

RARE ELEMENT RESOURCES LTD
Form 10-Q
May 10, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2016

OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 001-34852

RARE ELEMENT RESOURCES LTD.

(Exact Name of Registrant as Specified in its Charter)

BRITISH COLUMBIA

(State of other jurisdiction of incorporation or organization)

N/A

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

225 Union Blvd., Suite 250

Lakewood, Colorado

(Address of principal executive offices)

80228

(Zip Code)

(720) 278-2460

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 (§232.405 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of issuer's common shares outstanding as of May 10, 2016: 52,941,880

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REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

All amounts in this report are expressed in thousands of United States (U.S.) dollars, unless otherwise indicated.

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

References to Rare Element, the Company, we, our, and us mean Rare Element Resources Ltd., our predecessors, consolidated subsidiaries, or any one or more of them, as the context requires.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking information within the meaning of Canadian securities legislation and forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (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, forecasts, likely, projects, believes, seeks, or stating that certain actions, events or results may, could, 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 or expectations will be achieved. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained in this Quarterly Report. Forward-looking statements in this Quarterly Report include, but are not limited to, statements regarding the following:

the insufficiency of our existing cash resources and working capital to enable us to continue our operations for the next 12 months as a going concern;

the potential liquidation 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 of the Company's near-term operational and permitting activities and pursuit of potential financing and strategic alternatives;

expectations regarding the ability to raise capital or secure strategic partners and to continue development plans at our Bear Lodge Rare Earth Element Project ("Bear Lodge REE Project" or the "Project");

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

the impact of changes in foreign currency exchange rates on our financial statements.

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 our expectations and include, among others, the factors referenced in the "Risk Factors" section of our Annual Report on Form 10-K for the period ended December 31, 2015, including, without limitation, risks associated with:

our ability to obtain additional financial resources on acceptable terms to (i) continue the Company, (ii) maintain our assets, (iii) conduct our Project activities and (iv) maintain our general and administrative expenditures at sustainable levels;

depressed and volatile rare earth markets, including fluctuations in demand for, and prices of, rare earth products;

our lack of production from our mineral properties, including the Bear Lodge REE Project;

our history of losses and numerous uncertainties that could affect the profitability or feasibility of the Bear Lodge REE Project;

the potential outcome of a future feasibility study that may indicate Bear Lodge REE Project economics are less favorable;

our ability to resume our currently suspended federal and state permitting efforts in a timely and cost effective manner;

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the exploration, development and operation of our Bear Lodge REE Project;

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increased costs affecting our financial condition;

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

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

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

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

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our proprietary, patent-pending, processing technology that could encounter unforeseen problems, unexpected costs or both in scaling it up to commercial application;

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mineral reserve and mineral resource estimation;

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

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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 the mining industry and climate change;

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

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a shortage of equipment and supplies;

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mining and resource exploration and development being a potentially hazardous activity;

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

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title to our properties or mining claims;

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insurance for our operations that could become unavailable, unaffordable or commercially unreasonable or exclude from coverage certain exposures of our business;

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negative impacts to our business or operations from market factors;

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our land reclamation and remediation requirements;

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information technology system disruptions, damage or failures;

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

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foreign currency fluctuations;

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

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costs associated with any unforeseen litigation;

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enforcement of civil liabilities in the United States and elsewhere;

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our common shares continuing not to pay cash dividends;

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

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the OTCQB standards and the penny stock rules and the impact on trading volume and liquidity due to our listing on the OTCQB marketplace

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

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other factors, many of which are beyond our control.

This list is not exhaustive of the factors that might affect our forward-looking statements. 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 or update any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. **We qualify all of the forward-looking statements contained in this Quarterly Report on Form 10-Q by the foregoing cautionary statements.** We advise you to carefully review the reports and documents we file from time to time with the U.S. Securities and Exchange Commission (the SEC), particularly our Annual Report on Form 10-K. The reports and documents filed by us with the SEC are available at www.sec.gov.

PART I FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****RARE ELEMENT RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of U.S. dollars, except shares outstanding)

	March 31, 2016 (unaudited)	December 31, 2015 (audited)
ASSETS:		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,300	\$ 3,881
Interest receivable	-	-
Accounts receivable	11	10
Prepaid expenses	110	162
Total Current Assets	2,421	4,053
Equipment, net	161	227
Land	980	980
Mineral properties	27	27
Total Assets	\$ 3,589	\$ 5,287
LIABILITIES:		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,014	\$ 909
Asset retirement obligation, current portion	152	152
Total Current Liabilities	1,166	1,061
Asset retirement obligation, non-current portion	205	205
Total Liabilities	1,371	1,266
Commitments and Contingencies		
SHAREHOLDERS' EQUITY:		
Common shares, no par value - unlimited shares authorized; shares outstanding March 31, 2016 - 52,941,880, December 31, 2015 52,941,880	103,640	103,640
Additional paid in capital	23,562	23,529
Accumulated deficit	(124,984)	(123,148)
Total Shareholders' Equity	2,218	4,021

Total Liabilities and Shareholders' Equity

\$ 3,589

\$ 5,287

See accompanying notes to consolidated interim financial statements

RARE ELEMENT RESOURCES LTD.
CONSOLIDATED UNAUDITED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in thousands of U.S. dollars, except share and per share amounts)

	For the three months ended March 31,	
	2016	2015
Operating income (expenses):		
Exploration and evaluation	\$ (127)	\$ (1,118)
Corporate administration	(1,747)	(1,010)
Depreciation	(13)	(45)
Total operating expenses	(1,887)	(2,173)
Non-operating income (expenses):		
Interest income	1	9
Gain/(loss) on currency translation	17	(311)
Gain on sale of equipment	33	-
Total non-operating income (expense)	51	(302)
Net loss	\$ (1,836)	\$ (2,475)
LOSS PER SHARE - BASIC AND DILUTED	\$ (0.03)	\$ (0.05)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	52,941,880	47,707,216

See accompanying notes to consolidated interim financial statements

