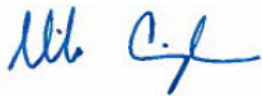




MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567

The Division of Reclamation, Mining and Safety has conducted an inspection of the mining operation noted below. This report documents observations concerning compliance with the terms of the permit and applicable rules and regulations of the Mined Land Reclamation Board.

MINE NAME: USA Rare Earth Processing Facility	MINE/PROSPECTING ID#: M-2020-011	MINERAL: Rare earth minerals	COUNTY: Jefferson
INSPECTION TYPE: Monitoring	INSPECTOR(S): Michael Cunningham	INSP. DATE: July 13, 2020	INSP. TIME: 13:00
OPERATOR: USA Rare Earth, LLC	OPERATOR REPRESENTATIVE: Sheryl Garling and Roger Garling	TYPE OF OPERATION: IM - Is it Mining	
REASON FOR INSPECTION: Priority	BOND CALCULATION TYPE: None	BOND AMOUNT: No Bond Held	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: July 29, 2020	

GENERAL INSPECTION TOPICS

This list identifies the environmental and permit parameters inspected and gives a categorical evaluation of each. No problems or possible violations were noted during the inspection. The mine operation was found to be in full compliance with Mineral Rules and Regulations of the Colorado Mined Land Reclamation Board for the Extraction of Construction Materials and/or for Hard Rock, Metal and Designated Mining Operations. Any person engaged in any mining operation shall notify the office of any failure or imminent failure, as soon as reasonably practicable after such person has knowledge of such condition or of any impoundment, embankment, or slope that poses a reasonable potential for danger to any persons or property or to the environment; or any environmental protection facility designed to contain or control chemicals or waste which are acid or toxic-forming, as identified in the permit.

(AR) RECORDS----- <u>N</u>	(FN) FINANCIAL WARRANTY----- <u>N</u>	(RD) ROADS----- <u>N</u>
(HB) HYDROLOGIC BALANCE----- <u>N</u>	(BG) BACKFILL & GRADING----- <u>N</u>	(EX) EXPLOSIVES----- <u>N</u>
(PW) PROCESSING WASTE/TAILING---- <u>N</u>	(SF) PROCESSING FACILITIES----- <u>N</u>	(TS) TOPSOIL----- <u>N</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>N</u>	(FW) FISH & WILDLIFE----- <u>N</u>	(RV) REVEGETATION---- <u>N</u>
(SM) SIGNS AND MARKERS----- <u>N</u>	(SP) STORM WATER MGT PLAN---- <u>N</u>	(RS) RECL PLAN/COMP-- <u>N</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>N</u>	(SC) EROSION/SEDIMENTATION--- <u>N</u>	(ST) STIPULATIONS----- <u>N</u>
(AT) ACID OR TOXIC MATERIALS----- <u>N</u>	(OD) OFF-SITE DAMAGE----- <u>N</u>	

Y = Inspected and found in compliance / N = Not inspected / NA = Not applicable to this operation / PB = Problem cited / PV = Possible violation cited

OBSERVATIONS

The inspection was conducted by Michael Cunningham, Russ Means and Eric Scott of the Division of Reclamation, Mining and Safety (Division). Sheryl Garling and Roger Garling with R and D Enterprises, Inc. were present on behalf of USA Rare Earth, LLC (URE). In addition, the Division met with Pete Critikos, Director of Engineering and Development, and Dan Gorski, Director of Operations. The purpose of the inspection was to evaluate URE's rare earth process testing facility to determine if a Reclamation Permit will be required for the activities which will be conducted at the facility.

The rare earth process testing facility is located in an industrial park at 11423 W. I-70 Frontage Rd., Wheat Ridge, CO 80033. The Division was informed the source of the rare earth deposit is Round Top Mountain, located in western Texas. The pilot project has been located in Wheat Ridge, Colorado due to the availability of technical resources that can support the research and development phase. URE expects the research and development phase will last between 1 to 2 years with the pilot project eventually relocating to Texas. Any full scale processing and milling will occur in close proximity to the mine site and would not be subject to Colorado regulations.

The facility consists of 3,500 ft² commercial space that contains a process testing laboratory, offices and support facilities. The facility was not operational at the time of the inspection. The Division observed a variety of laboratory equipment, including an Inductively Coupled Plasma Mass Spectrometry unit, which was in the process of being set up. The process testing facility will receive ore samples from the mine in Texas. Samples will be received in super sacks at a rate of 4 tons per month. Several super sacks with crushed ore were present within the facility. According to URE, the ore does not contain sulfides and there is no potential for acid generation. All spent ore will be returned to Texas for final disposal. The primary leaching of the ore will occur at a licensed laboratory. The process testing facility will receive solution from the laboratory which will be used to test various processes for rare earth metal recovery. URE plans to utilize dilute sulfuric as a reagent. Spent leachate will be neutralized, filtered, and disposed of onsite.

The process testing facility does not hold any other local permits for the proposed activities. The Division has determined the activities which will be conducted by URE do not constitute mining or prospecting. Additionally, the bench-scale testing that will occur is not considered to be milling. As such, the activities are exempted from requiring a permit from the Division. Any significant deviation from the plans discussed during the inspection could result in review and possible reversal of this determination. URE is encouraged to notify the Division if there are any changes to the process testing facility.

This concluded the inspection.

PHOTOGRAPHS



1. Emergency wash station. (Plastic totes in background are empty)



2. Laboratory set up.



3. Unboxed laboratory equipment.



4. Laboratory equipment.



5. Super sacks with crushed ore.



6. Crushed ore to be used for testing.

Inspection Contact Address

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New York, NY 10018

CC: Russ Means, DRMS
Eric Scott, DRMS
Sheryl and Roger Garling, R and D Enterprises, Inc.