).

Bull Hill Mine

The Bull Hill Mine contains the Mineral Resources reported in our Technical Report, as discussed below. The Bull Hill Mine Mineral Resources, for purposes of this Annual Report, comprise mineralized material from both the Bull Hill and Whitetail Ridge deposit resource areas. The mineralized bodies occur as steeply dipping, FMR-carbonatite dike swarms and associated stockwork. Geological interpretation of results from the 2010-2014 drill and trench programs indicates that the Bull Hill resource area is dominated by northwest-striking mineralized bodies in the southern two-thirds of the resource area, while the northern part of the resource area exhibits a transitional change in strike from dominantly northwesterly to almost due north. The dike swarm primarily intrudes heterolithic intrusive breccia of the Bull Hill diatreme and adjacent trachytic and phonolitic intrusive rocks. Carbonatite dikes at

depth are interpreted to transition toward the surface into oxide-carbonate and FMR bodies. The mineralized structures range in size from veinlets to large dikes more than 30 meters in width. The Bull Hill deposit resource consists of one dominant dike set and several subsidiary dike sets in a swarm that has dimensions of more than 457 meters along strike and less than 100 meters in width. The dikes appear to pinch and swell in both strike and dip directions, and they can be traced in drill holes more than 305 meters down dip.

The Whitetail Ridge deposit occurs about 700 meters northwest of the Bull Hill deposit. The REE mineralization consists of northwest- and north-striking FMR dikes, and an FMR stockwork zone that is also elongated northeasterly, with dimensions of roughly 380 meters by 290 meters. The enveloping gravity and radiometric geophysical anomalies and coincident soil geochemical anomalies are larger and may indicate a broader distribution of REE mineralization beneath the extensive soil and colluvial cover. Drilling conducted in 2011 through 2013 indicates that much of the mineralization is confined within the volume of the Whitetail Ridge diatreme. Preliminary mineralogical studies by the Company indicate that the REE mineralization occurs in REE fluorocarbonates (bastnasite, parisite, and synchysite), cerianite, and subordinate monazite (an REE-Th phosphate). The Whitetail Ridge deposit mineralization is enriched in HREE, relative to the Bull Hill deposit, and both are enriched in CREE.

Pre-feasibility Study

In 2013 and 2014, we worked on optimizing the Bull Hill Mine plan, the mineral process methods and the Bear Lodge REE Project economics. This resulted in the Company undertaking and completing an updated PFS to reflect these significant changes.

The Company's PFS as reported in the Technical Report for the Bear Lodge REE Project was authored principally by Norda Stelo, formerly Roche Engineering Inc. (Roche), which undertook the process engineering and mine and mill capital and operating cost estimation for the Bear Lodge REE Project at that time.

The technical report for the Bear Lodge REE Project dated October 9, 2014 is titled Rare Element Resources Inc. Bear Lodge Project Canadian National Instrument 43-101; Pre-Feasibility Study Report; Technical Report on the Mineral Reserves and Resources and Development of the Bull Hill Mine (the Technical Report) and is available under our profile at www.sedar.com. The Technical Report was authored by Peter S. Dahlberg P.E. of Roche in Sandy, Utah, and all sections of the Technical Report were prepared under his supervision. Mr. Dahlberg is an independent Qualified Person, as defined by NI 43-101. Other Qualified Persons, as defined by NI 43-101, who participated in the preparation of the Technical Report are Jaye T. Pickarts, P.E., former Chief Operating Officer of Rare Element, who confirmed that the NI 43-101 and Form 43-101F1 documents and Items 4, 5, 6, 19, and 20 of the Technical Report were prepared in compliance with the instrument and form; Alan C. Noble, P.E. of Ore Reserves Engineering in Lakewood, Colorado, who contributed to the preparation of Chapters 7, 8, 9, 10, and 14 of the Technical Report; William L. Rose P.E. of WLR Consulting Inc. in Lakewood, Colorado, who contributed Item 15 and portions of Item 16 (subsections 16.1, 16.2, 16.3 and 16.4) of the Technical Report; and Jeffrey A. Jaacks C.P.G of Centennial, Colorado, who contributed Chapter 11 of the Technical Report, all under the supervision of Mr. Dahlberg, the primary author.

The PFS estimated initial capital costs of approximately \$290,000 and life-of-mine capital costs (including sustaining capital) of approximately \$453,000.

Permitting Progress

The USFS is the lead agency in the NEPA process to prepare an EIS on the Bear Lodge REE Project. This process is essential to securing the permits and approvals necessary to move into production. In early 2012, we submitted the Plan of Operations for the Bear Lodge REE Project, which the USFS accepted as complete in May 2013. The USFS selected a project manager and prime contractor for preparation of the EIS, published notice in the Federal Register and completed necessary scoping work. The USFS issued a draft EIS on January 15, 2016, outlining plan alternatives and proffering a preferred alternative. The U.S. Army Corps of Engineers and the appropriate state and local government agencies are involved in the EIS process as cooperating agencies. On January 22, 2016, the Board of Directors directed the Company to continue to conserve cash due to the then difficult market conditions and suspend all permitting and licensing efforts, including the EIS process. The Company notified the USFS and cooperating agencies, the NRC and the state of Wyoming of its decision to suspend permitting and licensing efforts, and the parties acknowledged receipt of the notice. Assuming permitting efforts

resume within a reasonable time, the final EIS and draft Record of Decision (ROD), the decision document that establishes the acceptable operating conditions, would be expected within 18 to 30 months of the resumption of such permitting efforts.

Mineral Resources Estimates

The Mineral Resources estimates were developed by Alan C. Noble, P.E. of Ore Reserves Engineering and approved by the Rare Element management team.

Cautionary Note to U.S. Investors Concerning Estimates of Measured and Indicated Mineral Resources

This Annual Report uses the terms Measured Mineral Resources and Indicated Mineral Resources. We advise U.S. investors that while those terms are recognized and required by Canadian regulations, the SEC does not recognize them. U.S. investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into Mineral Reserves.

Measured and Indicated Resource Estimate for the Bull Hill Mine ⁽¹⁾ effective as of October 9, 2014 ⁽²⁾						
Cut-off Grade ⁽³⁾	Bull Hill		Whitetail		Total	
Resource Classification	Tonnes (in millions)	Average Grade (% TREO)	Tonnes (in millions)	Average Grade (% TREO)	Tonnes (in millions)	Average Grade (% TREO)
Measured	2.7	3.81	-	-	2.7	3.81
Indicated	9.7	3.10	3.9	2.49	13.6	2.93
Measured & Indicated	12.4	3.25	3.9	2.49	16.3	3.07

(1) Bull Hill Mine includes both the Bull Hill and Whitetail Ridge deposits.

(2) Inclusive of previously reported Mineral Reserves under NI 43-101.

(3) Cut-off grade of 1.5% was developed using estimated operating costs, forecast recoveries and internal assumed long-term REO prices as of June 30, 2014.

Cautionary Note to U.S. Investors Concerning Estimates of Inferred Mineral Resources

This Annual Report uses the term Inferred Mineral Resources. We advise U.S. investors that while this term is recognized and required by NI 43-101, the SEC does not recognize it. Inferred Mineral Resources have significant uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of Inferred Mineral Resources will ever be upgraded to a higher category. In accordance with Canadian rules, estimates of Inferred Mineral Resources cannot form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that part or all of the Inferred Mineral Resource exists or is

economically or legally mineable.

Inferred Mineral Resources Estimate for the Bull Hill Mine ⁽¹⁾ effective as of October 9, 2014 ⁽²⁾

Cut-off Grade		Oxides >1.5
Resource Classification	Tonnes (in millions)	Average Grade (% TREO)
Inferred ⁽³⁾	28.9	2.58

(1) Bull Hill Mine includes both the Bull Hill and Whitetail Ridge deposits.

(2) Cut-off grade of 1.5% was developed using estimated operating costs, forecast recoveries and internal assumed long-term REO prices as of June 30, 2014.

(3) Includes Ox and OxCa (oxidized) mineralization only.

High-Grade Mineral Resource

High-grade Mineral Resources, which are those resources above a cutoff grade of 3% TREO, are particularly important, since they are the focus of mining in the first nine years of production. The high-grade Mineral Resource is summarized below. It occurs predominantly on the flank of Bull Hill, which contains 78% of the Measured and Indicated, high-grade resource.

Summary of High-Grade Measured and Indicated Mineral Resource ⁽¹⁾ effective as of October 9, 2014 ⁽²⁾

Resource Classification	Bull Hill		Whitetail		Total	
	Tonnes (in millions)	Average Grade (% TREO)	Tonnes (in millions)	Average Grade (% TREO)	Tonnes (in millions)	Average Grade (% TREO)
Measured	1.5	5.01	-	-	1.5	5.01
Indicated	4.0	4.43	0.7	3.93	4.7	4.36
Measured & Indicated	5.5	4.59	0.7	3.93	6.2	4.52

(1) Bull Hill Mine includes both the Bull Hill and Whitetail Ridge deposits from NI-43-101 (2014).

(2) Inclusive of previously reported Mineral Reserves under NI 43-101 (2014).

(3) Cut-off grade of 3.0%.

Quality Assurance

The Mineral Resource estimate was completed by Mr. Alan C. Noble, P.E., principal engineer of Ore Reserves Engineering, and is based on geological interpretations supplied by the Company to Ore Reserves Engineering and subsequently modified by Ore Reserves Engineering. Mr. Noble is an independent Qualified Person for the purposes of NI 43-101 and verified the data disclosed herein.

Rare Element's field programs prior to 2014 were carried out under the supervision of Dr. James G. Clark, formerly the Company's Vice President of Exploration. Dr. Clark is a senior geologist and previously was exploration supervisor for Hecla Mining Company during the late 1980s and early 1990s, and was responsible for that company's exploration of Bull Hill and the Bear Lodge district, and its initial discovery of the Bull Hill resource area. In 2014, John T. Ray, the Company's Chief Geologist and a Qualified Person as a SME Registered Member, directed our exploration efforts. Mr. Ray was a consultant to Newmont Mining Company during its operations in the Bear Lodge REE Project area from 2004 to 2010. A detailed QA/QC program was implemented for the 2007 through 2013 drill programs. The QA/QC program was organized by Dr. Jeffrey Jaacks. Drs. Jaacks and Clark verified the sampling procedures and QA/QC data delivered to Ore Reserves Engineering. They share the opinion that the data are of good quality and suitable for use in the Mineral Resource estimate.

Metallurgy and Mineralization

The Mineral Resource size is sensitive to an assumed cut-off grade and to metallurgical operating costs. The mineable pit includes the known Measured and Indicated (M&I) Mineral Resource as disclosed in the Technical Report and is inclusive of the adjacent Whitetail Resource Area that extends towards the northwest.

A PUG plant, located within the Bear Lodge REE Project area, is designed to maximize concentration of the rare earth minerals and produce a mineral concentrate using a crushing, screening, and gravity separation process depending on the material type. The PUG process is designed to concentrate the rare earth-bearing fines and reduce the physical mass. There are areas of the mineable pit that contain variable amounts of weathered oxide material or oxide-carbonate (OxCa) mineralized material, and that contain variable grades of stockwork mineralization adjacent to the higher-grade material. Each of these material types will have a different upgrade percentage and mass reduction in the PUG circuit. The mining plan anticipates exploitation of a distinct high-grade zone early in the Bear Lodge REE Project that will allow for preferential mining in the initial years of the mine. Low and mid-grade material will also be mined and stockpiled for future PUG processing.

Reclamation of mining-related facilities will occur during mine operations, where applicable, and upon completion of mining and stockpiling of materials. Other facilities, including the PUG plant, will be reclaimed as soon as the stockpiled materials are depleted.

The mineral concentrate produced at the PUG plant is planned to be transported to a proposed hydrometallurgical plant near Upton, Wyoming via covered trucks. The hydrometallurgical plant will process the mineral concentrate by acid leaching followed by additional chemical processing to remove impurities and precipitation to produce the final TREO product. The tailings produced from the process will be filtered, neutralized and stored in a double-lined tailings storage facility (TSF) adjacent to the hydrometallurgical plant.

The Company has conducted metallurgical test work primarily at SGS Lakefield of Lakefield, Ontario, Canada, which is independent from the Company.

Other Exploration Target Areas at the Bear Lodge REE Project

Discovery of high-grade REE mineralization at the East Taylor and Carbon target areas expanded the area of known REE mineralization outside of the Bull Hill and Whitetail Ridge deposits, and further delineate a district underlain by significant and potentially economic REE mineralization. The data indicate that the Bear Lodge REE Project area covers a crudely elliptical area that extends approximately 1,750 meters northwest-southeast by 1,300 meters northeast-southwest. The Carbon exploration target area is located northwest of the Bull Hill deposit, and the East Taylor target is located west of the Bull Hill deposit. Drill assay data from the East Taylor and Carbon exploration targets identify these areas as zones of HREE-enrichment relative to the Bull Hill deposit. All are enriched in CREEs. These two exploration target areas, along with the Whitetail Ridge deposit, are peripheral to the Bull Hill deposit. They are characterized both by high TREO grades, and by some of the highest initial HREE grades of any known North American deposit. They are particularly enriched in Eu, Tb, Dy and Y.

The discovery of these target areas indicates good potential for additional deposits of high-grade REE in the western half of the Bear Lodge REE Project, and those deposits appear to be particularly enriched in HREE.

Sundance Gold Project

The Sundance Gold Project is the second project located on our Bear Lodge Property. The Sundance Gold Project consists of 288 unpatented lode mining claims adjacent to the Bull Hill Rare Earth Project in Crook County, Wyoming.

On June 1, 2006, Paso Rico (USA), Inc. (Company predecessor) and Newmont signed the Sundance gold-exploration venture agreement (the Venture) on the Company's Bear Lodge Property. Newmont spent approximately \$2.85 million in exploration by May 2010 and chose to terminate the Venture prior to earning any interest and returned the original claims to Paso Rico, predecessor company to Rare Element Resources, Inc. In addition, Newmont transferred 327 unpatented lode mining claims held outside the Venture to the Company. Newmont continues to hold a 0.5% NSR royalty on the 327 claims it previously held independent of the Venture.

In addition, and with respect to the Newmont Venture termination, the Company assumed all obligations of Newmont in a consulting agreement with Bronco Creek Exploration and Mining, Inc. requiring the Company to pay as a finder's fee, 3% of exploration expenditures made during each quarter until a cap of \$500 has been paid. The claims covered by the Bronco Creek consulting agreement are also subject to a 0.25% Net Smelter Returns Royalty with a cap of \$3,000. The finder's fee obligation is not yet achieved. There was no exploration work in 2016 or 2017.

Mineral Resources Estimates

The Sundance Gold Project contains an NI 43-101 compliant Inferred Mineral Resource with an effective date of March 15, 2011, prepared by Ore Reserves Engineering of Lakewood, Colorado. Total Inferred Mineral Resources assuming a \$1,200/oz. gold price were 69,300,000 tonnes with a grade of 0.42/g/t Au. The Technical Report summarizes the project and is available on SEDAR at www.sedar.com.

ITEM 3. LEGAL PROCEEDINGS

We are not aware of any material pending or threatened litigation or of any proceedings known to be contemplated by governmental authorities which are, or would be, likely to have a material adverse effect upon the Company or our operations, taken as a whole. There are no material proceedings pursuant to which any of our directors, officers or affiliates or any owner of record or beneficial owner of more than 5% of our securities or any associate of any such director, officer or security holder is a party adverse to the Company or has a material interest adverse to it.

ITEM 4. MINE SAFETY DISCLOSURES

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

Pursuant to Section 1503(a) of the Dodd Frank Act, 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 from the Federal Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977 (the Mine Act). During the year ended December 31, 2017, the Company was not subject to regulation by MSHA under the Mine Act.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

Our common shares began trading on the TSX-V in Toronto, Ontario, Canada, on November 15, 1999 under the former name Spartacus Capital Ltd. under the ticker symbol SCI. The Company graduated to the TSX on May 27, 2011, under the ticker symbol RES, where our common shares traded through December 31, 2015, after which time they were voluntarily delisted by us and ceased to trade on the TSX. Our common shares traded on the NYSE American under the ticker symbol REE from August 18, 2010 through February 26, 2016. Our common shares currently trade on the OTCQB Venture Marketplace under the ticker symbol REEMF.

The following table sets forth the intraday high and low sales prices of our common shares for each quarterly period:

<u>Period</u>	<u>High US\$</u>	<u>Low US\$</u>
<u>Fiscal year ended December 31, 2017</u>		
First Quarter	0.53	0.05
Second Quarter	0.28	0.13

Third Quarter	0.23	0.07
Fourth Quarter	0.44	0.19

Fiscal year ended December 31, 2016

First Quarter	0.28	0.06
Second Quarter	0.14	0.08
Third Quarter	0.11	0.06
Fourth Quarter	0.09	0.03

As of March 19, 2018, the closing price per share for our common shares as reported by the OTCQB Venture Marketplace was \$0.21.

As of March 19, 2018, we had 79,591,880 common shares issued and outstanding, held by approximately 44 shareholders of record.

DIVIDEND POLICY

We have not declared any dividends since our incorporation and do not anticipate that we will do so in the foreseeable future. Payment of any future dividends, if any, will be at the discretion of the Board after taking into account many factors, including operating results, financial conditions and anticipated cash needs.

REPURCHASES OF EQUITY SECURITIES

During the year ended December 31, 2017, neither the Company nor any affiliate of the Company repurchased any common shares of the Company registered under Section 12 of the Exchange Act.

RECENT SALES OF UNREGISTERED SECURITIES

On August 18, 2017, the Company and General Atomics Uranium Resources, LLC, executed a term sheet for the purchase of common shares of the Company and the grant of an option to purchase common shares, and intellectual property rights (the *Term Sheet*). The Term Sheet provided that, upon the terms and subject to the conditions set forth in the Term Sheet, among other things, (i) General Atomics Uranium Resources, LLC or one or more of its affiliates (*General Atomics*) would pay \$500 in cash (the *Preliminary Payment*) to the Company within three business days of the execution of the Term Sheet; (ii) the Company and General Atomics would enter into an investment agreement (the *Investment Agreement*), an Option Agreement (the *Option Agreement*) and an intellectual property rights Agreement, for gross proceeds of \$4,752 in cash, less the Preliminary Payment, at the closing of the transaction.

On October 2, 2017, the Company and Synchron, a subsidiary of General Atomics Technologies Corporation (*Synchron*), completed the transaction in accordance with the following terms. Pursuant to an Investment Agreement, the Company (i) issued to Synchron 26,650,000 common shares of the Company, which constituted approximately 33.5% of the issued and outstanding common shares of the Company; (ii) received gross proceeds of \$4,752 in cash less the Preliminary Payment; and (iii) granted Synchron an option (the *Option*) to purchase approximately an additional 15.49% of the Company's fully diluted common shares immediately after the exercise for an aggregate exercise price of an additional \$5,040. Synchron's ownership percentage, immediately after giving effect to such exercise, is limited to 49.9% of the Company's common shares issued and outstanding. The Option is exercisable for a period up to four years from the initial investment.

The transfer, sale or exchange of common shares of the Company pursuant to the Investment Agreement and the Option is exempt from registration as a private placement under Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder, among other exemptions.

EQUITY COMPENSATION PLAN INFORMATION

As of December 31, 2017, we had one equity compensation plan under which our common shares have been authorized for issuance to our officers, directors, employees and non-employee consultants: our 10% Rolling Stock Option Plan (the "RSOP") which was adopted by our shareholders on December 2, 2011.

The following table sets out those securities of the Company which have been authorized for issuance under our equity compensation plan, as at December 31, 2017:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options and rights	Weighted-average exercise price of outstanding options and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	4,031,400	\$0.44	3,927,788
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	4,031,400	\$0.44	3,927,728

See Part III Item 11. Executive Compensation for additional information relating to our equity compensation plan.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material U.S. federal income tax consequences of the ownership and disposition of our common shares by a holder of our common shares that is a U.S. Holder (as defined below).

This summary is general in nature and does not address the effects of any state or local taxes, U.S. federal estate, gift, or generation-skipping taxes, or the tax consequences in jurisdictions other than the United States. In addition, this discussion does not discuss all aspects of U.S. federal income taxation that may be material to investors subject to special treatment under U.S. federal income tax law. For example, this discussion does not address all U.S. federal income tax aspects that may be material to U.S. Holders who own or have owned, directly or by the application of certain constructive ownership rules, 10% or more of the outstanding shares of the Company by either vote or by value, U.S. expatriates, insurance companies, tax-exempt entities, financial institutions, persons subject to the alternative minimum tax, or the base erosion minimum tax, regulated investment companies, securities broker-dealers or dealers, traders in securities who elect to apply a mark-to-market method of accounting, partnerships or other pass-through entities and investors in such an entity, persons holding our securities as part of a larger integrated transaction, persons who acquire our securities as compensation, persons who may be subject to the tax on global

intangible low-taxed income, persons who may be eligible for a deduction for a portion of foreign-derived intangible income or global intangible low-tax income, and persons whose functional currency is not the U.S. dollar). This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the Code), the regulations promulgated thereunder, court decisions and published rulings of the Internal Revenue Service (the IRS), as in effect on the date hereof, and the Convention between the United States of America and Canada with Respect to Taxes on Income and on Capital signed on September 26, 1980, as amended and currently in force (the Treaty), and does not take into account the possible effect of future legislative or administrative changes or court decisions. We will not request any rulings from the IRS or obtain any opinions from counsel on the tax consequences described below, or on any other issues. The IRS or a court might reach a contrary conclusion with respect to the issues addressed herein if the matter were to be contested. Future legislative or administrative changes or court decisions may significantly change the conclusions expressed herein, and any such changes or decisions may have a retroactive effect with respect to the matters discussed herein. This discussion assumes that we are not, and will not become, a controlled foreign corporation as determined for U.S. federal income tax purposes.

YOU SHOULD CONSULT YOUR OWN ADVISOR REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR COMMON SHARES IN LIGHT OF YOUR PARTICULAR CIRCUMSTANCES.

Definition of a U.S. Holder

As used herein, the term "U.S. Holder" means a beneficial owner of our securities that is (a) an individual citizen or resident of the United States for U.S. federal income tax purposes; (b) a corporation (or other entity

taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia; (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (d) a trust, if (i) a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons are authorized to control all substantial decisions of the trust or (ii) a valid election is in effect under applicable Treasury Regulations to treat such trust as a U.S. person.

Passive Foreign Investment Company Rules

We will be classified as a passive foreign investment company (a PFIC) in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75% of our gross income is passive income, or (ii) at least 50% of the average value of our assets is attributable to assets that produce or are held for the production of passive income. Whether we will be classified as a PFIC in any taxable year is a factual determination and will depend upon our assets, the market value of our common shares, and our activities in each year and is therefore subject to change.

We believe that we were not a PFIC for the year ended December 31, 2017, but our PFIC status for such year may not be free from doubt. Regardless of our PFIC status for the year ended December 31, 2017, we could be a PFIC in subsequent years. The tests for determining PFIC status depend upon a number of factors, some of which are beyond our control and can be subject to uncertainties. Accordingly, we cannot provide certainty to U.S. Holders that we were or were not a PFIC for the year ended December 31, 2017, or any future year. We will use commercially reasonable efforts to provide information as to our status as a PFIC and the PFIC status of any subsidiary in which the Company owns more than 50% of such subsidiary's total aggregate voting power to U.S. Holders who make a written request for such information.

If we are classified as a PFIC for any taxable year, the so-called "excess distribution" regime will apply to any U.S. Holder of common shares that does not make a QEF election or mark-to-market election, as described below. Under the excess distribution regime, (i) any gain the U.S. Holder realizes on the sale or other disposition of the common shares (possibly including a gift, exchange in a corporate reorganization, or grant as security for a loan) and any "excess distribution" that we make to such U.S. Holder (generally, any distributions to such holder in respect of the common shares during a single taxable year that are greater than 125% of the average annual distributions received by such U.S. Holder in the three preceding years or, if shorter, such holder's holding period for the common shares), will be treated as ordinary income that was earned ratably over each day in such U.S. Holder's holding period for the common shares; (ii) the portion of any excess distributions allocated to the current year or prior years before the first day of the first taxable year beginning after December 31, 1986, in which we became a PFIC would be includible by the U.S. Holder as ordinary income in the current year; (iii) the portion of such gain or distribution that is allocable to prior taxable years during which we were a PFIC will be subject to tax at the highest rate applicable to ordinary income for the relevant taxable years, regardless of the tax rate otherwise applicable to such U.S. Holder and without reduction for deductions or loss carryforwards; and (iv) the interest charge generally applicable to underpayments of tax will be imposed with respect of the tax attributable to each such year. The interest charge discussed above generally will be non-deductible interest expense for individual U.S. Holders.

Certain elections may be available with respect to our common shares (the so-called "QEF," "mark-to-market," and "deemed sale" elections) if we are a PFIC, but these elections may accelerate the recognition of taxable income and may

result in the recognition of ordinary income.

If a U.S. Holder makes for any tax year a timely election to treat the Company as a qualifying electing fund or QEF (a QEF election) with respect to such U.S. Holder's interest therein, the above-described rules regarding excess distributions generally will not apply. Instead, the electing U.S. Holder would include annually in its gross income its pro rata share of our ordinary earnings and any net capital gain regardless of whether such income or gain was actually distributed. Special rules apply to U.S. Holders who own their interests in a PFIC through intermediate entities or persons.

A U.S. Holder may make a QEF election only if the U.S. Holder receives certain information (known as a PFIC annual information statement) from us annually. We will use commercially reasonable efforts to make available to U.S. Holders, upon written request, an accurate PFIC annual information statement for each year in which the Company is a PFIC. A QEF election is generally timely filed only if it is made on a timely filed federal

income tax return for the first year in the U.S. Holder's holding period for our common shares in which we were a PFIC. A U.S. Holder for whom a QEF election would otherwise be untimely may be able to make a special deemed sale election pursuant to which the U.S. Holder recognizes any gain inherent in the U.S. Holder's common shares and restarts the U.S. Holder's holding period in our common shares for purposes of making a QEF election. A deemed sale election generally can be made only if the U.S. Holder owns common shares on the first day of our taxable year in which the election is to be effective.

Alternatively, a U.S. Holder of common shares may elect to recognize any gain or loss on its common shares on a mark-to-market basis at the end of each taxable year, so long as the common shares are regularly traded on a qualified exchange. The OTCQB marketplace, on which our common shares currently trade, is not a qualified exchange for this purpose. Therefore, we do not believe that our common shares are regularly traded on a qualified exchange for PFIC purposes, and we provide no assurance that our common shares will be regularly traded on a qualified exchange for this or any subsequent year in which we may be a PFIC.

If a mark-to-market election is made, the excess distribution regime will not apply to amounts received with respect to our common shares from and after the effective time of the election, and any mark-to-market gains or losses on disposition will be treated as ordinary income. Mark-to-market losses and losses on disposition will be treated as ordinary losses to the extent of the U.S. Holder's unrecovered prior net mark-to-market gains. Losses in excess of prior net mark-to-market gains will generally not be recognized. The mark-to-market election must be made by the due date (as may be extended) for filing the U.S. Holder's federal income tax return for the first year in which the election is to take effect. A mark-to-market election applies to all future years of an electing U.S. Holder during which the stock is regularly traded on a qualifying exchange, unless revoked with the IRS's consent.

The QEF election and mark-to-market election rules are complex. U.S. Holders should consult their tax advisor regarding the availability and procedure for making these elections.

Special adverse rules apply to U.S. Holders of our common shares for any year in which we are a PFIC and own or dispose of shares in another corporation that is also a PFIC (a lower-tier PFIC), as might be the case with our wholly owned subsidiary, Rare Element Holdings, Ltd. A U.S. Holder who owned our common shares while we were a PFIC will be taxable under the excess distribution rules described above with respect to any gain that we recognize from a disposition of shares in a lower-tier PFIC, or if the U.S. Holder disposes of all or part of its common shares. Moreover, a QEF election or mark-to-market election that is made for our common shares would not apply to a lower-tier PFIC. While a separate QEF election may be made for a lower-tier PFIC, we may not be in possession of and thus may not be able to provide the financial information to U.S. Holders that would allow them to make a QEF election for any lower-tier PFIC. A mark-to-market election generally may not be made with respect to a lower-tier PFIC.

A U.S. Holder who makes a QEF election for our common shares will be taxable under the excess distribution regime on gain that we recognize on the sale of shares of a lower-tier PFIC, but will not also be taxable on such gain under the QEF rules. However, any U.S. Holder who makes a mark-to-market or deemed sale election for our common shares could be subject to the PFIC rules with respect to income of the lower-tier PFIC, even though the value of the lower-tier PFIC already was subject to tax via mark-to-market or deemed sale adjustments.

The IRS has issued proposed regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by a U.S. Holder that has not made a timely QEF election or mark-to-market election that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. Generally, in such cases, the basis of our common shares in the hands of the transferee and the basis of any property received in

the exchange for those shares would be increased by the amount of gain recognized. The specific tax effect to the U.S. Holder and the transferee may vary based on the manner in which the common shares are transferred. Each U.S. Holder should consult a tax advisor with respect to how the PFIC rules affect their tax situation prior to transferring PFIC shares.

Special adverse rules that impact certain estate planning goals could apply to our common shares if we are a PFIC. Special rules apply with respect to the calculation of the amount of the foreign tax credit with respect to excess distributions by a PFIC.

Each U.S. Holder that has a direct or indirect interest in our common shares for a year for which we were a PFIC, generally would be required to file an IRS Form 8621, if, during such year, the U.S. Holder received

distributions or recognized gain with respect to our common shares, or was deemed to receive an indirect distribution from a lower-tier PFIC or to recognize gain on an indirect disposition of lower-tier PFIC stock. Form 8621 also is used to make certain elections with respect to PFICs, including a QEF election and a mark-to-market election. Each U.S. Holder should consult its tax advisor regarding these and any other relevant information or other reporting requirements.

If we are a PFIC in the taxable year in which we pay a dividend or the immediately preceding taxable year, dividends on our common shares will not be qualified dividend income, and such dividends received by individual U.S. Holders generally will be taxed at ordinary income tax rates, subject to the tax rules that apply to excess distributions from PFICs, as discussed above.

Sale or Other Disposition of Our Common Shares

The tax treatment of a sale or other disposition of our common shares by a U.S. Holder will differ based upon whether the PFIC rules apply and whether the U.S. Holder has made any of the elections described above.

If the excess distribution regime discussed above applies to the sale or disposition of our common shares, the rules regarding the taxation of excess distributions will generally apply upon a sale or other disposition of the common shares.

If the excess distribution regime discussed above does not apply to the sale or disposition of our common shares, the difference between the amount received and the adjusted tax basis of the common shares will be a gain or loss. If, as usually is the case, the common shares are a capital asset in the hands of the U.S. Holder, such gain or loss will be a capital gain. If the U.S. Holder has made a QEF election with respect to the shares, the adjusted basis will be increased by the U.S. Holder's proportionate share of income and capital gains taken into account each year as a result of the QEF election. If the U.S. Holder has made a mark-to-market election with respect to the shares, the adjusted basis will be increased by the net income recognized on the common shares as a result of the mark-to-market election.

Capital gain or loss with respect to common shares generally will be long-term capital gain or loss if the holding period for the shares giving rise to such gain or loss exceeds one year. Under current law, long-term capital gains realized by individual U.S. Holders are taxed at reduced rates. Short-term capital gains are taxed at ordinary income rates. The deductibility of capital losses is subject to significant limitations.

Distributions

We do not expect to pay dividends in the foreseeable future. However, subject to the PFIC rules discussed below, a U.S. Holder must include in gross income as dividend income the gross amount of any distribution (including the amount of any Canadian withholding tax thereon) paid by the Company out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) with respect to our common shares. A distribution on our common shares in excess of current or accumulated earnings and profits will be treated as a tax-free return of capital to the extent of the U.S. Holder's adjusted basis in such common shares (thus reducing, but not below zero, the adjusted tax basis of such common shares), and thereafter as gain from the sale or exchange of common shares. See

Sale or Other Disposition of Our Common Shares above.

If we are a PFIC in the taxable year in which we pay a dividend or the immediately preceding taxable year, dividends received by individual U.S. Holders generally will be taxed at ordinary income tax rates, subject to the rules that apply to excess distributions from PFICs, as discussed above.

If we are not a PFIC in the taxable year in which we pay a dividend or the immediately preceding taxable year, dividends received by individual U.S. Holders will be taxed to such U.S. Holder at the rates applicable to long-term capital gains as qualified dividend income if (i) we are eligible for benefits of the Treaty or (ii) our common shares are readily tradable on an established securities market. We have not determined if we are eligible for such benefits, and our common shares are not currently readily tradable on an established securities market. However, dividend income will not be qualified dividend income (and will be taxed at ordinary income rates) if the U.S. Holder has not held its common shares for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date (or as noted above, if we are a PFIC for the taxable year in which the dividend is paid or in the preceding taxable year).

Dividends paid to a corporate U.S. Holder will be taxed as ordinary income and will not generally be eligible for the dividends received deduction.

Surcharge on Net Investment Income; Other Tax Rules

A surtax of 3.8% (the unearned income Medicare contribution tax) is imposed on the net investment income of certain U.S. citizens and resident aliens, and on the undistributed net investment income of certain estates and trusts, in each case in excess of a certain amount. Net investment income generally includes dividends and net gain from the disposition of property (other than property held in a non-passive trade or business). Net investment income is reduced by deductions that are properly allocable to such income. Special rules determine when the unearned income Medicare contribution tax applies to distribution or income with respect to PFICs. U.S. Holders should consult with their U.S. tax advisors concerning how these rules would apply to an investment in our common shares.

Foreign Currency Transactions

Generally, amounts received by a U.S. Holder in foreign currency (including dividends paid in foreign currency) will be valued at the rate of exchange on the date of receipt. The subsequent disposition of any foreign currency received (including an exchange for U.S. currency) will generally give rise to ordinary gain or loss should the rate of exchange subsequently change.

Foreign Tax Credit or Deduction

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of our common shares may be entitled, at the option of the U.S. Holder, to either receive a deduction or a tax credit for U.S. federal income tax purposes with respect to such foreign tax paid or withheld. Significant and complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's U.S. income tax liability that the U.S. Holder's foreign source income bears to his or its worldwide taxable income. In applying this limitation, the various items of income and deduction must be classified as either foreign source or U.S. source. Complex rules govern this classification process.

In lieu of a credit, a U.S. Holder who itemizes deductions may elect to deduct all of such holder's foreign taxes in the taxable year. A deduction does not reduce U.S. tax on a dollar-for-dollar basis like a tax credit, but the deduction for foreign taxes is not subject to the same limitations applicable to foreign tax credits. U.S. Holders are urged to consult their own tax advisors regarding the availability of foreign tax credits.

A U.S. Holder's ability to use foreign tax credits could be adversely affected if we are a PFIC.

Information Reporting and Backup Withholding

Certain U.S. Holders are required to report information relating to an interest in our common shares, subject to certain exceptions, by attaching a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in our common shares or warrants. U.S. Holders are urged to consult their own tax advisors regarding information reporting requirements relating to their ownership of our common shares.

Dividend payments made with respect to our common shares and proceeds from the sale or other disposition of our common shares may be subject to information reporting requirements and to U.S. backup withholding.

In general, backup withholding will apply with respect to reportable payments made to a U.S. Holder unless (i) the U.S. Holder is a corporation or other exempt recipient, and if required, demonstrates such exemption, or (ii) the U.S. Holder furnishes the payor with a taxpayer identification number on IRS Form W-9 in the manner required, certifies under penalty of perjury that such U.S. Holder is not currently subject to backup withholding and otherwise complies with the backup withholding requirements.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding imposed on a payment to a holder will be allowed as a refund or a credit against such holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, we are not required to provide this information. See Item 8. Financial Statements and Supplementary Data.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this Annual Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. See Cautionary Note Regarding Forward-Looking Statements. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth in Item 1A. Risk Factors and elsewhere in this Annual Report.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and accompanying notes included in Item 8 of this Annual Report. This Management's Discussion and Analysis (this MD&A) has been prepared based on information known to management as of March 28, 2018. This MD&A is intended to help the reader understand the consolidated audited financial statements of the Company.

All currency amounts are expressed in thousands of U.S. dollars, except per share and common share amounts, unless otherwise noted.

OUTLOOK

During the first quarter of 2016, we placed the Bear Lodge REE Project under care-and-maintenance, and all permitting activities were suspended. The Company continued the 2016 implemented cost-conservation measures throughout 2017. With the completion of the transaction with Synchron on October 2, 2017 (discussed below), the Company is considering an updated work plan to (i) confirm and enhance our proprietary technology for rare earth processing and separation through pilot plant testing, (ii) progress engineering work to optimize our mine plan, and (iii) determine the timing for the resumption of permitting efforts. The Company will additionally continue with certain limited exploration-related reclamation activities in 2018 as required and appropriate.

RESULTS OF OPERATIONS

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Summary

Our consolidated net loss for the year ended December 31, 2017 was \$853, or \$0.01 per share, compared with our consolidated net loss of \$3,426, or \$0.07 per share, for the same period in 2016. For the year ended December 31, 2017, the decrease in consolidated net loss was primarily the result of a decrease in corporate administration expenses of \$1,423, a decrease in impairment charges of \$407, a decrease in our reclamation obligation of \$225 and the gain on the revaluation of the option liability of \$209.

Exploration and Evaluation

Exploration and evaluation costs were \$138 for the year ended December 31, 2017 and approximating \$394 for the same period in 2016. During 2016, we suspended the majority of permitting activities while continuing the work necessary to maintain our assets at the Bear Lodge REE Project.

Corporate Administration

Corporate administration costs decreased to \$1,183 for year ended December 31, 2017, compared with \$2,606 for the same period in 2016, a decrease of \$1,423. During the year ended December 31, 2016, corporate administration costs included one-time expenses of \$950 incurred in placing the Bear Lodge REE Project on care-and-maintenance and severing all but one of our full-time employees.

Reclamation Obligation Revision

During the year ended December 31, 2017, we reduced our reclamation obligation by \$225 based on a revision of our previous estimate. The Wyoming Department of Environmental Quality concurred that the completed reclamation work was in compliance with its standards and the estimated amount for the remainder of the reclamation activities was \$132. There were no such reductions during the year ended December 31, 2016.

Impairment Charges

On October 20, 2016, we executed an Asset Purchase Agreement whereby the Company agreed to sell its Section 16 real property to a private party, retaining a five-year repurchase option. We evaluated the carrying value of the Section 16 real property based on the sale price of \$600. As a result, we reduced the carrying value of the land by \$380 to \$600 in the third quarter of 2016. On October 26, 2016, the parties closed the asset sale, and the Company received net proceeds of approximately \$595. Additionally, as the Bear Lodge Property is on care-and-maintenance, we have recorded an impairment charge of \$27 for the year ended December 31, 2016 to reduce the capitalized acquisition costs to zero. There were no impairment charges in 2017.

Gain on Revaluation of Option Liability

Gain on the revaluation of the option liability was \$209 for the year ended December 31, 2017. This gain is directly related to the valuation of the option agreement with Synchron (see Financial Position, Liquidity and Capital Resources - Strategic Investment discussion below). As the option agreement is considered a derivative liability, we revalue the option liability at the end of each reporting period, until the option is exercised or expired. Any gains or losses from the revaluation are recorded to the Consolidated Statements of Operations. There were no similar transactions in 2016.

Amortization of Intellectual Property Income

During the year ended December 31, 2017, we amortized \$64 of deferred intellectual property income. We incurred deferred intellectual property income due to the intellectual property rights agreement with Synchron (see Financial Position, Liquidity and Capital Resources - Strategic Investment discussion below). As Synchron will obtain exclusive rights to the intellectual property if it exercises the option agreement, the value of the intellectual property rights agreement is considered deferred income. We will amortize the deferred income using the straight-line method over a period of four years (the term of the option agreement). There were no similar transactions in 2016.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Net cash used in operating activities was \$1,273 for the year ended December 31, 2017, as compared with \$3,637 for the same period in 2016. The decrease in cash used of \$2,364 from the prior period was primarily the result of decreased spending on corporate administration expenses, the reduction of our reclamation obligation, the gain on revaluation of the option agreement, the amortization of the intellectual property deferred income.

Investing Activities

Net cash provided by investing activities was \$88 for the year ended December 31, 2016, as compared with net cash used of nil for the same period in 2017. The cash received in the 2016 period was related to the sale of small equipment and office furniture.

Financing Activities

Net cash provided by financing activities was \$4,706 for the year ended December 31, 2017, and net cash provided by financing activities was \$595 for the year ended December 31, 2016. The cash received in the 2017 period was related to the transaction with Synchron discussed in Financial Position, Liquidity and Capital Resources Strategic Investment, net of costs to complete. The cash received in 2016 was the result of closing the sale on October 26, 2016 of approximately 640 acres on non-core real property located in Crook County, Wyoming (Section 16 real property).

Liquidity and Capital Resources

At December 31, 2017, our total current assets were \$4,401, as compared with \$1,008 at December 31, 2016, which is an increase of \$3,393. The increase in total current assets is primarily due to an increase in the combination of cash and cash equivalents in the amount of \$3,433 due to the transaction with Synchron, discussed below, partially offset by funding operations and a decrease in prepaid expenses. Our working capital as at December 31, 2017 was \$4,349, as compared with \$791 at December 31, 2016. The increase in working capital is primarily due to the strategic investment, discussed below, partially offset by funding our operations and by the non-cash reclamation obligation revision, discussed above.

We had previously placed the Bear Lodge REE Project under care-and-maintenance, and all permitting activities had been suspended. Additionally, corporate cost containment measures were implemented to preserve remaining cash balances as we pursued additional financings, asset sales and/or strategic alternatives, including joint ventures and the potential sale of all, or a portion of, the Bear Lodge REE Project and/or the Sundance Gold Project. As a result of the closing of the transaction with Synchron on October 2, 2017, the Company is considering an updated work plan to (i) further progress and enhance our proprietary technology for rare earth processing and separation through pilot plant testing, (ii) progress engineering work to optimize our mine plan, and (iii) determine the timing for the resumption of permitting efforts.

Notwithstanding the transaction with Synchron in October 2017, we do not have sufficient funds to fully complete feasibility studies, permitting, development and construction of the Bear Lodge REE Project. Therefore, the achievement of these activities will be dependent upon future financings, off-take agreements, joint ventures, strategic transactions, or sales of various assets. There is no assurance, however, that we will be successful in completing such a financing or transaction. Ultimately, in the event that we cannot obtain additional financing