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Department of Water Resources
Eastern Region

Form 202A 04/12

ID No. TP-74-30

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

APPLICATION FOR TEMPORARY APPROVAL OF WATER APPROPRIATION

(For a use not intended to become an established water right, not to exceed a total diverted volume of five (5) acre-feet, and not to exceed one (1) year duration in accordance with Section 42-202A, Idaho Code.)

Name of applicant: US Rare Earths, Inc./Process Engineering LLC Phone: 208-989-4997

Address: 5600 Tennyson Parkway,Suite 190,Plano, Texas 75024 Email: hdunn@mindspring.com

1. Source of water: Spring Creek/Squaw Creek tributary to Salmon River.

2. Location of point(s) of diversion:

TWP	RGE	SEC	GOVT LOT	¼	¼	¼	County	Source (Spring)	Local name or tag #
24N	19E	5		SW	NW	SW	Lemhi	Spring Creek	
24N	19E	14		NW	NE	SW	Lemhi	Squaw Creek	

3. Location of place of use:

TWP	RGE	SEC	NE				NW				SW				SE				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
25N	19E	32																1/4	
24N	19E	11										1/4							

4. Describe proposed use of water Exploration Drilling

5. Amount of water:
   Maximum rate of diversion _____ cfs or 15 gpm.
   Maximum daily volume .033 AF; total volume 5 2 24 AF.

6. Duration of diversion: from 7-Nov (Day-month) to 23-December (Day-month).

7. Describe proposed diverting works: Pumped into water truck

8. a. Who owns the property at the requested point of diversion? US Forest Service
   b. Who owns the land to be irrigated or place of use? US Forest Service
   c. If the property is owned by a person other than the applicant, describe the arrangement allowing access to the water: Permitted through the submitted USFS Plan of Operations for the Dutchler Basin Exploration Drilling Program

9. Additional remarks: UTM Coordinates for location of water withdrawl: WGS84 UTM 11North: 714167E, 5035114N and 719150E, 5032234N or Approx. in the SW1/4 of the NW 1/4 of the SW 1/4 of Sec 5, T24N, R19E and Approx. in the NW1/4 of the NE 1/4 of the SW 1/4 of Sec 14, T24N, R19E.

I hereby acknowledge that I assume all risk if the diversion and use of the water under this approval injures other water rights. I certify this is a temporary use and that I am not seeking a continuing right to use water.

_____ 10/30/13
Signature of applicant Date

Received by _____ Date _____ Time _____
$50.00 fee receipted by _____ # E039261 Date 11/1/13
Watermaster Comments received? _____ Date _____

ID No. TF-74-30

ACTION OF THE DIRECTOR, DEPARTMENT OF WATER RESOURCES

This is to certify that the department has examined this application for temporary approval to use water under the provisions of Section 42-202A, Idaho Code, and has determined that:

____ A. The application for temporary approval should be denied.

__✓__ B. The application for temporary approval should be approved, since

1. The temporary approval can be properly administered.
2. Other water sources are not readily available.
3. The approval is in the public interest.
4. The approval will not injure known public values associated with the water source or any known water rights.

This application is therefore hereby:

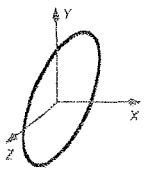
____ A. DENIED

__✓__ B. APPROVED, subject to the following conditions:

1. Diversion and use of water under this approval is subject to all valid existing water rights.
2. The applicant assumes all risk the use of the water under this approval may injure other water rights.
3. This approval authorizes a maximum diversion of ~~5~~ 2 AF and a maximum rate of diversion of _____ cfs.
4. This approval does not grant a right-of-way across the land of another, does not create a continuing right to use the water and may not be used in connection with a use which requires a continuing water supply.
5. The department may cancel this approval at any time if the department identifies injury to other water rights.
6. This approval does not create a continuing right to use water.
7. The holder of this temporary permit shall not divert at a rate or in a manner that will significantly reduce the flow in the water source or otherwise adversely affect fish, wildlife or other public vaules.
8. Other: _____
9. This approval expires on Dec. 23, 2013.

Signed this 8th day of Nov., 2013.

Lyle Swank
For the Director



Process Engineering LLC

October 30, 2013
Idaho Department of Water Resources
Eastern Region
900 North Skyline Drive, Suite A
Idaho Falls, ID 83402-1718

Process Engineering LLC is the exploration manager conducting exploration activities for US Rare Earths, Inc.

Attached please find the Temporary Approval of Water Appropriation Application for the Dutchler Basin Exploration Drilling Program to be conducted in the Dutchler Basin West of North Fork, ID in accordance to the US Forest Service Decision Memo approving the US Rare Earths' Plan of Operations, as attached.

Enclosed is the application and check #4423 in the amount of USD$50.00.

Sincerely,

Howard Dunn, Principle

Process Engineering LLC for US Rare Earths

Howard Dunn
Ph:208.989.4997
6754 S. Cochrane Dr., Meridian ID 83642
Fx:208.887.7948
hdunn@mindspring.com

USDA

United States
Department of
Agriculture

Forest
Service

December
2012

Decision Memo

Dutchler Basin
Exploration Drilling Project

North Fork Ranger District
Salmon-Challis National Forest
Lemhi County, Idaho

T.24N., R.19E., Sections 1, 5, and 10; and T. 25N, R. 19E. , Section 32, Boise Meridian, Lemhi County, Idaho.

I DECISION

It is my decision to authorize U.S. Rare Earths' March 28, 2012 plan of operation, as modified on May 30, 2012 and December 13, 2012, once the management requirements listed on pages 3-6 have been incorporated into the plan. The plan involves exploratory drilling for mineralization and the reclamation of the associated disturbance. This decision is consistent with applicable laws and regulations guiding the planning and management of National Forest System Lands.

II PROJECT DESCRIPTION

U.S. Rare Earths (New York, NY) submitted a plan of operations to conduct mineral exploration activities on National Forest (NF) lands administered by the North Fork Ranger District, Salmon-Challis NF. Proposed activities are located within the Spring and Squaw Creek drainages approximately 15 miles north-west of North Fork, Idaho. Legal description for the area is T.24N.,R.19E. – Sections 1,5,10, and T.25N.,R.19E. – Section 32, Boise Meridian, Lemhi County, Idaho.

In order to access the proposed drilling sites approximately 1000 feet of new temporary low-impact exploration road will be constructed and approximately 2500 feet of non-system logging spur will be re-opened. A track-mounted excavator will be used to re-open and construct the roads.

The proposed new construction roads are situated on relatively gently sloping ridgetops supporting balsamroot, lupine and bluebunch wheatgrass. These temporary exploration roads will be built utilizing low impact construction. Low impact construction involves removing trees and flush cutting stumps and leveling a flat surface in order to provide an appropriate surface for safe use and transport of the drill, supporting equipment, and personnel. The temporary road to drill site five may require the removal of 4-6 Douglas-fir and ponderosa pine trees, greater than 7" dbh, which will be used for stabilization during reclamation. The temporary road to drill site four will not require any tree removal and is located on an old skid trail that was used for logging.

Logging spur 041B will be minimally cleared to allow for support vehicle access to drill sites, including tree removal and some widening. A moderate amount of tree clearing will be necessary consisting of sapling, pole and immature saw-timber sized trees. The road will also need to be cleared of rocks and slough by blading the material into a berm that will be evenly re-spread across the road surface at the conclusion of drilling. During road and drill pad construction, clearing slash and logs will be placed below the road and pads to serve as a sediment barrier and ensure that they will be available for placement on the road surface after final spreading of the berm and seeding.

Drill pads and sumps will be located in the main portion of the exploration roads. However, some additional clearing and leveling will be necessary in order to create a total pad size of approximately 24 ft. by 22 ft. Two core holes will be initiated from each pad, 200' and 400' in depth. Drill pads will be prepared using a small dozer or excavator.

Sumps will be 8' x 8' x 7'. Topsoil will be stockpiled during construction for reclamation purposes. When drilling is complete, water in sumps will be decanted or allowed to percolate into the ground. Sumps will then be backfilled, contoured to grade, and revegetated with an approved seed mixture. Sumps will be fenced where appropriate

to let trapped drilling effluent solidify prior to backfilling and to protect animals from entrapment.

Water for drilling would be obtained from either Spring Creek or Squaw Creek. Water consumption is estimated at less than 4000 gallons a day. No diversion structures will be necessary. A siphon hose arrangement will be used to pump the water from creeks to a water truck which would haul water to the drill sites.

The drill rig, drill rods, stock tanks for mixing drill mud and ancillary equipment will be located in a central laydown area.

Re-opening the roads, new road construction and construction of the drill pads and sumps will result in approximately 2.0 acres of surface disturbance. An old logging spur off FSR 041B runs below the ridgeline above the proposed location of Drill Site #5, so no cut and fill would be needed. The ridge from this spur to the drill site is relatively flat and easily accessible for a 500' traverse by a track-mounted drill.

U.S. Rare Earths will ensure reclamation on all completed drill sites by October 31, 2014 (filling in sumps, plugging drill-holes, shaping and scarifying all disturbance and seeding), and thereafter perform concurrent reclamation on sites where drilling has not been completed.

Final reclamation will occur at the conclusion of drilling operations. This includes plugging drill holes from total depth to the land surface with a cement/bentonite grout or bentonite slurry, reshaping the roads and drill pads back to the original contour, seeding of disturbed areas, and other erosion control and noxious weed preventative measures should they be necessary.

The Forest Service will require a bond to ensure reclamation of the site. Should the results of the exploration effort be successful the Operator may choose to submit a plan for 2013 and/or beyond. If a new plan is submitted, a new environmental analysis will be required.

Management Requirements and Constraints to be incorporated into the Operating Plan

1. The operator will notify the Forest Service (FS) a minimum of three days in advance prior to commencing initial activities and also prior to initiating reclamation.
2. Prior to commencing activities the FS Administrator, Operator and contractor shall review and approve construction methods and locations for the temporary exploration road.
3. Prior to entry onto National Forest lands all exploration equipment shall be power-washed so they are free of dirt and/or caked-mud that may contain weeds or weed seeds. A visual inspection will be scheduled and completed by the FS Administrator.
4. The Operator will need to access sites on non-designated routes. Access will be authorized through the approved Plan of Operation. Motorized access will be restricted from the project area from November 15 through April 15 to minimize any adverse effects to wintering big game (FLRMP IV-110).

Wildlife

5. Should any unusual or unrecognized plant species be found in the TES Plant Action Area, they will be evaluated to determine if they are Threatened or Endangered, and if so, appropriate mitigation measures would be implemented by the USFS. Potential mitigation measures are detailed in the Wildlife and Rare Plants Specialist Report (Project File, Supervisor's Office).
6. Should an active TES or sensitive species den (nest, maternity colony, calving area, etc.) be found in or near the project area, US Fish and Wildlife Service will be notified and appropriate mitigation measures as determined by the USFS and USFWS would be implemented to avoid disturbance to and/or abandonment of the den, if necessary. Potential mitigation measures are detailed in the Wildlife and Rare Plants Specialist Report (Project File, Supervisor's Office).
7. Should an active TES or sensitive species raptor nest be found within 0.5 miles of the project site while project activities are on-going, the Salmon LRMP standard of a 0.25-0.5 mile radius "no activity" buffer will be implemented while unfledged young are present.
8. Mesh fencing shall be placed around sumps until they are closed to prevent accidental entrapment of wildlife species.

Fisheries and Hydrology

9. During water drafting operations, withdrawal rates shall never dewater the stream. The intake hose shall be equipped with a 3/32 inch or smaller mesh size screen with the water velocity at the screen not exceeding 0.4 feet per second so as to prevent adult, juvenile, and young of the year fish species from being siphoned into the hose.
10. The operator shall minimize any vegetation removal on and near existing road prisms during the road opening process; however, the clearing of grass and brush from access routes may be needed to reduce fire hazard.
11. Any debris (rocks, loose gravel, unused fill material) removed during this process will be placed in a suitable location and later used for reclamation purposes. No loose fill debris will be placed on the down-hill side of the access road to aid in the prevention of sediment transport.
12. The operator will be required to install rolling dip drainage features that meet Forest Service Standards for control of possible storm water runoff on the road surface (Appendix C, Hydrology Specialist Report – Recommended Drainage Feature Spacing).
13. Project activities will be conducted when site conditions are conducive to minimizing impacts on soil and water resources. Activities will not be allowed when roads and exploration area are very wet and excessive road rutting or soil compaction would occur.
14. All drilling activities will be located 300 feet or more from live water. Effort should be taken to minimize the amount of stream-side disturbance when drafting water from streams.

15. Core holes must be closed in accordance with State regulations at IDAPA 37.03.09 within 24 hours of completion of drilling each hole. No more than one hole may open at any one time. If artesian ground water is encountered, it will be immediately reported to the District Ranger or authorized representative and the hole will be plugged in accordance with IDAPA 37.03.09.025.12.a.
16. Sumps will be constructed in stable substrate and where surface runoff cannot erode and fluids will not migrate offsite. Sumps will be located on the side of the drill pad or access route opposite any stream channel. In accordance with State standards, if drilling or other fluids reach within 2 feet of the top of the constructed sump, they will be pumped into a closed container and removed from the Forest for proper disposal.
17. Only environmentally friendly compatible drilling fluids will be used. Non-toxic, biodegradable polymers engineered for such use may be mixed in a stock tank at the drill sites and added to the drilling water to keep the core hole open if unstable materials are encountered.
18. Drilling fluids and powdered rock cuttings will be contained in the constructed sump at each drill site. Water in sumps will be decanted or allowed to percolate into the ground.
19. Upon completion of each exploration drill hole, they shall be plugged from total depth to the land surface with cement/bentonite grout or bentonite slurry.
20. A temporary water right permit will be obtained from the Idaho Department of Water resources and proper screens will be placed on the pump intake line as per NMFS recommendations.
21. Petroleum products such as gas, diesel, and oil for the drill rig, pumps, and heavy equipment (backhoe, excavator) will be used during operations. Fuel (gasoline) for pumps and smaller equipment will be stored in 5 gallon fuel containers or smaller and transported by vehicle. All fuel containers above 5 gallons (except water) will be stored in an appropriately sized containment area as prescribed by EPA's Regulation Code 40CFR112.7 (e) 2(ii). Fuel (diesel) may be transported in barrels or pickup truck saddle tanks.
22. Refueling of equipment will occur outside of the RHCA. Equipment staging areas and fuel storage shall be located at least 300 feet from any streams ensuring and be placed inside secondary containment of sufficient capacity to contain any spilled fuel, ensuring that petroleum products will not enter any stream or soil in the event of spills or leaks. The FS shall approve all fuel storage areas and spill plans.
23. The operator will be required to have an approved spill kit on-site to manage any accidental spill of petroleum products. In the event of a fuel spill, the contaminated material will be removed and transported to an authorized location and a Forest Service Official will be notified of incident and response within twenty-four hours. All containers will be properly labeled and stored in secondary containment vessel. Absorbent pads will be placed at fuel transfer locations.

24. All solid waste will be contained and removed for proper offsite disposal daily. No burning of refuse or waste will be permitted. A portable sanitation unit will be located on-site for workers.

Reclamation

25. Drill pads and sumps will be reclaimed once operations are complete at that location. Sumps will be backfilled with the stockpiled native material, contoured to deflect surface runoff, covered with separately stockpiled topsoil and coarse organic material, and re-vegetated with an approved weed-free seed mix as soon as feasible.
26. The operator will stockpile topsoil separately from the subsoil and slough removed and use appropriately during reclamation.
27. Roads that were cleared to facilitate access to the drill locations will be reclaimed to their approximate pre-exploration condition and drainage features (rolling dips) meeting Forest Service Standards will be left in the road prism to direct water flow off of route.
28. Drill pads and sumps will be refilled and reshaped, back to the approximate original contour and perform other erosion control measures should they be deemed necessary once operations are complete at that location.
29. Revegetate disturbed soils (except travel ways on surfaced projects) in a manner that optimizes plant establishment for that site. Revegetation may include topsoil replacement, planting, seeding, fertilizing and mulching. Use native materials and certified weed-free/weed seed-free hay and straw.
30. During the construction and opening of the exploration roads, clearing logs and slash will be placed below the road to ensure that all fill material will be available for final slope re-contouring.
31. The bond for this operation must be posted prior to commencing any exploration activities. The amount of bond will be calculated to ensure full reclamation and revegetation of areas disturbed by the exploration activity, as well as for treatment of any noxious weeds. This portion of the bond will be retained for two years following the operation in the event noxious weeds are found in areas of surface disturbance associated with this project. All mulch materials, straw bales, and seed mixtures used in association with the proposed operation must be certified weed free.
32. Appendix A contains a comprehensive list of mitigation measures that will be required as modifications of the operator's Plan. These mitigation measures are contained in the Forest Land and Resource Management Plan (FLRMP) (IV-51 item 1a and Appendix C VII-C-pg. 1-14). They are the standards and guidelines for locatable minerals operations that occur on the Forest.

III PURPOSE AND NEED FOR ACTION

The purpose of this analysis is to provide for approval of a Plan of Operations to explore for locatable minerals, as required by Forest Service mining regulations located in the Code of Federal Regulations, Title 36, Part 228, Subpart A (36 CFR 228A). This action

is needed because the Forest Service is required to conduct the appropriate level of environmental analysis in order to provide for approval of the operator's Plan of Operations by regulation at 36 CFR 228.4(f).

The Forest Service must process proposed mining operations when they are submitted in accordance with 36 CFR 228.4. This analysis serves to document how the Forest Service will protect surface resources, in accordance with Forest Service minerals regulations (36 CFR 228.8) and all other applicable laws and regulations, when the District Ranger takes the action of approving the Plan of Operations (36 CFR 228.5), as amended by the project design criteria itemized herein.

Forest Service Minerals Laws and Regulations

Forest Service policy in Title 36 Code of Federal Regulations Part 228 (36 CFR 228.1) states that use of the surface of National Forest System lands in connection with operations authorized by the United States mining laws (30 U.S.C. 21–54), which confer a statutory right to enter upon the public lands to search for minerals, shall be conducted to minimize adverse environmental impacts on National Forest System surface resources.

While Federal law permits mining operations on National Forest lands; it also charges the agency with the prevention of unnecessary destruction of Forest lands and regulation of occupancy and use of the surface for purposes reasonably incident to prospecting, mining, or processing, primarily under the Organic Act of 1897 and the Surface Resources Act of 1955.

Forest Plan Management Direction

The project area is covered by a **3A-5B** management prescription. This prescription places emphasis on managing aquatic habitat for anadromous fish species and producing long term timber outputs.

While each prescription places an emphasis on management of one or several Forest resources they also promote other activities that are designed to achieve the goals and objectives established by the Forest Land and Resource Management Plan (FLRMP). Forest goals encourage the legitimate exploration and extraction of locatable minerals from NF lands while maintaining or improving other resource values (FLRMP IV-3).

IV PUBLIC INVOLVEMENT and ISSUES

Notice of the operator's exploration plan was listed in the Forests' Schedule of Proposed Actions Quarterly Report during May 2012. This list identifies new projects and the planning stage of ongoing projects for the Forest. The list includes a contact person for each project and describes how interested members of the public may comment or receive information about the project.

A scoping ad describing the Operator's proposal and inviting public comment was published in th June 7, 2012 issue of the Recorder Herald Newspaper, Salmon Idaho.

A scoping letter, describing the project and inviting comment, was sent to the Chairman and Environmental Coordinator for the Shoshone-Bannock Tribes as well as a member of the public who indicated an interest in the proposal. No comments have been received to date.

Issues

Resource specialists from the Forest Service have reviewed the Operator's proposal. Those included in the review were an Archeologist, Fisheries Biologist, Hydrologist, Minerals Specialist, and Wildlife Biologist.

No significant issues were identified which would warrant the consideration of additional alternatives in order to adequately protect surface resources.

V REASONS FOR CATEGORICALLY EXCLUDING THIS ACTION

The proposed activities are representative of a routine exploration operation designed to gain additional information about the characteristics, extent, and orientation of a mineralized zone.

The Operator's plan, as amended by the management requirements noted on pages three and four, mitigates and minimizes the opportunity for adverse impacts on surface resources.

Based on the analysis contained in the project record and scoping conducted for this project I have also determined that:

- The drilling and reclamation measures will not be implemented in or near any floodplains, wetlands, or municipal watersheds (Hydrology Specialist Report, 11/20/2012).
- Implementation of the proposed exploration project will have **No Effect** to the threatened Canada lynx or their critical habitat (Wildlife Specialist Report, 11/05/2012).
- Implementation of the proposed exploration project shall have **NO EFFECT** to the federally listed endangered Snake River sockeye salmon, threatened Snake River spring/summer Chinook salmon, threatened steelhead, and threatened bull trout (Fisheries BA/BE, 11/01/2012).
- No Congressionally designated areas such as wilderness, wilderness study areas or National Recreation Areas are within the analysis area.
- The project area is not located in any inventoried roadless areas.
- The project is not in any Research Natural Area.
- No known Native American religious or cultural sites, or historic properties will be disturbed. On October 24, 2012, a letter concurring with this determination was received from the State Historic Preservation Office (Project Record).

This project has been reviewed in accordance with FSH 1909.15. The interdisciplinary team responsible for identifying and documenting potential environmental effects of the action determined the project would fall under Section 31.2 "Categories for Which a Project or Case File and Decision Memo are Required." Specifically, this project was considered as "*Short-term (one year or less) mineral, energy, or geophysical investigations and their incidental support activities that may require cross-country*

travel by vehicles and equipment, construction of less than one mile of low standard road (Service Level D, FSH 7709.56), or use and minor repair of existing roads", and is categorically excluded under category 31.2(8). Based on both past experience and environmental analysis, this project will have no significant effect on the human environment, individually or cumulatively, and can be categorically excluded from documentation in an Environmental Impact Statement (EIS) or Environmental Assessment (EA).

There would be no effect to extraordinary circumstances that might cause this action to significantly affect the environment.

VI FINDINGS REQUIRED BY OTHER LAWS

It is my determination that this project is consistent with the Land and Resource Management Plan for the Salmon National Forest (IV-3), the Rules and Regulations pertaining to the Best Management Practices for the Mining Industry in Idaho, and the lynx conservation strategy.

This decision will not have a discernable effect on minorities, American Indians, or women, or the civil rights of any United States citizen. It will not have disproportionate adverse impacts on minorities or low income individuals (*Environmental Justice*).

This decision is neither arbitrary nor capricious; it is based on careful review of the purpose and need, public comment, analysis process and effects determination (*Administrative Procedures Act*).

The proposed action complies with **Executive Order 13112** (Invasive Species) directing Federal Agencies, whose actions may affect the status of invasive species, to prevent the introduction of invasive species; and detect and respond rapidly to, and control populations of such species in a cost-effective and environmentally sound manner, as appropriations allow.

Some resident and neotropical migratory birds may be temporarily displaced due to disturbance activities associated with project implementation. Any potential displacement of bird species that may occur is temporary and not significant because of suitable and abundant habitat available adjacent to the project area. Because large scale changes in habitat will not occur, the status of bird species and the habitats that support them will not be significantly influenced by the implementation of this project. Suitable and abundant cavity habitat is available within the immediate vicinity of the project which will be consistent with the conservation intent of the Migratory Bird Treaty Act (Executive Order 13186).

The project record contains Biological Assessments (BA) and Biological Evaluations (BE) for threatened, endangered, proposed and sensitive wildlife, fish and plant species that may inhabit the project area. The effects to management indicator species (MIS) for the Salmon-Challis NF have also been considered. The design, location, and scope of the project are such that there will be **no effects** or impacts to Threatened, Endangered, Proposed, Forest Service designated sensitive and MIS fish, wildlife, and plants (Specialist Reports, Biological Assessments and Biological Evaluations; Project Record).

The project area has been inventoried for heritage resources. There will be no effects to heritage resources as a result of this project.

VII ADMINISTRATIVE REVIEW AND APPEAL OPPORTUNITIES

Pursuant to 36 CFR 215.8 (a) (4), this decision is not subject to a higher level of review. Implementation of this decision may begin immediately.

VIII PROJECT RECORD and CONTACT PERSON

The project record is available for public review at the Salmon-Challis National Forest Headquarters Office, 1206 South Challis, Salmon, Idaho 83467. For further information on this decision contact Russ Bjorklund by phone at (208)-756-5100.

Responsible Official

JAY T. WINFIELD
District Ranger

1/2/13
Date

Nondiscrimination Statement

"The U.S. Department of Agriculture (USDA) prohibits discrimination in its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communications of program information (Braille, large print, audiotape, etc. should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer."

Appendix A
Management Requirements and Constraints

Applicable measures will be required during implementation of U.S. Rare Earths' March 28, 2012 Dutchler Basin Exploration Drilling Plan of Operations.

Management Requirements and Constraints to be incorporated into the Operating Plan:

Approvals and Access

1. The operator (U.S. Rare Earths) will notify the Forest Service (FS) Minerals Administrator a minimum of three days in advance prior to commencing initial activities.

2. Prior to commencing activities the FS Administrator and Operator shall review and approve drill pad and sump locations.

Noxious Weeds

3. To reduce the threat of introducing exotic weed species, prior to entry onto National Forest System Lands, the operator will be required to power wash the undercarriage and tires/tracks/skids of all exploration equipment such that they are free of dirt and/or caked-mud that may contain weeds or weed seeds. The Forest Service Minerals Administrator will visually inspect all equipment.

4. The Operator will be responsible for eradication of all weeds found within the project area, for a period of two years (2013-2015) in those areas that were disturbed by the operator. Herbicide treatments will be conducted by an Idaho-certified professional weed applicator.

5. All mulch materials, straw bales and seed mixtures used in association with proposed exploration operations shall be certified free of noxious weeds or noxious weed seed to be in compliance with the weed free forage policy for National Forest System lands in Idaho (Special Order #04-00-097; 2/03).

Reclaiming Drill Pads and Sumps

6. Only one drill hole may be left open at one time. Drill pads and sumps will be reclaimed by filling with materials excavated from the sumps prior to operations, covered with stockpiled topsoil and recontoured to original slope. The Operator will notify the Forest Service prior to reclaiming drill pads and sumps in order that the Forest Service may monitor the activity. Reclamation of all drill pads and sumps will be done once excavation is completed at that location.

Water drafting and fuel storage

7. Water drafting will occur on this project at a location approved by the Forest Service in Wagonhammer Creek just above the first (existing) ford.

Bonding

8. A bond (surety, certificate of deposit, letter of credit, etc.) of **$13,600.00** will be required for the operation. The bond for this operation shall be posted prior to commencing any exploration activities. The amount of the bond will be calculated to ensure full reclamation, weed treatments, and re-vegetation of areas disturbed by the exploration activity. The standards which guide the use and release of the reclamation bond are contained in 36 CFR 228, as well as those documented in the plan of operations.

Final Reclamation

9. Reclamation includes concurrent, seasonal, and final activities which are required to minimize surface disturbance, enhance stability, prevent erosion, and return disturbed land to a productive

pre-mining condition. Final reclamation will occur at the conclusion of exploration operations. This includes reshaping all disturbed areas back to their original natural contour, reclamation of test pits, seeding, fertilizing, mulching and removal of all equipment. The Operator may be required to treat noxious weeds (see #4 above) if determined necessary by the Forest Service. All mulch materials, straw bales, and seed mixtures used in association with the proposed operation shall be certified weed free (see #5 above).

10. A comprehensive list of mitigation measures that will be required as modifications of the Operator's plan is contained in the Forest Land and Resource Management Plan (FLRMP) (IV-51 item 1a and Appendix C, VII-C-pg. 1-14). They are the standards and guidelines for locatable minerals operations that occur on the Forest.

II. LOCATION AND CONSTRUCTION FACILITIES

A. Equipment and facilities will be located out of riparian and floodplain areas to the extent practicable.

B. Flagging and markers of any kind must be approved by the Forest Service. Biodegradable ribbon will be used, or alternatively removal of ribbon must be provided for in the reclamation bond.

C. Ribbon and other materials not necessary for the operation will be removed from National Forest System Lands. At the end of the project all material (ribbons, stakes etc.), not necessary for claim monumentation will be removed.

D. Construction sites shall minimize clearing and leveling requirements, avoid surface and ground water resources, protect high value resources and facilities such as roads, camping areas, critical wildlife habitats, and cultural-historic resources.

E. Facilities will be limited to those necessary for minerals operations.

F. Refuse will be disposed of by hauling of all materials to approved sites.

G. Primitive outdoor toilets will be located a minimum of 300 feet from any water course or must be constructed to prevent contamination to any water source. Holding tanks or other chemical toilets must be emptied at dump stations or at facilities designed for sanitary disposal of human wastes.

H. The area of operations will be maintained to present a clean, neat, and orderly appearance. Trash, debris, unusable machinery, improvements, etc. will be disposed of currently.

III. CLEARING AND EXCAVATION

Leveling, excavation, or other surface disturbing work will be reviewed and approved in advance by Forest Service personnel. The goal of these requirements is to keep the extent and duration of disturbance to a minimum consistent with mining/exploration needs.

The operating season for earthwork of any kind will normally be that period after spring runoff (May to June), and before significant snow accumulations in the winter (November). Exceptions to this rule will be made on a case by case basis where it can be shown that resource damage will not occur due to incorporation of snow into earthwork, frozen ground caused by working in extremely cold temperatures, poor ground conditions and/or surface or sub-surface runoff.

A. Vegetative Clearing and Disposal

Timber as designated by the Forest Service will be cut only to the extent necessary for timely relocation of the operation. The following guidelines apply to timber removal (where timber is not used for mining purposes and is on a non-surface rights claim):

1. All live timber felled during an exploration operation that meets the following specifications is considered merchantable. Diameter at breast height of 7.0 inches; an 8-foot piece length that is 6 inches in diameter inside the bark on the small end and at least 1/3 sound. All merchantable material will be cut and skidded tree length to a log deck for disposal or sale by the Forest Service.

   Alternatively, merchantable timber may be used for erosion control or stabilization as directed by the Forest Service.

2. All limbs, unmerchantable trees, and brush will be piled where they can be burned (burn bays will be required in dense timber), without damage to standing live trees and physical improvements.

   Piles shall meet standard specifications for size, be located in existing clearings (or as designated by the Forest Service), a minimum of 10 feet from the drip line of standing trees and be dirt free.

   If conditions make it impracticable to locate piles where damage to live trees and physical improvements cannot be avoided, a space shall be cleared in a location designated by the Forest Service. Piles shall not be made on main traveled roads, in drainage ditches, below high water marks or live streams, in intermittent stream courses, or historic features (tailings piles, mining ditches, edits or mine shafts).

3. If slash amounts created from the operation are low, the piling requirements can be waived and the slash treated by limbing and cutting trees into 8 foot lengths. Slash treated in this manner will be scattered or used for erosion control as directed by the Forest Service.

B. Topsoil Salvage

1. Topsoil or suitable growing medium will be removed from areas to be affected by surface disturbance, where the slope is less than 45%, in quantities sufficient to allow a minimum of 12 inches of topsoil or combination of topsoil and subsoil to be respread over all disturbed areas. This does not include areas disturbed by low impact roads or other activities which do not involve earthen excavation or fill operations.

2. Topsoil will be stockpiled in an area which will be sheltered from wind and water erosion, unnecessary compaction and contaminants. It will be stabilized as necessary with temporary vegetative cover. The operator will ensure that sufficient clearing is used to prevent the incorporation of slash or other material into the topsoil, and to ensure that the topsoil can be respread onto the disturbed area.

C. Erosion and Sediment Control

The operation will ensure that erosion and sedimentation of surface water is minimized through the use of measures which: 1) Minimize erosion by slowing or interrupting overland flow; 2) Divert clean water around areas of disturbance; 3) Contain water within disturbed sites; and 4) Pass sediment laden water through sediment control devices before leaving the site. These sediment control devices will be placed to contain sediment as close to the source as practical to keep sediment on site.

Sediment control devices which will be used to meet this standard include straw dikes, riprap, check dams, mulches, vegetative filter strips, dugout ponds, cross ditches, and other measures described in the State of Idaho Best Management Practices for Mining Manual.

The following erosion and sediment control measures are planned for the operation. Other measures may be required by the Forest Service to meet the stated erosion and sediment control standards.

1. Vegetative buffer zones will be maintained along all surface waters, seeps, wet areas to ensure bank stability and provide a filter strip for sediment. The size of this buffer will vary with the slope of the land, quantity of surface and ground water, and type of clearing or depth of excavation.
2. Minimum filter strip widths given sideslope, ground cover and rock type are found in the Soil and Water Guidelines in the Forest Plan.
3. In addition to the filter/buffer strips described in item 1, the operator will ensure that there is adequate room between these strips and the clearing or excavation in which to implement sediment control measures to prevent or stop sediment or other contaminants from reaching surface waters.
4. On oversteepened slopes, operator will utilize right of way timber to support fills.
5. Plastic tanks will be used as directed by the Forest Service for drill water where it is feasible to reduce surface disturbance and decrease the potential for sediment transport.
6. The smallest practicable area will be disturbed at any one time during the operation through progressive backfilling and prompt re-vegetation.
7. Erosion and sediment control facilities will be inspected after major precipitation events, in the fall and spring and cleaned to maintain at least 60% of their volume capacity in sediment.
8. Sediment devices for surface drainage will be maintained until disturbed areas have been restored and re-vegetation requirements met.

IV. HAZARDOUS MATERIALS

Hazardous materials are those which are toxic, ignitable, corrosive, reactive or capable of causing damage to plant or animal life. This includes fuels and lubricants as well as other chemical compounds. The objective of the following requirements is to ensure that such materials are properly transported and stored to prevent contact with the environment and that measures are in place to contain and dispose of such material in case of an accidental spill.

The Operators plan of operation must describe all potentially hazardous materials that will be used in the operation including the type, amount, rate of use, method, size and frequency of, shipment, and type and size of onsite storage. Material Safety Data Sheets will be provided to the Forest Service by the operator for chemicals, additives or other potentially hazardous materials used in the operation.

A. Facilities must be designed to contain the entire volume of stored hazardous materials in case of accidental spillage. In addition, the storage area should be lined with an impermeable finer to prevent offsite damage, and to facilitate cleanup. A Spill Prevention Control and Countermeasures plan is required by DOT regulations for single tanks above ground in excess of 660 gallons or multiple tanks in excess of 1,320 gallons. A Spill Response Plan will be required for any deliveries of fuels to the site for onsite storage and use.

B. An area will be established where all equipment will be serviced, fueled and parked when not in use. The area selected should minimize exposure to surface and ground water resources.

C. Used lubricants, hydraulic fluids, or other hazardous byproducts or waste will be disposed of at a State approved site.

D. Storage facilities for materials capable of causing water pollution, if accidentally discharged, shall be located to prevent any spillage into waters, or channels leading into water, that would result in harm to fish and wildlife or to human supplies.

E. Transportation of hazardous materials, explosives, or petroleum products shall be described in terms of the transport vehicle type, size and frequency of shipments and shall meet all Department of Transportation and State requirements. The operator shall prepare a spill prevention and emergency response plan where bulk shipments of these materials are necessary for the operation and shall require the transport company to comply with all provisions of the plan. Such plans will describe materials and amount hauled, approved vehicle types, communications, spill response procedures and equipment.

V. ROADS

A. Low Impact Access - Where the steepness and shape of slope allow, access will consist of vegetative clearing, cutting of trees flush to the ground, and not earthen excavation or fill. These are typically temporary exploration access routes. Clearing limits will be the minimum necessary (not to exceed twenty feet), to allow safe vehicle passage. Where using this type of access, the volume and type of vehicles must be considered to avoid excessive compaction and rutting of the ground which would require ripping or reshaping during reclamation.

B. Exploration Access Requiring Ground Disturbance - The Salmon Forest Minimum Guidelines for Mineral Access Roads will be used to design access for exploration where cut and fill construction is required. Right-of-Way clearing widths shall not exceed 30 feet unless otherwise approved by the Forest Service.

C. Road location, alignment, width, grades, and drainage will be reviewed in the field with the Operator, Forest Service and Contractor and agreed upon in writing prior to construction. The Salmon National Forest Soil and Water Guidelines for Mining Access Rods will be used, unless more site specific design criteria are available. Filter strips along surface water will be as required by the Forest Plan Soil and Water Guidelines. All roads and pad locations shall be flagged and approved prior to construction.

D. Cut fillslopes and road prisms will be mulched if necessary and reseeded in the fall after construction. Road drainage structures such as rolling dips (desirable), cross ditches or culverts will be installed as needed. This work will normally be completed prior to September 25 of each year.

To minimize water quality impacts operators will install culverts/bridges as approved by the Forest Service at all stream crossings.

When no longer needed for access, roads will be reshaped to their original contour and revegetated as described "Reclamation."

VII. RECLAMATION

Final reclamation activities and the normal sequence in which they occur are documented in A-G below. Exceptions to this normal sequence would be for those facilities which would be used for next years operation. Normally all areas disturbed by an operation will at a minimum be stabilized with erosion/sediment control measures and revegetated in the fall of the year in which the disturbance occurred. In all cases an annual reclamation plan update will be required which describes the reclamation status of the operation including all disturbance including unreclaimed,

seasonal or final reclamation. This plan will also address all facilities and equipment left on National Forest System Land.

A. Remove or dispose of all equipment and facilities. This includes disposal of toxic or waste materials and draining of ponds. All such work will be accomplished in such a way to ensure long term stability of the site and to prevent contamination of ground or surface waters.
B. Backfilling - all excavation including access roads will be backfilled to allow

C. Recontouring - After backfill of materials and before the addition of topsoil, disturbed areas 'l be shaped to meet the following objectiv

1. Minimize erosion onsite. This is accomplished through control of runoff, returning roads to as near the original contour as practicable, breaking up drainage patterns by reducing the length of continuous smooth slopes and the use of sediment control measures if necessary.

2. Sediment Control Measures - Sediment control measures will be installed as necessary to meet the erosion and sediment control standards during the recontouring phase of reclamation.

3. Slash will be placed to simulate the conditions on either side of the facility being reshaped with the objective of obtaining as natural appearance as possible.

D. Seedbed Preparation - Where compacted layers would inhibit vegetative growth, the top soil will be ripped or harrowed on the contour. Where erosion is expected to be a problem, mulch and/or terracing will be used.

E. Reseeding - A seed mixture designed to promote rapid ground cover and long-term stability will be formulated based on site-specific conditions, and will be provided to the operator prior to commencement of reclamation activities. Seed mixes may contain grasses, forbs and shrubs and consist of at least 6 species. Seed mixes proposed for use in reclamation projects will be reviewed and approved by the authorized officer prior to their use.

NOTE: SEED AND MULCH ARE TO BE CERTIFIED WEED FREE.

Seed will be broadcast and where necessary covered by raking to ensure optimum germination. Reseeding will normally be in the fall following backfilling, recontouring and topsoil placement. Revegetation efforts will be considered successful if it: results in at least 70% of the ground cover of the pre-disturbance or adjacent area reference for a period of two years; is effective in controlling on site erosion and; is self regenerating. Stocking for trees and/or shrub species will be evaluated using standard survival surveys as used by the Forest Service.

F. Bond will be retained until the Forest Service determines that the reclaimed sites have met criteria for stability and productivity.

VIII. RESOURCE PROTECTION

A. Cultural Resources - No activities may commence until cultural clearance has been obtained. The Operator shall not damage, alter or destroy any object of antiquity, historic structure or feature. If the operator should discover such an object, structure, or feature, operator will immediately suspend operations and notify the Forest Service Representative of its existence.

B. Fire and Fuels Management - Prior to burning of materials, such as road right-of-way

slash, and other refuse, the operator is required to obtain a burning permit. Approved mufflers and/or spark arrestors are required on all internal combustion engines. The operator will be required to maintain a cache of fire-ready tools, which include an axes/pulaskis, shovels and fire extinguishers, at the site(s) at all times. Tools shall be sharp, protected against rust and handles in good shape and for Fire Use Only. Each piece of exploration equipment (excavator, dozer, loader etc.) shall also be equipped with an axe, shovel and fire extinguisher.

C. Water - Violation of State of Idaho Water Quality Standards as a result of any activity or facility covered by this Plan shall be cause for immediate cessation of operations until successful corrective action has been taken. All diversions and water use must be authorized by the Idaho Department of Water Resources.

D. Wildlife - Observation or reports of threatened, endangered, or Forest Service sensitive plant or animal species in the vicinity of the project will be cause for development of specific mitigation measures as appropriate to avoid adverse impacts.

IX. GENERAL

The right of the public to lawfully use the land encompassed by the boundaries of the mining claims shall not be restricted or denied by the operator. The right of the public does not include any activity that interferes with the operation of any activity that is mineral related without the consent of the claimant.

The operator, in the exercise of this operating plan, shall require that his employees, sublessees, contractors, subcontractors, or renters and their employees comply with all conditions of this plan.

All operations will be conducted in a safe manner; the operator will submit a traffic safety plan which will include, signing and safe driving practices on Forest roads for review of all personnel on the project.

X. INSPECTIONS

The Forest Service and the operator will ensure that the provisions of the operating plan are being followed. The agreed upon inspection schedule should be sufficient to certify compliance.

A. Location of proposed construction

B. Clearing, timber and slash disposal.

C. Topsoil and overburden stripping and storage.

D. Earthwork and facility construction standards. This is especially important in regard to settling ponds, diversions, dams, hazardous materials or fuel storage.

E. Seasonal shutdown to establish interim reclamation/stabilization requirements as well as any final reclamation work.

F. Operating procedures and predicted environmental impacts.

G. Removal/disposal of equipment and facilities.

H. Backfilling/recontouring and construction of sediment control.

I. Spreading of topsoil.

J. Seedbed preparation.

K. Revegetation

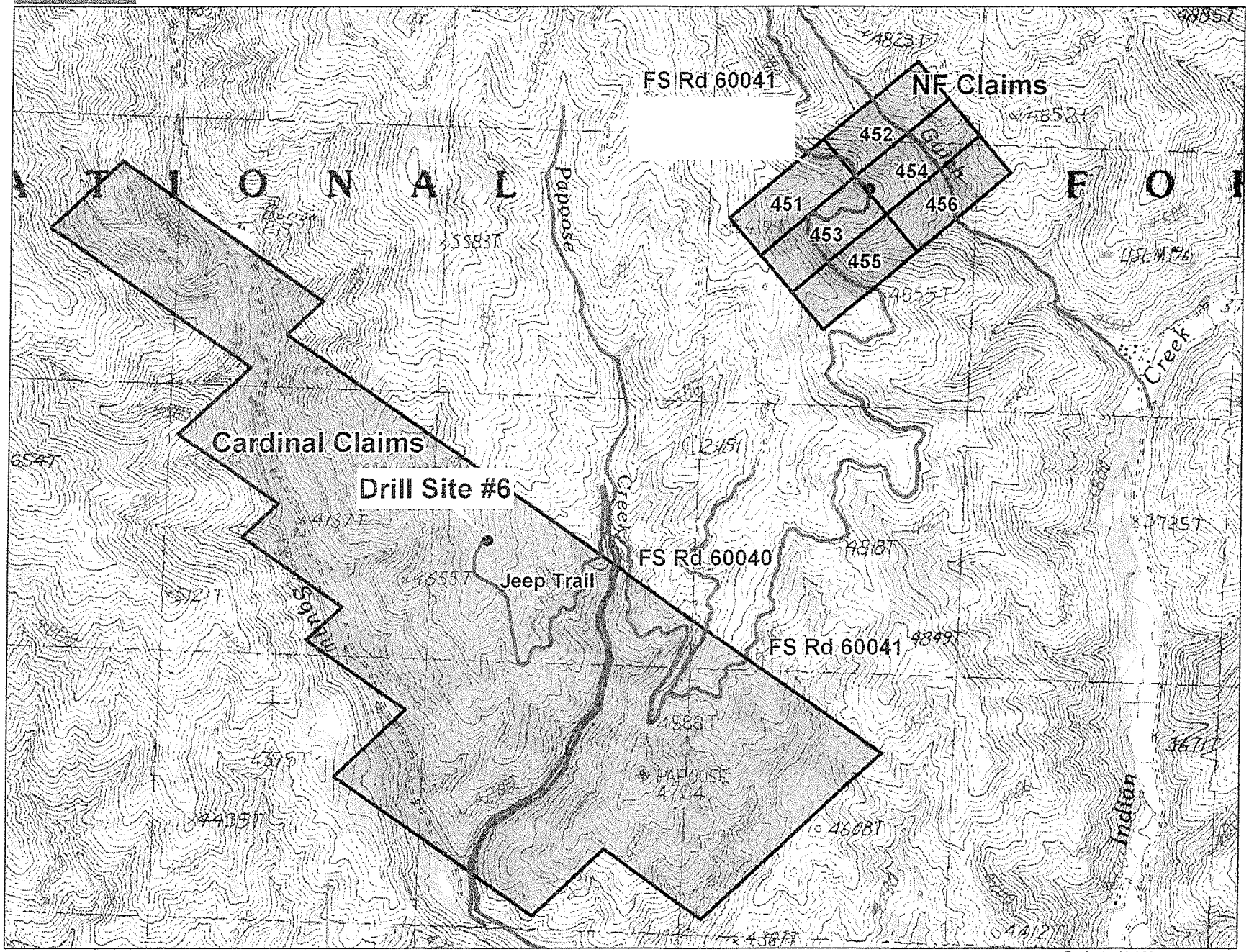
L. Fertilization

M. Sediment control and reclamation success criteria.

The operators designated field representative will be familiar with all the requirements of this and previous plans and take proactive steps to ensure compliance with the plan(s). This may include the development of a check list for periodic inspections and documentation to the Forest Service Representative. This Plan of Operation and reclamation bond will be reviewed and updated annually.

DeLorme

XMap®/GIS Editor



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MN (0.0°E)

Scale 1 : 19,200

1" = 1,600.0 ft Data Zoom 13-0

State of Idaho
DEPARTMENT OF WATER RESOURCES
900 N Skyline Dr., Ste A, Idaho Falls, Idaho 83402-1718
Phone: (208) 525-7161 FAX: (208) 525-7177 www.idwr.idaho.gov

November 8, 2013

US Rare Earths Inc, Process Engineering LLC
5600 Tennyson Parkway Ste 190
Plano TX 75024

Applicant:

Enclosed is your approved copy of Temporary Permit TP-74-30. Please take note of the effective dates on line 6 and the conditions on the back.

Sincerely,

Sharla Cox
Water Resource Administrative Assistant

Enclosure