

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

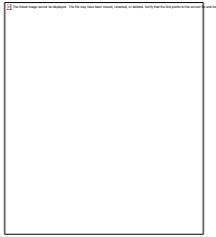
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended August 31, 2019

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: 000-53482



TEXAS MINERAL RESOURCES CORP.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State of other jurisdiction of incorporation or organization)

87-0294969
(I.R.S. Employer Identification No.)

516 South Spring Avenue
Tyler, Texas
(Address of Principal Executive Offices)

75702
(Zip Code)

(361) 790-5831
(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: **Common Stock, par value \$0.01**

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 checkmark whether the registrant (1) 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 checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most

recently completed second fiscal quarter: As of February 28, 2019 the aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant was \$9,721,556 based upon the closing sale price of the common stock as reported by the OTC.QB. For purposes of this calculation, shares of common stock held by executive officers, directors and holders of greater than 10% of the registrant's outstanding common stock are assumed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the Registrant's common stock outstanding as of November 22, 2019 was 56,204,994.

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PRELIMINARY NOTES

As used in this Annual Report on Form 10-K (“Annual Report”), references to “Texas Mineral”, “the Company,” “we,” “our,” “us” or “TMRC” mean Texas Mineral Resources Corp. and its predecessors, as the context requires.

GLOSSARY OF TERMS

Alteration	Any physical or chemical change in a rock or mineral subsequent to its formation.
Breccia	A rock in which angular fragments are surrounded by a mass of fine-grained minerals.
Concession	A grant of a tract of land made by a government or other controlling authority in return for stipulated services or a promise that the land will be used for a specific purpose.
Core	The long cylindrical piece of a rock, about an inch in diameter, brought to the surface by diamond drilling.
Diamond drilling	A drilling method in which the cutting is done by abrasion using diamonds embedded in a matrix rather than by percussion. The drill cuts a core of rock, which is recovered in long cylindrical sections.
Drift	A horizontal underground opening that follows along the length of a vein or rock formation as opposed to a cross-cut which crosses the rock formation.
Exploration	Work involved in searching for ore, usually by drilling or driving a drift.
Exploration expenditures	Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain mineral deposit reserves.
GLO	Texas General Land Office.
Grade	The average assay of a ton of ore, reflecting metal content.
HREE	Heavy rare earth element(s).
Host rock	The rock surrounding an ore deposit.
Intrusive	A body of igneous rock formed by the consolidation of magma intruded into other rocks, in contrast to lavas, which are extruded upon the surface.
Lode	A mineral deposit in solid rock.
LREE	Light rare earth element(s).
Ore	The naturally occurring material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives. The term is generally but not always used to refer to metalliferous material, and is often modified by the names of the valuable constituent; e.g., iron ore.
Ore body	A continuous, well-defined mass of material of sufficient ore content to make extraction economically feasible.
Mine development	The work carried out for the purpose of opening up a mineral deposit and making the actual ore extraction possible.
Mineral	A naturally occurring homogeneous substance having definite physical properties and chemical composition, and if formed under favorable conditions, a definite crystal forms.
Mineralization	The presence of minerals in a specific area or geological formation.

Mineral Reserve	That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves are customarily stated in terms of "Ore" when dealing with metalliferous minerals.
PEA	Preliminary economic assessment.
Probable (Indicated) Reserves	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 (measured) reserves, is high enough to assume continuity between points of observation.
Prospect	A mining property, the value of which has not been determined by exploration.
Proven (Measured) Reserves	Reserves for which (i) (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes and (b) grade and/or quality are computed from the results of detailed sampling and (ii) 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.
REE	Rare earth element(s).
REO	Rare earth oxide(s).
Tonne	A metric ton which is equivalent to 2,200 pounds.
Trend	A general term for the direction or bearing of the outcrop of a geological feature of any dimension, such as a layer, vein, ore body, or fold.
Unpatented mining claim	A parcel of property located on federal lands pursuant to the General Mining Law and the requirements of the state in which the unpatented claim is located, the paramount title of which remains with the federal government. The holder of a valid, unpatented lode-mining claim is granted certain rights including the right to explore and mine such claim.
Vein	A mineralized zone having a more or less regular development in length, width, and depth, which clearly separates it from neighboring rock.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”). Such forward-looking statements concern the Company’s anticipated results and developments in the Company’s operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements in this Annual Report include, but are not limited to:

- the progress, potential and uncertainties of our 2019-2020 rare-earth exploration program at our Round Top Project, located near Sierra Blanca, Texas;
- cost, timing and actual obtainable results from and of feasibility studies, including PEAs for our Round Top Project;
- the success of getting the necessary permits for future drill programs and future project exploration;
- expectation that USA Rare Earth will fund its up to \$10 million obligation to further develop the Round Top Project;
- expectations regarding the ability to raise the significant required capital to continue our exploration plans on the Round Top Project (subsequent to completion of the assumed \$10 million of USA Rare Earth funding); and
- plans regarding anticipated expenditures at the Round Top Project.

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

- risks associated with our ability to continue as a going concern;
- risks associated with our history of losses and need for additional financing (both from the contemplated USA Rare Earth funding and subsequent to such expected financing);
- risks associated with our limited operating history;
- risks associated with our properties all being in the exploration stage;
- risks associated with our lack of history in producing metals from the Round Top Project;
- risks associated with a shortage of equipment and supplies;
- risks associated with our need for additional financing to develop the Round Top Project;
- risks associated with our exploration activities not being commercially successful;
- risks associated with ownership of surface rights and other title issues with respect to our Round Top Project;
- risks associated with increased costs affecting our financial condition;
- risks associated with a shortage of equipment and supplies adversely affecting our ability to operate;
- risks associated with mining and mineral exploration being inherently dangerous;
- risks associated with mineralization estimates;
- risks associated with changes in mineralization estimates affecting the economic viability of our properties;
- risks associated with uninsured risks;
- risks associated with mineral operations being subject to market forces beyond our control;
- risks associated with fluctuations in commodity prices;
- risks associated with permitting, licenses and approval processes;
- risks associated with the governmental and environmental regulations;

- risks associated with future legislation regarding the mining industry and climate change;
- risks associated with potential environmental lawsuits;
- risks associated with our land reclamation requirements;
- risks associated with rare earth and beryllium mining presenting potential health risks;
- risks related to competition in the mining and rare earth elements industries;
- risks related to economic conditions;
- risks related to our ability to manage growth;
- risks related to the potential difficulty of attracting and retaining qualified personnel;
- risks related to our dependence on key personnel;
- risks related to our United States Securities and Exchange Commission (the “SEC”) filing history; and
- risks related to our securities.

This list is not exhaustive of the factors that may affect the Company’s forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the section headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report. Although the Company has 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 materially from those anticipated, believed, estimated or expected. The Company cautions 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, the Company disclaims any obligation subsequently 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 the forward-looking statements contained in this Annual Report by the foregoing cautionary statements.**

PART I

ITEM 1. BUSINESS

Corporate Organization and History

We were incorporated in the State of Nevada in 1970 as Standard Silver Corporation. In September 2008, we amended and restated our Articles of Incorporation to (i) increase of the number of shares of Common Stock from 25,000,000 to 100,000,000, and (ii) authorize an additional 10,000,000 shares of preferred stock, to be issued at management's discretion. In August 2012, we changed our state of incorporation from the State of Nevada to the State of Delaware (the "Reincorporation") pursuant to a plan of conversion. In March 2016, the Company amended its Certificate of Incorporation to change the name of the Company from "Texas Rare Earth Resources Corp" to "Texas Mineral Resources Corp".

Narrative Description of Business

We are a mining company engaged in the business of the acquisition, exploration and development of mineral properties. We currently hold two eleven year leases with the GLO, executed in September 2011 and November 2011, respectively, to explore and develop a 950 acre rare earths project located in Hudspeth County, Texas, known as the Round Top Project. We also have prospecting permits covering 9,345 acres adjacent to the Round Top Project. Our principal focus is on developing a metallurgical process to concentrate or otherwise extract the metals from the Round Top Project's rhyolite, and to conduct additional engineering, design, geotechnical work and permitting necessary for a bankable feasibility study. We currently have limited operations and have not established that any of our projects or properties contain any Proven or Probable Reserves under Guide 7.

In March 2013, we purchased the 54,990 acre surface lease at the Round Top Project, known as the West Lease, from the Southwest Wildlife and Range Foundation (the "Foundation") for \$500,000 and the issuance of 1,063,830 shares of our Common Stock. We also agreed to support the Foundation through an annual payment of \$45,000 for ten years to support conservation efforts within the Rio Grande Basin and in particular engaging in stewardship of Lake Amistad, a large and well-known fishing lake near Del Rio, Texas. The West Lease provides unrestricted surface access for the potential development and mining of our Round Top Project.

In October 2014, we executed agreements with the GLO securing the option to purchase the surface rights covering the potential Round Top Project mine and plant areas and, separately, a lease to develop the water necessary for the potential Round Top Project mine operations. The option to purchase the surface rights covers approximately 5,670 acres over the mining lease and the additional acreage adequate to site all potential heap leaching and processing operations as currently anticipated by the Company. We may exercise the option for all or part of the option acreage at any time during the sixteen year primary term of the mineral lease. The option can be kept current by an annual payment of \$10,000. The purchase price will be the appraised value of the surface at the time of exercising the option. The ground water lease secures our right to develop the ground water within a 13,120 acre lease area located approximately 4 miles from the Round Top deposit. The lease area contains five existing water wells. It is anticipated that all potential water needs for the Round Top Project mine operations will be satisfied by the existing wells covered by this water lease. This lease has an annual minimum production payment of \$5,000 prior to production of water for the operation. After initiation of production we will pay \$0.95 per thousand gallons or \$20,000 annually, whichever is greater. This lease remains effective as long as the mineral lease is in effect.

In March 2015, we conducted a trial mining test during which we mined 500 tonnes of rhyolite, transported and crushed the ore to 80% passing a one inch screen. This rock is now stockpiled and is expected to be used in our contemplated pilot plant development.

In April 2015, we announced the execution of a uranium offtake agreement with UG USA, a subsidiary of Areva. According to the agreement, TMRC will supply up to 300,000 pounds of natural uranium concentrates (U308) per year based upon a pricing formula indexed to U308 spot prices at the times of delivery. The Agreement is for a term of five years commencing in 2018 or as soon thereafter, contingent upon development and production at its Round Top Project. Other terms and conditions of the Agreement reflect industry standards.

During 2017 TMRC in association with Penn State University, REE Tech and Inventure Renewables of Tuscaloosa, Alabama, jointly applied for a Department of Energy grant to evaluate the economic potential of rare earth elements associated with Appalachian coal deposits. Our group was awarded the first phase of this grant on October 19 2017. Work in progress consists of our identification of a resource, developing the physical metallurgy to concentrate the minerals (Penn State) and developing the CIX/CIC process to separate the individual rare earth elements and to separate and refine various other elements including iron and aluminum (Inventure and K-Tech).

In August 2019, we published a PEA prepared in accordance with Canadian NI 43-101 specifications. The PEA calls for a 20,000 tonnes per day heap leach operation producing three basic revenue streams, one a REE stream, two a tech metal stream that includes lithium and uranium, and a third consisting of a variety of industrial and fertilizer sulfate products.

Cautionary Note to Investors: The PEA has been prepared in accordance with Canadian National Instrument 43-101 — Standards of Disclosure for Mineral Projects (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) — *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended. **The Company has voluntarily had the PEA prepared in accordance with NI 43-101 but the Company is not subject to regulation by Canadian regulatory authorities and no Canadian regulatory authority has reviewed the PEA or passed upon its accuracy or compliance with NI 43-101.** The terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with NI 43-101. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1933, as amended (the “Securities Act”). Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority. In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of 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 an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures. Accordingly, information in the PEA contains descriptions of our mineral deposits that may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder. Our project as described in the PEA currently does not contain any known proven or probable ore reserves under SEC Industry Guide 7 reporting standards. U.S. investors are urged to consider closely the disclosure in the Registrant’s latest reports and registration statements filed with the SEC. **U.S. Investors are cautioned not to assume that any defined resources in these categories will ever be converted into SEC Guide 7 compliant reserves.**

In August 2018, we executed a joint venture agreement with Morzev, to develop the Round Top Deposit. Terms of the agreement require Morzev to expend up to \$10 million to produce a bankable feasibility study. The funds will be allocated in two tranches, the first of \$2.5 million to optimize and finalize the metallurgical processing and the remaining \$7.5 million to fund the engineering, design, geotechnical work, and permitting necessary for a bankable feasibility study. Upon completion of these funding milestones, Morzev will earn and own 70% of the Round Top Project and will have a six-month option to purchase an additional 10% (bringing its ownership in the Round Top Project to 80%) for a purchase price of \$3 million. In August 2019, Morzev assigned this ownership right to USA Rare Earth LLC. In connection with entering into this agreement, Morzev purchased 646,054 shares of Common Stock for \$140,000.

Current and Planned Exploration Activities

USA Rare Earth is currently funding and engaging in the advancement of the Round Top Project, towards obtaining a definitive banking feasibility study per its agreement.

Trends – Rare-Earth Market

Rare earth elements, or REEs, are a group of chemically similar elements that usually are found together in nature – they are referred to as the “lanthanide series.” These individual elements have a variety of characteristics that are important in a wide range of technologies, products, and applications and are critical inputs in existing and emerging applications including: computer hard drives, cell phones, clean energy technologies, such as hybrid and electric vehicles and wind power turbines; multiple high-tech uses, including fiber optics, lasers and hard disk drives; numerous defense applications, such as guidance and control systems and global positioning systems; and advanced water treatment technology for use in industrial, military and outdoor recreation applications. As a result, global demand for REE is projected to steadily increase due to continuing growth in existing applications and increased innovation and development of new end uses. Interest in developing resources domestically has become a strategic necessity as there is limited production of these elements outside of China. Our ability to raise additional funds in order to complete our plan of exploration and, if warranted, development at the Round Top Project may be impacted by future prices for REEs.

Sources and Availability of Raw Materials

We are currently in the exploration stage and as such we do not require any significant raw materials in order to carry out our primary operating activities. Our primary operating objective is to explore and develop the Round Top Project. For at least the next 12 months, we expect to continue to require the use of contract drilling services in order to obtain additional geological information. In the past year we have been able to secure contract drilling services without excessive delay and costs. We expect the contract drilling services will continue to be available over the next 12 months.

The raw materials that our current operations rely on are gasoline and diesel fuel for the exploration vehicles and for the heavy equipment required to build roads and conduct drilling operations. Water is provided per service contract by Eagle Mountain Gang which is used for the drilling operations.

Seasonality

Seasonality in the State of Texas is not a material factor to our operations for our project.

Competition

The mining industry is highly competitive. We compete with numerous companies, substantially all with greater financial resources available to them. We therefore are operating at a significant disadvantage in the course of acquiring mining properties and obtaining materials, supplies, labor, and equipment. Additionally, we are and will continue to be an insignificant participant in the business of exploration and mineral property development. A large number of established and well-financed companies are active in the mining industry and will have an advantage over us if they are competing for the same properties. Nearly all such entities have greater financial resources, technical expertise and managerial capabilities than ourselves and, consequently, we will be at a competitive disadvantage in identifying possible mining properties and procuring the same.

China accounts for the vast majority of rare earth element production. While rare earth element projects exist outside of China, very few are in actual production. Further, given the timeline for current exploration projects to come into production, if at all, it is likely that the Chinese will be able to dominate the market for rare earth elements into the future. This gives the Chinese a competitive advantage in controlling the supply of rare earth elements and engaging in competitive price reductions to discourage competition. Any increase in the amount of rare earth elements exported from other nations, and increased competition, may result in price reductions, reduced margins and loss of potential market share, any of which could materially adversely affect our profitability. As a result of these factors, we may not be able to compete effectively against current and future competitors.

Government Approvals

The exploration, drilling and mining industries operate in a legal environment that requires permits to conduct virtually all operations. Thus permits are required by local, state and federal government agencies. Local authorities, usually counties, also have control over mining activity. The various permits address such issues as prospecting, development, production, labor standards, taxes, occupational health and safety, toxic substances, air quality, water use, water discharge, water quality, noise, dust, wildlife impacts, as well as other environmental and socioeconomic issues.

Prior to receiving the necessary permits to explore or mine, the operator must comply with all regulatory requirements imposed by all governmental authorities having jurisdiction over the project area. Very often, in order to obtain the requisite permits, the operator must have its land reclamation, restoration or replacement plans pre-approved. Specifically, the operator must present its plan as to how it intends to restore or replace the affected area. Often all or any of these requirements can cause delays or involve costly studies or alterations of the proposed activity or time frame of operations, in order to mitigate impacts. All of these factors make it more difficult and costly to operate and have a negative and sometimes fatal impact on the viability of the exploration or mining operation. Finally, it is possible that future changes in these laws or regulations could have a significant impact on our business, causing those activities to be economically reevaluated at that time.

Effect of Existing or Probable Government and Environmental Regulations

Mineral exploration, including mining operations are subject to governmental regulation. Our operations may be affected in varying degrees by government regulation such as restrictions on production, price controls, tax increases, expropriation of property, environmental and pollution controls or changes in conditions under which minerals may be marketed. An excess supply of certain minerals may exist from time to time due to lack of markets, restrictions on exports, and numerous factors beyond our control. These factors include market fluctuations and government regulations relating to prices, taxes, royalties, allowable production and importing and exporting minerals. The effect of these factors cannot be accurately determined, and we are not aware of any probable government regulations that would impact the Company. This section is intended as a brief overview of the laws and regulations described herein and is not intended to be a comprehensive treatment of the subject matter.

Overview. Like all other mining companies doing business in the United States, we are subject to a variety of federal, state and local statutes, rules and regulations designed to protect the quality of the air and water, and threatened or endangered species, in the vicinity of its operations. These include “permitting” or pre-operating approval requirements designed to ensure the environmental integrity of a proposed mining facility, operating requirements designed to mitigate the effects of discharges into the environment during exploration, mining operations, and reclamation or post-operation requirements designed to remediate the lands affected by a mining facility once commercial mining operations have ceased.

Federal legislation in the United States and implementing regulations adopted and administered by the Environmental Protection Agency, the Forest Service, the Bureau of Land Management, the Fish and Wildlife Service, the Army Corps of Engineers and other agencies—in particular, legislation such as the federal Clean Water Act, the Clean Air Act, the National Environmental Policy Act, the Endangered Species Act, the National Forest Management Act, the Wilderness Act, and the Comprehensive Environmental Response, Compensation and Liability Act—have a direct bearing on domestic mining operations. These federal initiatives are often administered and enforced through state agencies operating under parallel state statutes and regulations.

The Clean Water Act. The federal Clean Water Act is the principal federal environmental protection law regulating mining operations in the United States as it pertains to water quality.

At the state level, water quality is regulated by the Environment Department, Water and Waste Management Division under the Water Quality Act (state). If our exploration or any future development activities might affect a ground water aquifer, it will have to apply for a Ground Water Discharge Permit from the Ground Water Quality Bureau in compliance with the Groundwater Regulations. If exploration affects surface water, then compliance with the Surface Water Regulations is required.

The Clean Air Act. The federal Clean Air Act establishes ambient air quality standards, limits the discharges of new sources and hazardous air pollutants and establishes a federal air quality permitting program for such discharges. Hazardous materials are defined in the federal Clean Air Act and enabling regulations adopted under the federal Clean Air Act to include various metals. The federal Clean Air Act also imposes limitations on the level of particulate matter generated from mining operations.

National Environmental Policy Act (NEPA). NEPA requires all governmental agencies to consider the impact on the human environment of major federal actions as therein defined.

Endangered Species Act (ESA). The ESA requires federal agencies to ensure that any action authorized, funded or carried out by such agency is not likely to jeopardize the continued existence of any endangered or threatened species or result in the destruction or adverse modification of their critical habitat. In order to facilitate the conservation of imperiled species, the ESA establishes an interagency consultation process. When a federal agency proposes an action that “may affect” a listed species, it must consult with the USFWS and must prepare a “biological assessment” of the effects of a major construction activity if the USFWS advises that a threatened species may be present in the area of the activity.

National Forest Management Act. The National Forest Management Act, as implemented through title 36 of the Code of Federal Regulations, provides a planning framework for lands and resource management of the National Forests. The planning framework seeks to manage the National Forest System resources in a combination that best serves the public interest without impairment of the productivity of the land, consistent with the Multiple Use Sustained Yield Act of 1960.

Wilderness Act. The Wilderness Act of 1964 created a National Wilderness Preservation System composed of federally owned areas designated by Congress as “wilderness areas” to be preserved for future use and enjoyment.

The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). CERCLA imposes clean-up and reclamation responsibilities with respect to discharges into the environment, and establishes significant criminal and civil penalties against those persons who are primarily responsible for such discharges.

The Resource Conservation and Recovery Act (RCRA). RCRA was designed and implemented to regulate the disposal of solid and hazardous wastes. It restricts solid waste disposal practices and the management, reuse or recovery of solid wastes and imposes substantial additional requirements on the subcategory of solid wastes that are determined to be hazardous. Like the Clean Water Act, RCRA provides for citizens’ suits to enforce the provisions of the law.

National Historic Preservation Act. The National Historic Preservation Act was designed and implemented to protect historic and cultural properties. Compliance with the Act is necessary where federal properties or federal actions are undertaken, such as mineral exploration on federal land, which may impact historic or traditional cultural properties, including native or Indian cultural sites.

In the fiscal year ended August 31, 2019, we incurred minimal costs in complying with environmental laws and regulations in relation to our operating activities.

Employees

Including our executive officers, we currently have two full time employees. A portion of these salaries for these employees are in arrears. We also utilize the services of qualified consultants with geological and mineralogical expertise as well as individuals for accounting services.

Available Information

We make available, free of charge, on or through our Internet website, at www.TMRC.com our prospectus 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 of 1934, as amended ("Exchange Act"). Our Internet website and the information contained therein or connected thereto are not intended to be, and are not incorporated into this prospectus.

Our filings can also be viewed at our corporate offices located at 516 South Spring Avenue, Tyler, Texas 75702. Our reports, registration statements 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: Judiciary Plaza, 100 F Street NE, Washington, D.C. 20549.

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 stock which may decline and investors may lose all or part of their investment. These risk factors should be considered along with the forward-looking statements contained in this Annual Report on Form 10-K because these factors could cause our actual results or financial condition to differ materially from those projected in forward-looking statements. 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 or that other unknown risks exist that may affect our business.

Risk Related to Our Business

We have a history of losses and will require additional financing to fund operations. Failure to obtain additional financing could have a material adverse effect on our financial condition and results of operation and could cast uncertainty on our ability to continue as a going concern.

During the fiscal year ended August 31, 2019, we had no revenues. For the fiscal year ended August 31, 2019, our net loss was approximately \$1,206,000 and our accumulated deficit at August 31, 2019 was approximately \$36.6 million. At August 31, 2019, our cash position was approximately \$1,825,000 and our working capital surplus was approximately \$448,000. We have not commenced commercial production on any of our mineral properties. We have no revenues from operations and anticipate we will have no operating revenues until we place one or more of our properties into production. All of our properties are in the exploration stage.

We will need to raise additional funding to implement our business strategy (whether from USA Rare Earth or through other best efforts), the failure of which could cause us to curtail or cease our operations. As of the date of this prospectus, we currently have nominal working capital.

During the next 12 months, USA Rare Earth is expected to fund the expenditure of up to \$2,500,000 to optimize the leaching and developing of the CIX/CIC processing of the Round Top Project. This work will consist of mining and crushing an additional 500 tons of rhyolite and setting up and equipping a facility to conduct the column leaching. It is estimated that the project will require additional time and further expenditure of an approximate amount of up to \$7,500,000 to prepare a bankable feasibility study. We anticipate (but there can be no assurance) that USA Rare Earth will fund these required expenditures, and the failure of USA Rare Earth to fund will require us to effect best efforts to raise sufficient capital to finish this work. We currently do not have any funds to complete exploration and development work on the Round Top Project, which means that we are reliant upon USA Rare Earth or best efforts financings for our immediate working capital needs. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration and development or contemplated production at the Round Top Project. This includes our leases over claims covering the principal deposits at the Round Top Project, which may expire unless we expend minimum levels of expenditures over the terms of such leases. We cannot be certain that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable or acceptable to us. Our ability to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as our business performance.

The most likely source of future financing presently available to us (other than through our agreement with USA Rare Earth) is through the sale of our securities. Any sale of our shares of Common Stock will result in dilution of equity ownership to existing stockholders. This means that if we sell shares of Common Stock, more shares will be outstanding and each existing stockholder will own a smaller percentage of the shares than outstanding. Alternatively, we may rely on debt financing and assume debt obligations that require us to make substantial interest and capital payments. Also, we may issue or grant warrants or options in the future pursuant to which additional shares of Common Stock may be issued. Exercise of such warrants or options will result in dilution of equity ownership to our existing stockholders.

We have a limited operating history on which to base an evaluation of our business and properties.

Any investment in the Company should be considered a high-risk investment because investors will be placing funds at risk in an early stage, under-capitalized business with unforeseen costs, expenses, competition, a history of operating losses and other problems to which start-up ventures are often subject. Investors should not invest in the Company unless they can afford to lose their entire investment. Your investment must be considered in light of the risks, expenses, and difficulties encountered in establishing a new business in a highly competitive and mature industry. Our operating history has been restricted to the acquisition and sampling of our Round Top Project and this does not provide a meaningful basis for an evaluation of our Round Top Project. Other than through conventional and typical exploration methods and procedures, we have no additional way to evaluate the likelihood of whether our Round Top Project or our other mineral properties contain commercial quantities of mineral reserves or, if they do, that they will be operated successfully. We anticipate that we will continue to incur operating costs without realizing any revenues during the period when we are exploring our properties.

The Round Top Project is in the exploration stage. There is no assurance that we can establish the existence of any mineral reserve from the Round Top Project in commercially exploitable quantities. Until we can do so, we cannot earn any revenues from the Round Top Project, and our business could fail.

We have not established that the Round Top Project contains any commercial exploitable quantities of mineral reserve, nor can there be any assurance that we will be able to do so. The probability of the Round Top Project ever having a commercial exploitable mineral reserve that meets the requirements of the SEC is extremely remote. Even if we do eventually discover commercial exploitable quantities of mineral reserve on the Round Top Project, there can be no assurance that it can be developed into a producing mine and extract those minerals. Both mineral exploration and development involve a high degree of risk and few properties, which are explored, are ultimately developed into producing mines.

The commercial viability of an established mineral deposit will depend on a number of factors including, by way of example, the size, grade and other attributes of the mineral deposit, the proximity of the deposit to infrastructure such as a smelter, roads and a point for shipping, government regulation and market prices. Most of these factors will be beyond our control, and any of them could increase costs and make extraction of any identified mineral deposit unprofitable.

Even if commercial viability of a mineral deposit is established, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of a mineral deposit or reserves.

We have no history of producing metals from the Round Top Project.

We have no history of producing metals from the Round Top Project. The Round Top Project is an exploration stage property in the early stage of exploration and evaluation. Advancing properties from exploration into the development stage requires significant capital and time, and successful commercial production from the Round Top Project, if any, will be subject to completing feasibility studies, permitting and construction of the mine, processing plants, roads, and other related works and infrastructure. As a result, we are subject to all of the risks associated with developing and establishing new mining operations and business enterprises including:

- completion of feasibility studies to verify reserves and commercial viability, including the ability to find sufficient REE or gold reserves to support a commercial mining operation;

- the timing and cost, which can be considerable, of further exploration, preparing feasibility studies, permitting and construction of infrastructure, mining and processing facilities;
- the availability and costs of drill equipment, exploration personnel, skilled labor and mining and processing equipment, if required;
- the availability and cost of appropriate smelting and/or refining arrangements, if required, and securing a commercially viable sales outlet for our products;
- compliance with environmental and other governmental approval and permit requirements;
- the availability of funds to finance exploration, development and construction activities, as warranted;
- potential opposition from non-governmental organizations, environmental groups, local groups or local inhabitants which may delay or prevent development activities;
- potential increases in exploration, construction and operating costs due to changes in the cost of fuel, power, materials and supplies; and
- potential shortages of mineral processing, construction and other facilities related supplies.

The costs, timing and complexities of exploration, development and construction activities may be increased by the location of the Round Top Project (or other properties that may subsequently be acquired) and demand by other mineral exploration and mining companies. It is common in exploration programs to experience unexpected problems and delays during drill programs and, if warranted, development, construction and mine start-up. Accordingly, our activities may not result in profitable mining operations and we may not succeed in establishing mining operations or profitably producing metals at any of our properties.

If we establish the existence of a mineral reserve in the Round Top Project in a commercially exploitable quantity, we will require additional capital in order to develop the property into a producing mine. If we cannot raise this additional capital, we will not be able to exploit the reserve, and our business could fail.

If we do discover mineral reserves in commercially exploitable quantities in the Round Top Project (or any of our properties that may subsequently be acquired), we will be required to expend substantial sums of money to establish the extent of the reserve, develop processes to extract it and develop extraction and processing facilities and infrastructure. We do not have adequate capital to develop necessary facilities and infrastructure and will need to raise additional funds (the expected capital from USA Rare Earth will not address these needs). Although we may derive substantial benefits from the discovery of a major mineral deposit, there can be no assurance that such a deposit will be large enough to justify commercial operations, nor can there be any assurance that we will be able to raise the funds required for development on a timely basis. If we cannot raise the necessary capital or complete the necessary facilities and infrastructure, our business may fail and your investment in our Common Stock will be lost.

Our exploration activities may not be commercially successful.

Our long-term success depends on our ability to identify mineral deposits in the Round Top Project or other properties we may acquire, if any, that we can then develop into commercially viable mining operations. Our belief that the Round Top Project contains commercially exploitable minerals has been based solely on preliminary tests that we have conducted and data provided by third parties, including the data published in various third party reports. There can be no assurance that the tests and data upon which we have relied is correct or accurate. Moreover, mineral exploration is highly speculative in nature, involves many risks and is frequently non-productive. Unusual or unexpected geologic formations and the inability to obtain suitable or adequate machinery, equipment or labor are risks involved in the conduct of exploration programs. The success of mineral exploration and development is determined in part by the following factors:

- the identification of potential mineralization based on analysis;
- the availability of exploration permits;
- the quality of our management and our geological and technical expertise; and
- the capital available for exploration.

Substantial expenditures and time are required to establish existing proven and probable reserves through drilling and analysis, to develop metallurgical processes to extract metal, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which fluctuate widely; and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, allowable production, importing and exporting of minerals and environmental protection. Any one or a combination of these factors may result in us not receiving an adequate return on our investment capital. The decision to abandon a project may have an adverse effect on the market value of our securities and our ability to raise future financing.

Increased costs could affect our financial condition.

We anticipate that costs at the Round Top Project as it is developed, if warranted, will frequently be subject to variation from one year to the next due to a number of factors, such as changing ore grade, metallurgy and revisions to mine plans, if any, in response to the physical shape and location of the ore body. In addition, costs are affected by the price of commodities such as fuel, rubber, and electricity. Such commodities are at times subject to volatile price movements, including increases that could make production at certain operations less profitable. A material increase in costs at any significant location could have a significant effect on our profitability.

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

We are dependent on various supplies and equipment to carry out our mining exploration and, if warranted, development operations. The shortage of such supplies, equipment and parts could have a material adverse effect on our ability to carry out our operations and therefore limit or increase the cost of production.

Mining and mineral exploration is inherently dangerous and subject to conditions or events beyond our control, which could have a material adverse effect on our business and plans.

Mining and mineral exploration involves various types of risks and hazards, including:

- environmental hazards;
- power outages;
- metallurgical and other processing problems;
- unusual or unexpected geological formations;
- personal injury, flooding, fire, explosions, cave-ins, landslides and rock-bursts;
- inability to obtain suitable or adequate machinery, equipment, or labor;
- metals losses;
- fluctuations in exploration, development and production costs;
- labor disputes;
- unanticipated variations in grade;
- mechanical equipment failure; and
- periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, the Round Top Project, production facilities or other properties, personal injury, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability. We may not be able to obtain insurance to cover these risks at economically feasible premiums. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, may be prohibitively expensive. We may suffer a material adverse effect on our business if we incur losses related to any significant events that are not covered by our insurance policies.

The figures for our mineralization are estimates based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated.

Unless otherwise indicated, mineralization figures presented in this prospectus and in our filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by independent geologists and our internal geologists. When making determinations about whether to advance any of our projects to development, we must rely upon such estimated calculations as to the mineral reserves and grades of mineralization on our properties. Until ore is actually mined and processed, mineral reserves and grades of mineralization must be considered as estimates only.

Estimates can be imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. We cannot assure you that:

- these interpretations and inferences will be accurate;
- mineralization estimates will be accurate; or
- this mineralization can be mined or processed profitably.

Any material changes in mineralization estimates and grades of mineralization will affect the economic viability of placing the Round Top Project into production and the Round Top Project's return on capital.

Because we have not completed feasibility studies on the Round Top Project and have not commenced actual production, mineralization estimates for the Round Top Project may require adjustments or downward revisions. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by our feasibility studies and drill results. Minerals recovered in small scale tests may not be duplicated in large scale tests under on-site conditions or in production scale.

The mineralization estimates contained in this prospectus have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for rare earth minerals may render portions of our mineralization estimates uneconomic and result in reduced reported mineralization or adversely affect the commercial viability determinations we reach. Any material reductions in estimates of mineralization, or of our ability to extract this mineralization, could have a material adverse effect on our share price and the value of our properties.

Analytical Uncertainties

All resource and grade estimates are based of state of the art analytical methods. However, any procedure for analyzing for small amounts of metals in a chemically complex matrix may be subject to error and other uncertainties.

Our operations contain significant uninsured risks which could negatively impact future profitability as we maintain no insurance against our operations.

Our exploration of the Round Top Project contains certain risks, including unexpected or unusual operating conditions including rock bursts, 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 a decline in the value of our securities. We expect to maintain only general liability and director and officer insurance but no insurance against our properties or operations. We may decide to take out this insurance in the future if it is available at economically viable rates.

Mineral operations are subject to market forces outside of our control which could negatively impact our operations.

The marketability of minerals is affected by numerous factors beyond our control including market fluctuations, government regulations relating to prices, taxes, royalties, allowable production, imports, exports and supply and demand. One or more of these risk elements could have an impact on the costs of our operations and if significant enough, reduce the profitability of our operations.

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

We expect to derive revenues, if any, from sale of rare earth and related minerals. Changes in demand for, and the market price of, these minerals could significantly affect our profitability. The value and price of our Common Stock and our financial results may be significantly adversely affected by declines in the prices of rare earth minerals and products. Rare earth minerals and 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 rare earth minerals and products, and the political and economic conditions of countries that produce rare earth minerals and products.

A prolonged or significant economic contraction in the United States or worldwide could put further downward pressure on market prices of rare earth minerals and products. Protracted periods of low prices for rare earth minerals and products could significantly reduce revenues and the availability of required development funds in the future. This could cause substantial reductions to, or a suspension of, REO production operations, impair asset values and if reserves are established on our prospects, reduce our proven and probable rare earth ore reserves.

In contrast, extended periods of high commodity prices may create economic dislocations that may be destabilizing to rare earth minerals supply and demand and ultimately to the broader markets. Periods of high rare earth mineral market prices generally are beneficial to our financial performance. However, strong rare earth mineral prices also create economic pressure to identify or create alternate technologies that ultimately could depress future long-term demand for rare earth minerals and products, and at the same time may incentivize development of otherwise marginal mining properties.

Permitting, licensing and approval processes are required for our operations at the Round Top Project and obtaining and maintaining required permits and licenses is subject to conditions which we may be unable to achieve.

Both mineral exploration and extraction at the Round Top Project requires permits from various federal, state, provincial and local governmental authorities and are governed by laws and regulations, including those with respect to prospecting, mine development, mineral production, transport, export, taxation, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Permits known to be required are (i) an operating plan for the conduct of exploration and development approved by the GLO, (ii) an operating plan for production approved by the GLO, (iii) various reporting to and approval by the Texas Railroad Commission regarding drilling and plugging of drill holes, and (v) reporting to and compliance with regulations of the Texas Commission of Environmental Quality. If we recover uranium at the Round Top Project, we will be required to obtain a source material license from the United States Nuclear Regulatory Commission. We may also be subject to the reporting requirements and regulations of the Texas Department of Health. Such licenses and permits are subject to changes in regulations and changes in various operating circumstances. Companies such as ours that engage in exploration activities often experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Issuance of permits for our activities is subject to the discretion of government authorities, and we may be unable to obtain or maintain such permits. Permits required for future exploration or development may not be obtainable on reasonable terms or on a timely basis. There can be no assurance that we will be able to obtain or maintain any of the permits required for the continued exploration or development of the Round Top Project (or any other of our mineral properties that we may subsequently acquire) or for the construction and operation of a mine on our properties that we may subsequently acquire at economically viable costs. If we cannot accomplish these objectives, our business could face difficulty and/or fail.

We are subject to significant governmental regulations, which affect our operations and costs of conducting our business.

Our current and future operations are and will be governed by laws and regulations, including:

- laws and regulations governing mineral concession acquisition, prospecting, development, mining and production;
- laws and regulations related to exports, taxes and fees;
- labor standards and regulations related to occupational health and mine safety;
- environmental standards and regulations related to waste disposal, toxic substances, land use and environmental protection; and
- other matters.

Companies engaged in exploration activities often experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Failure to comply with applicable laws, regulations and permits may result in enforcement actions, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. We may be required to compensate those suffering loss or damage by reason of our mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation, could have a material adverse impact on our business and cause increases in capital expenditures or require abandonment or delays in exploration.

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

A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to various climate change interest groups and the potential impact of climate change. Legislation and increased regulation regarding climate change could impose significant costs on us, our venture partners and our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting and 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 limitations. Given the emotion, political significance and uncertainty around the impact of climate change and how it should be dealt with, we cannot predict how legislation and regulation will affect our financial condition, operating performance and ability to compete. Furthermore, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change by us or other companies in our industry 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 rainfall and storm patterns and intensities, water shortages, changing sea levels and changing temperatures. These impacts may adversely impact the cost, production and financial performance of our operations.

Our exploration and development activities are subject to environmental risks, which could expose us to significant liability and delay, suspension or termination of our operations.

The exploration, possible future development and production phases of our business will be subject to federal, state and local environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set out limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments, and a heightened degree of responsibility for companies and their officers, directors and employees. Future changes in environmental regulations, if any, may adversely affect our operations. If we fail to comply with any of the applicable environmental laws, regulations or permit requirements, we could face regulatory or judicial sanctions. Penalties imposed by either the courts or administrative bodies could delay or stop our operations or require a considerable capital expenditure. Although we intend to comply with all environmental laws and permitting obligations in conducting our business, there is a possibility that those opposed to exploration and mining will attempt to interfere with our operations, whether by legal process, regulatory process or otherwise.

Environmental hazards unknown to us, which have been caused by previous or existing owners or operators of the properties, may exist on the properties in which we hold an interest. It is possible that our properties could be located on or near the site of a Federal Superfund cleanup project. Although we will endeavor to avoid such sites, it is possible that environmental cleanup or other environmental restoration procedures could remain to be completed or mandated by law, causing unpredictable and unexpected liabilities to arise.

U.S. Federal Laws

The Comprehensive Environmental, Response, Compensation, and Liability Act (“CERCLA”), and comparable state statutes, impose strict, joint and several liability on current and former owners and operators of sites and on persons who disposed of or arranged for the disposal of hazardous substances found at such sites. It is not uncommon for the government to file claims requiring cleanup actions, demands for reimbursement for government-incurred cleanup costs, or natural resource damages, or for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances released into the environment. The Federal Resource Conservation and Recovery Act (“RCRA”), and comparable state statutes, govern the disposal of solid waste and hazardous waste and authorize the imposition of substantial fines and penalties for noncompliance, as well as requirements for corrective actions. CERCLA, RCRA and comparable state statutes can impose liability for clean-up of sites and disposal of substances found on exploration, mining and processing sites long after activities on such sites have been completed.

The Clean Air Act, as amended, restricts the emission of air pollutants from many sources, including mining and processing activities. Our 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, which are subject to review, monitoring and/or control requirements under the Clean Air Act 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 in order to remain in compliance. In addition, permitting rules may impose limitations on our production levels or result in additional capital expenditures in order to comply with the rules.

The National Environmental Policy Act (“NEPA”) requires federal agencies to integrate environmental considerations into their decision-making processes by evaluating the environmental impacts of their proposed actions, including issuance of permits to mining facilities, and assessing alternatives to those actions. If a proposed action could significantly affect the environment, the agency must prepare a detailed statement known as an Environmental Impact Statement (“EIS”). The U.S. Environmental Protection Agency, other federal agencies, and any interested third parties will review and comment on the scoping of the EIS and the adequacy of and findings set forth in the draft and final EIS. This process can cause delays in issuance of required permits or result in changes to a project to mitigate its potential environmental impacts, which can in turn impact the economic feasibility of a proposed project.

The Clean Water Act (“CWA”), and comparable state statutes, imposes restrictions and controls on the discharge of pollutants into waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the Environmental Protection Agency (“EPA”) or an analogous state agency. The CWA regulates storm water mining facilities and requires a storm water discharge permit for certain activities. Such a permit requires the regulated facility to monitor and sample storm water run-off from its operations. 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 an appropriately issued permit. The CWA and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of pollutants and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release.

The Safe Drinking Water Act (“SDWA”) and the Underground Injection Control (“UIC”) program promulgated thereunder, regulate the drilling and operation of subsurface injection wells. EPA directly administers the UIC program in some states and in others the responsibility for the program has been delegated to the state. The program requires that a permit be obtained before drilling a disposal or injection well. Violation of these regulations and/or contamination of groundwater by mining related activities may result in fines, penalties, and remediation costs, among other sanctions and liabilities under the SWDA and state laws. In addition, third party claims may be filed by landowners and other parties claiming damages for alternative water supplies, property damages, and bodily injury.

We could be subject to environmental lawsuits.

Neighboring landowners and other third parties could file claims based on environmental statutes and common law for personal injury and property damage allegedly caused by the release of hazardous substances or other waste material into the environment on or around our properties. There can be no assurance that our defense of such claims will be successful. A successful claim against us could have an adverse effect on our business prospects, financial condition and results of operation.

Land reclamation requirements for our properties may be burdensome and expensive.

Although variable depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance.

Reclamation may include requirements to:

- control dispersion of potentially deleterious effluents;
- treat ground and surface water to drinking water standards; and
- reasonably re-establish pre-disturbance land forms and vegetation.

In order to carry out reclamation obligations imposed on us in connection with our potential development activities, we must allocate financial resources that might otherwise be spent on further exploration and development programs. We plan to set up a provision for our reclamation obligations on our properties, 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. In accordance with our GLO lease/prospecting permits all the areas impacted by the surface operations shall be reclaimed upon completion of the activity such that: (a) Remove all trash, debris, plastic and contaminated soil by off-site disposal; and (b) Upon completion of surface grading, the soil surface shall be left in a roughened condition to negate wind and enhance water infiltration.

Rare earth and beryllium mining presents potential health risks; payment of any liabilities that arise from these health risks may adversely impact our Company.

Complying with health and safety standards will require additional expenditure on testing and the installation of safety equipment. Moreover, inhalation of certain minerals, such as beryllium can result in specific potential health risks ranging from acute pneumonitis, tracheobronchitis, and chronic beryllium disease to an increased risk of cancer. Symptoms of these diseases may take years to manifest. Failure to comply with health and safety standards could result in statutory penalties and civil liability. We do not currently maintain any insurance coverage against these health risks. The payment of any liabilities that arise from any such occurrences would have a material, adverse impact on our Company.

There may be challenges to the title of our Round Top Project or any other mineral properties that we may acquire.

We expect that any additional properties will be acquired by unpatented claims or by lease from those owning the property. The lease of our Round Top property was issued by the State of Texas. The validity of title to many types of natural resource property depends upon numerous circumstances and factual matters (many of which are not discoverable of record or by other readily available means) and is subject to many uncertainties of existing law and its application. We cannot assure you that the validity of our titles to our properties will be upheld or that third parties will not otherwise invalidate those rights. In the event the validity of our titles are not upheld, such an event would have a material adverse effect on us.

Part of our metallurgical processes are being developed by K-Technologies, Inc. TMRC also has a joint venture with K-Technologies to introduce this technology to other potential rare earth developers. This joint venture is subject to the risks normally associated with the conduct of joint ventures.

The development of our rare earth metallurgical processing efforts are currently focused on CIX/CIC processing. Initial work on this process to date was done on a fee basis by K-Technologies, Inc. (“K-Tech”). Initial testing has been favorable and as a result of this early success a joint venture was formed with K-Tech for the purpose of introducing this process to other potential rare earth developers. TMRC is not vested in this joint venture and vesting will require additional expenditure by TMRC at TMRC’s discretion. If TMRC elects to vest in this joint venture it would be subject to the risks normally associated with the conduct of joint ventures. Such risks include: inability to exert control over strategic decisions made in respect of the development and use of the processes; disagreement with partners on how to develop and operate the processes efficiently; inability of partners to meet their obligations to the joint venture or third parties; and litigation between partners regarding joint venture matters. Any failure of such other companies to meet their obligations to us, the joint venture 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 the development and use of the processes, which could have a material adverse effect on our results of operations and financial condition.

Increased competition could adversely affect our ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

The mining industry is intensely competitive. Significant competition exists for the acquisition of properties producing or capable of producing, REE, gold or other metals. We may be at a competitive disadvantage in acquiring additional mining properties because we must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than us. We may also encounter increasing competition from other mining companies in our efforts to hire experienced mining professionals. Competition for exploration resources at all levels is currently 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 acquire suitable producing properties or prospects for mineral exploration in the future.

We compete with larger, better capitalized competitors in the mining industry.

The mining industry is competitive in all of its phases, including financing, technical resources, personnel and property acquisition. We will require significant capital, technical resources, personnel and operational experience to effectively compete in the mining industry. Because of the high costs associated with exploration, the expertise required to analyze a project’s potential and the capital required to develop a mine, larger companies with significant resources may have a competitive advantage over us. We face strong competition from other mining companies, some with greater financial resources, operational experience and technical capabilities than us. As a result of this competition, we may be unable to maintain or acquire financing, personnel, technical resources or attractive mining properties on terms we consider acceptable or at all.

Current economic conditions and capital markets are subject to fluctuations which could adversely affect our ability to access the capital markets, and thus adversely affect our business and liquidity.

The current economic conditions are in a state of flux that could have a negative impact on our ability to access the capital markets, and thus have a negative impact on our business and liquidity. Our ability to access the capital markets has been and continues to be severely restricted at a time when we need to access such markets, which could have a negative impact on our business plans. Even if we are able to raise capital, it may not be at a price or on terms that are favorable to us. We cannot predict the occurrence of future financial disruptions or how long the current market conditions may continue.

Our resources may not be sufficient to manage our expected growth; failure to properly manage our potential growth would be detrimental to our business.

We may fail to adequately manage our anticipated future growth. Any growth in our operations will place a significant strain on our administrative, financial and operational resources, and increase demands on our management and on our operational and administrative systems, controls and other resources. We cannot assure you that our existing personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of this growth, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base, and maintain close coordination among our staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems.

If we are unable to manage growth effectively, our business, operating results and financial condition could be materially adversely affected. As with all expanding businesses, the potential exists that growth will occur rapidly. If we are unable to effectively manage this growth, our business and operating results could suffer. Anticipated growth in future operations may place a significant strain on management systems and resources. In addition, the integration of new personnel will continue to result in some disruption to ongoing operations. The ability to effectively manage growth in a rapidly evolving market requires effective planning and management processes. We will need to continue to improve operational, financial and managerial controls, reporting systems and procedures, and will need to continue to expand, train and manage our work force.

We may experience difficulty attracting and retaining qualified management to meet the needs of our anticipated growth, and the failure to manage our growth effectively could have a material adverse effect on our business and financial condition.

Competition for additional qualified management is intense, and we may be unable to attract and retain additional key personnel, or to attract and retain personnel on terms acceptable to us. Management personnel are currently limited and they may be unable to manage our expansion successfully and the failure to do so could have a material adverse effect on our business, results of operations and financial condition. We have not entered into non-competition agreements. As our business is substantially dependent upon the directors, executive officers and consultants, the lack of non-competition agreements poses a significant risk to us in the event such persons were to resign or be terminated from such positions. Under such circumstances, such persons may provide confidential information and key contacts to our competitors and we may have difficulties in preventing the disclosure of such information. Such disclosure would have a material adverse effect on our business and operations.

Our operations are dependent upon key personnel, the loss of which would be detrimental to our business.

The nature of our business, including our ability to continue our exploration and development activities, depends, in large part, on the efforts of key personnel such as Daniel Gorski, our Chief Executive Officer. The loss of Mr. Gorski could have a material adverse effect on our business. We do not maintain “key man” life insurance policies on any of our officers or employees.

Risks Associated with our Common Stock

Our stock price is highly volatile.

The market price of our Common Stock has fluctuated and may continue to fluctuate. These fluctuations may be exaggerated since the trading volume of its Common Stock is volatile, limited, and sporadic. These fluctuations may or may not be based upon any business or operating results. Our Common Stock may experience similar or even more dramatic price and volume fluctuations in the future.

The market for the Common Stock is limited, sporadic and volatile. Any failure to develop or maintain an active trading market could negatively affect the value of our shares and make it difficult or impossible for you to sell your shares.

Our Common Stock is currently traded on the OTCQB. Although our Common Stock is traded on the OTCQB, a regular trading market for our securities may not be sustained in the future. Quotes for stocks traded on the OTCQB generally are not listed in the financial sections of newspapers and prices for, and coverage of, securities quoted solely on the OTCQB may be difficult to obtain. In addition, stocks quoted solely on the OTCQB tend to have a limited number of market makers and a larger spread between the bid and ask prices than those listed on an exchange. All of these factors may cause holders of our Common Stock to be unable to resell their securities at any price. This limited trading also could decrease or eliminate our ability to raise additional funds through issuances of our securities.

Failure to develop or maintain an active trading market could negatively affect the value of our shares and make it difficult for you to sell your shares or recover any part of your investment in us. Even if an active market for our Common Stock does develop, the market price of our Common Stock may be highly volatile. In addition to the uncertainties relating to our future operating performance and the profitability of our operations, factors such as variations in our interim financial results, or various, as yet unpredictable factors, many of which are beyond our control, may have a negative effect on the market price of our Common Stock. Accordingly, there can be no assurance as to the liquidity of any active markets that may develop for our Common Stock, the ability of holders of our Common Stock to sell our Common Stock, or the prices at which holders may be able to sell our Common Stock.

The sale of substantial shares of our Common Stock or the issuance of shares upon exercise of our derivative securities, including the Warrants, will cause immediate and substantial dilution to our existing stockholders and may depress the market price of our Common Stock.

In order to provide capital for the operation of our business, we may enter into additional financing arrangements. These arrangements may involve the issuance of new Common Stock, preferred stock that is convertible into Common Stock, debt securities that are convertible into Common Stock or warrants for the purchase of Common Stock. Any of these items could result in a material increase in the number of shares of Common Stock outstanding which would in turn result in a dilution of the ownership interest of existing Common Stockholders. In addition, these new securities could contain provisions, such as priorities on distributions and voting rights, which could affect the value of our existing Common Stock.

As of November 22, 2019, we have 56,204,994 shares of Common Stock issued and outstanding, and 23,583,740 shares of our Common Stock underlying derivative securities at exercise prices between \$0.19 and \$0.50 per share, expiring the later of 2028.

A low market price may severely limit the potential market for our Common Stock.

An equity security that trades below a certain price per share is subject to SEC rules requiring additional disclosures by broker-dealers. These rules generally apply to any non-Nasdaq equity security that has a market price of less than \$5.00 per share, subject to certain exceptions (a “penny stock”). Such rules require the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and institutional or wealthy investors. For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser’s written consent to the transaction prior to the sale. The broker-dealer also must disclose the commissions payable to the broker-dealer, current bid and offer quotations for the penny stock and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer’s presumed control over the market. Such information must be provided to the customer orally or in writing before or with the written confirmation of trade sent to the customer. Monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Since our Common Stock trades at a price of less than \$5.00 per share, the additional burdens imposed upon broker-dealers by such requirements could discourage broker-dealers from effecting transactions in our Common Stock.

We do not currently intend to pay cash dividends.

We have not declared any dividends since 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 operations and the expansion of our business. Payment of future cash dividends, if any, will be at the discretion of our Board and will depend on our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that our Board considers relevant. Accordingly, investors will only see a return on their investment if the value of our securities appreciates.

Control by current stockholders.

The current stockholders have elected the directors and the directors have appointed current executive officers to serve our Company. The voting power of these stockholders could also discourage others from seeking to acquire control of us through the purchase of our Common Stock which might depress the price of our Common Stock.

Investment in our Company has a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below. If any of the following risks actually occur, our business, operating results and financial condition could be harmed and the value of our stock could go down.

There is not now, and there may never be, an active market for our Common Stock.

Shares of our Common Stock have historically been thinly traded. Currently there is a limited, sporadic and highly volatile market for our Common Stock, and no active market for our Common Stock may develop in the future. As a result, our stock price as quoted by the OTC QB may not reflect an actual or perceived value. Moreover, several days may pass before any shares are traded; meaning that the number of persons interested in purchasing our common shares at or near ask prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including, but not limited to:

- we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume; and
- stock analysts, stock brokers and institutional investors may be risk-averse and reluctant to follow a micro-cap company such as ours that faces financing and operational risk until such time as we become more viable.

As a result, an investor may find it difficult to dispose of, or to obtain accurate quotations of the price of, our Common Stock. Accordingly, investors must assume they may have to bear the economic risk of an investment in our Common Stock for an indefinite period of time, and may lose their entire investment. There can be no assurance that a more active market for our Common Stock will develop, or if one should develop, there is no assurance that it will be sustained. This severely limits the liquidity of our Common Stock and would likely have a material adverse effect on the market price of our Common Stock and on our ability to raise additional capital.

We cannot assure that our Common Stock will become liquid or that it will be listed on a national securities exchange.

Until our Common Stock is listed on a national securities exchange such as Nasdaq or the NYSE, we expect our Common Stock to remain eligible for quotation on the OTC. If we fail to meet the criteria set forth in SEC regulations, various requirements would be imposed by law on broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling our Common Stock, which may further affect the liquidity of our Common Stock. This would also make it more difficult for us to raise capital.

We may issue shares of preferred stock.

Our Certificate of Incorporation authorizes the issuance of blank check preferred stock with designations, rights and preferences determined from time to time by the board of directors. There are currently no shares of preferred stock issued and outstanding. Our board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting, or other rights which could adversely affect the voting power or other rights of the holders of the Common Stock. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Executive and Field Offices. Our headquarters are located at 539 El Paso Street, Sierra Blanca, Texas 79851. Our accounting functions are conducted by personnel in Galveston, Texas, and Denver, Colorado, all under the supervision of our chief executive officer.

Overview of the Round Top Rare Earth-Uranium-Beryllium Project. We are currently in the exploration stage and have not established that our Round Top Project contains Proven or Probable Reserves as defined under SEC Guide 7.

Description and Access

Round Top is a small mountain, one of a group of five that comprises the Sierra Blanca, located in Hudspeth County approximately eight miles northwest of the town of Sierra Blanca. The property is reached by truck on a private dirt road that turns north off Interstate 10 access road approximately one mile west of the town of Sierra Blanca. A railroad line is located approximately one to three miles from the Round Top Project and a spur line stops at a stone quarry within three miles of the Round Top Project.

In March 2013, we purchased the surface lease at the Round Top Project, known as the West Lease, from the Foundation for \$500,000 and 1,063,830 shares of our Common Stock. We also agreed to support the Foundation through an annual payment of \$45,000 for ten years to support conservation efforts within the Rio Grande Basin and in particular engaging in stewardship of Lake Amistad, a large and well-known fishing lake near Del Rio, Texas. The West Lease comprises approximately 54,990 acres. Most importantly, the purchase of the surface lease gave us unrestricted surface access for the potential development and mining of our Round Top Project.

Round Top Location Map



Acquisition and Ownership

Prospecting Permits

TMRC currently holds prospecting permits covering land in Hudspeth County. The prospecting permits allow for exploration activities on approximately 7,110 acres. Currently, TMRC has yet to complete drilling on lands identified within the permits due to the requirement of completing archeological studies. TMRC intends to complete archeological studies in all areas for future exploration. To date, all exploration work has occurred on areas with approved archeological assessments. A summary of the prospecting permits is listed in Table 1 below:

TMRC Permit Numbers and Associated Acres

Permit #	Acres
M-114639	640
M-114640	640
M- 114641	250
M-114642	640
M-114643	400
M-114644	360
M-114645	340
M-115990	640
M-115991	640
M-115992	640
M-115993	640
M-115994	640
M-115995	640

September 2011 Lease

In September 2011, we entered into a new mining lease with the GLO covering Sections 7 and 18 of Township 7, Block 71 and Section 12 of Block 72, covering approximately 860 acres at Round Top Mountain in Hudspeth County, Texas. The mining lease issued by the GLO gives us the right to explore, produce, develop, mine, extract, mill, remove, and market beryllium, uranium, rare earth elements, all other base and precious metals, industrial minerals and construction materials and all other minerals excluding oil, gas, coal, lignite, sulfur, salt, and potash. The term of the lease is nineteen years from execution date of lease so long as minerals are produced in paying quantities.

Under the lease, we will pay the State of Texas a lease bonus of \$142,518; \$44,718 of which was paid upon the execution of the lease, and \$97,800 which will be due when we submit a supplemental plan of operations to conduct mining. Upon the sale of minerals removed from Round Top, we will pay the State of Texas a \$500,000 minimum advance royalty.

Thereafter, we will pay the State of Texas a production royalty equal to eight percent (8%) of the market value of uranium and other fissionable materials removed and sold from Round Top and six and one quarter percent (61/4%) of the market value of all other minerals removed and sold from Round Top.

Thereafter, assuming production of paying quantities has not been obtained, we may pay additional delay rental fees to extend the term of the lease for successive one (1) year periods pursuant to the following schedule:

	Per Acre Amount	Total Amount
September 2, 2015 – 2019	\$ 75	\$ 67,077
September 2, 2020 – 2024	\$ 150	\$ 134,155
September 2, 2025 – 2029	\$ 200	\$ 178,873

In August 2019, we paid the State of Texas a delay rental of \$67,077.

November 2011 Lease

In November 2011, we entered into a mining lease with the State of Texas covering 90 acres, more or less, of land that we purchased in September 2011 near our Round Top site. The deed was recorded with Hudspeth County on September 16, 2011. Under the lease, we paid the State of Texas a lease bonus of \$20,700 which was paid upon the execution of the lease. Upon the sale of minerals removed from Round Top, we will pay the State of Texas a \$50,000 minimum advance royalty. Thereafter, we will pay the State of Texas a production royalty equal to eight percent (8%) of the market value of uranium and other fissionable materials removed and sold from Round Top and six and one quarter percent (61/4%) of the market value of all other minerals sold from Round Top. The term of the lease is nineteen years from execution date of lease so long as minerals are produced in paying quantities.

Thereafter, assuming production of paying quantities has not been obtained, we may pay additional delay rental fees to extend the term of the lease for successive one (1) year periods pursuant to the following schedule:

	Per Acre Amount	Total Amount
November 1, 2015 – 2019	\$ 75	\$ 6,750
November 1, 2020 – 2024	\$ 150	\$ 13,500
November 1, 2025 – 2029	\$ 200	\$ 18,000

In August 2019, we paid the State of Texas a delay rental to extend the term of the lease in an amount equal to \$6,750.

March 2013 Lease

In March 2013, we purchased the surface lease at the Round Top Project, known as the West Lease, from the Foundation for \$500,000 cash and 1,063,830 shares of our Common Stock. We also agreed to support the Foundation through an annual payment of \$45,000 for ten years to support conservation efforts within the Rio Grande Basin and in particular engaging in stewardship of Lake Amistad, a large and well-known fishing lake near Del Rio, Texas. The West Lease comprises approximately 54,990 acres. The purchase of the surface lease provided unrestricted surface access for the potential development and mining of our Round Top Project.

October 2014 Surface Option and Water Lease

In October 2014, we announced that we had executed agreements with the GLO securing the option to purchase the surface rights covering the potential Round Top Project mine and plant areas and, separately, a lease to develop the water necessary for the potential Round Top Project mine operations. The option to purchase the surface rights covers approximately 5,670 acres over the mining lease and the additional acreage adequate to site all potential heap leaching and processing operations as currently anticipated by the Company. We may exercise the option for all or part of the option acreage at any time during the sixteen year primary term of the mineral lease. The option can be kept current by an annual payment of \$10,000. The purchase price will be the appraised value of the surface at the time of exercising the option.

The ground water lease secures our right to develop the ground water within a 13,120 acre lease area located approximately 4 miles from the Round Top deposit. The lease area contains five existing water wells. It is anticipated that all potential water needs for the Round Top Project mine operations will be satisfied by the existing wells covered by this water lease. This lease has an annual minimum production payment of \$5,000 prior to production of water for the operation. After initiation of production we will pay \$0.95 per thousand gallons or \$20,000 annually, whichever is greater. This lease remains effective as long as the mineral lease is in effect.

Existing Infrastructure

The Round Top rare earth prospect was initially developed in the late 1980s as a beryllium resource. As a result, several pieces of equipment were present at the property when we acquired the lease, some of which we have repaired as described below. The previous operators had also built out several roads at the prospect site, which we believe are suitable for our current exploration plans.

There exists on the Round Top site a 1,115 foot, 10 foot by 10 foot decline from the surface into the Round Top prospect. There are steel sets every five feet, in some cases less, and the entire working is lagged with timber. There are "escape holes" at intervals to allow personnel to avoid equipment. The escape holes are all in good operating condition. There is also a 36 foot steel ventilation line in place that runs for approximately 75 feet into the prospect. There is a 125 hp axial plane ventilation fan in place. We have leveled the fan and rehabilitated the control panel, and have operated this ventilation system during the evaluation of the historic Cabot-Cyprus work. We intend to install a "soft start" motor starter switch for the vent fan in the future in order to be able to use a 100kw generator.

A bag house is also located on the property that will need its electronic controls rehabilitated and modernized and filters installed. There is a 6" Victaulic compressed air line extending from the compressor station outside to the faces. There are numerous valves at strategic locations underground. There is one 2' steel Victaulic water line for drill water and an additional partly plastic Victaulic water line for dust suppression sprayers, which also has sprayers in place.

There is electric cable from the portal to the face and a switch box underground. Some additional switching gear will need to be installed at the portal. The mine portal has a sturdy locking steel door in place that we have reconditioned.

There is a 500 barrel (23,000 gal) water tank below the mine dump for water to be hauled in and stored. This tank appears to be in good shape. The water line from the tank to the mine portal is missing and will have to be replaced. The water system will need a submersible pump, switching gear and approximately 1000 ft of 2" poly line to render the water system serviceable.

The nearest population center to the Round Top Project is Sierra Blanca, Texas. The town of Sierra Blanca is approximately six miles to the southeast of the Round Top Project site. The population was 533 in 2000 and 510 during the 2007 census. Skilled mining labor and support could be found in El Paso, approximately 85 miles to the northeast.

A major rail line parallels Interstate 10 approximately three to four miles west and south of the mine site. Approximately three miles from the Project site is a commercial rock quarry in operation which produces ballast for the railroad. The rock quarry operation has a rail road spur which is approximately two to three miles from the project.

Power is currently supplied to Sierra Blanca through El Paso Electric Services. El Paso Electric Services has approximately 1,643 megawatts of generating capacity. As the greater power needs of a floatation operation have been eliminated by the proposed heap leach mine plan the existing 69 kV is thought to be adequate to supply the envisioned heap leach operation.

Water for the project may be obtained from a well field approximately 3 miles east of the mine site. In October 2014, we executed a lease with the GLO to develop the water necessary for the potential Round Top Project mine operations. The ground water lease secures our right to develop the ground water within a 13,120 acre lease area located approximately 4 miles from the Round Top deposit. The lease area contains five existing water wells. It is anticipated that all potential water needs for the Round Top Project mine operations would be satisfied by the existing wells covered by this water lease. This lease has an annual minimum production payment of \$5,000 prior to production of water for the operation, which has not been paid as of the date of this filing. After initiation of production we will pay \$0.95 per thousand gallons or \$20,000 annually, whichever is greater. This lease remains effective as long as the mineral lease is in effect.

This well field was originally developed to supply water for a proposed real estate project in the late 1970's. One of the existing wells is reported to have pump tested 950 gallons per minute and another 450 gallons per minute. This water is high enough in total dissolved solids to not meet drinking water standards, thus there is no competition for its use. The quality of the water is believed to be adequate for process water needs and the water will require treatment to be potable.

Geology

The Round Top Project area lies within the Texas Lineament Zone or Trans-Pecos Trend. The lineament is a northwest trending structural zone where Laramide thrust faulting followed by basin and range normal faulting were active. Tertiary igneous activity is also associated with the lineament zone, both intrusive and extrusive.

Locally the project area is characterized by five Tertiary microgranite bodies that intruded Cretaceous sedimentary rocks. The microgranites occur as laccoliths, mushroom-shaped bodies emplaced at relatively shallow depths. At the current erosional levels, laccoliths form resistant peaks with relief up to 2,000 feet. The microgranites, which are called rhyolites in the literature, are enriched with various metals which may or not be economical to recover. The rare earth elements are located with-in the intrusive rhyolite body.

Tertiary Diorite which predate the microgranites are intruded the cretaceous section. The diorites occur as sills, five to 100 feet thick and less frequently as dikes and plugs. Sedimentary rocks exposed in the area are middle to upper Cretaceous limestones shales and sandstones. The limestone, where it is in contact with the microgranites, is the host for Beryllium and uranium mineralization.

The Round Top Project was initially developed in the late 1980's as a beryllium resource. During the course of the beryllium exploration, approximately 200 drill holes penetrated varying thicknesses of the rhyolite volcanic rock that makes up the mass of Round Top Mountain and caps the beryllium-uranium deposits which occur in the underlying limestone; some 50 more holes were drilled on Little Round Top, Sierra Blanca and Little Blanca Mountains.

The Texas Bureau of Economic Geology, working with the project geologists, conducted an investigation of the rhyolite to better understand its rare metal content. This research shows that the rhyolite laccoliths at Sierra Blanca are enriched in a variety of REEs such as tantalum, niobium, thorium and lithium. They analyzed a series of samples from outcrop and drill holes and studied the geochemistry and mineralogy of the rhyolite. The results of their research were published in the GSA, Geological Society of America, Special Paper 246, 1990.

Mineralization

Round Top rhyolite is enriched in HREEs. Statistical review of the current data shows that an estimated 70% of the total REE's grade being HREEs. REE mineralization occurs primarily as disseminated microcrystals of varieties of fluorite (such as yttrium-rich yttrifluorite) where HREEs have substituted for calcium, and as other REE-bearing accessory minerals. REE minerals occur mainly in vugs and as crystal coatings, suggesting late-stage crystallization from an incompatible element-rich fluid.

The Round Top rhyolite was divided into five different alteration phases based on the intensity of hematitic and hydrothermal alteration: red rhyolite, pink rhyolite, tan rhyolite; brown rhyolite and gray rhyolite. Hematitic alteration is a replacement of the magnetite by hematite and gives the rhyolite a red to pink color. Hydrothermal alteration was late and gives the rhyolite a tan to brown color. Mostly unaltered, gray rhyolite was also documented.

Initial geochemical testwork, presented in Section 13, suggests that the gray and pink rhyolite units have the highest REE content, averaging between 554 and 615 parts per million (ppm) total REE + Yttrium (Y). Red and tan rhyolites, which may be strongly vapor-phase altered, contain about 8% lower abundance of REE and the brown rhyolite, which may be altered hydrothermally or by groundwater, contains about 23% less REE than the gray and pink varieties.

Metallurgy

In September 2013, we completed the first phase of heap leach testing. The products recovered from the heap leaching are categorized as rare earth elements, tech metals and industrial/fertilizer products. The results are summarized below:

REE + Y + Sc			Tech Metals			
	ppm	% REE	Heap Leach		ppm	Heap Leach
	Ore	Dist.	Recovery		Ore	Recovery
			RDI Col 2			RDI Col 2
La	19.8	4%	73.8%	U	45	31.0%
Ce	77.8	15%	69.2%	Th	180	91.0%
Pr	10.3	2%	81.6%	Li	465	58.0%
Nd	28.3	5%	81.4%	Hf	79	5.9%
Sm	10.3	2%	83.6%	Be	22	9.5%
Eu	0.1	0%	74.4%	Ga	88	6.4%
Gd	10.1	2%	90.2%	Zr	1,177	5.7%
Tb	3.5	1%	87.1%	Nb	387	2.7%
Dy	31.1	6%	87.4%	Ta	66	0.0%
Ho	7.9	1%	86.5%	Sn	132	5.7%
Er	33.1	6%	83.4%			
Tm	7.2	1%	77.8%	Industrial Sulfates		
Yb	57.4	11%	74.5%	Al	74,694	7.2%
Lu	9.0	2%	67.2%	Fe	10,915	36.8%
Y	221.9	42%	92.2%	Mg	1,447	93.1%
Sc	0.8	0.15%	68.4%	Mn	527	50.1%
TREE	527.9	100%	83.6%	K	30,549	7.0%
				Na	36,985	3.5%
				Questionable Market		
				Cs	52.8	41.9%
				Sr	66.18	71.3%
				Rb	2,120	13.2%

In December 2013 we published a PEA based on a 20,000 tonnes per day heap leaching operation. This PEA called for the marketing of rare earth elements and uranium only and used the prices existing at that time.

In April 2015 we completed the first stage of hydrometallurgical testing at K-Tech, Lakeland Florida, that demonstrated it was possible to use ion exchange to extract the rare earth elements and the uranium and thorium from the primary leach solution. These tests also indicated that ion exchange and ion chromatography would be the most efficient process for refining and purifying the various products.

In July 2016 we completed a contract awarded by the Department of Defense, Defense Logistic Agency to TMRC and K-Tech demonstrating the ability of ion exchange and ion chromatography to make high purity rare earth products from leached Round Top rhyolite.

On August 16 2019 we published an expanded and upgraded PEA that included the various by-product elements in the resource base. This PEA is based on using ion exchange and ion chromatography for the refining of the rare earth group of elements and other various elements and other processes for lithium and the industrial and fertilizer elements.

Project Exploration History and Timeline

The Round Top rare earths and uranium-beryllium prospects were initially drilled in 1984 and 1985, during which time the ore body known as the “West End Ore Zone” was discovered by Cabot Corporation. In subsequent years, Cyprus Minerals Corporation took over the exploration activities. Cyprus drilled additional exploration holes and also put an adit into the ore zone where 1,115 feet of underground workings were driven. Cyprus developed the underground workings in order to obtain bulk samples for pilot plant testing and beryllium oxide concentrate generation. Cyprus ultimately put the project on hold as a result of poor beryllium market conditions. Cyprus eventually allowed the lease with the state of Texas to lapse.

In March 2011, the Company completed an analysis of 1,103 drill samples from the 1984-88 drilling program initially conducted on the Round Top Project by third party operators. All or a portion of forty-six out of an estimated two hundred fifty existing drill holes have been re-logged and re-analyzed. The rare earth element and other metals are consistent with the original study by the Texas Bureau of Geology that was published in the Geological Society of America, Special Paper 246 in 1990. This study first described the rare metal content of the large mass of intrusive igneous rock that makes up the body of Round Top Mountain, and is the basis for our interest in this deposit. The nine drill holes cited below were selected because they are widely distributed and roughly define an area approximately six thousand feet by four thousand feet within the approximate seven thousand foot known diameter of the intrusive rhyolite body. They intersected the entire body of the rhyolite.

Costs

At the end of 2019 fiscal year, we had incurred exploration costs at the Round Top Project of approximately \$13 million.

Morzev Agreement

In August 2018, the Company and Morzev entered into an agreement where Morzev has the exclusive right to earn and acquire a seventy percent (70%) interest, increasable to an eighty percent (80%) interest, in the Round Top Project from the Company by funding certain expenditures described below. In connection therewith, Morzev purchased 646,054 shares of Common Stock for \$140,000.

In order to acquire and earn the 70% interest in the Round Top Project, Morzev must perform and complete the following:

- (i) expend a total of \$2,500,000 for mining operations on the Round Top Project within 12 - 18 months of August 2018 (inclusion of the \$140,000 common stock purchase); and
- (ii) fund what is remaining to complete a bank feasibility study on the Round Top Project, up to a maximum of \$7,500,000, with the remaining amount to be contributed equally between Morzev and the Company.

If and when Morzev satisfies the earning requirements above, its beneficial interest in the Round Top Project will immediately increase to 70% and the Company's interest in Round Top will immediately reduce to 30%. Upon Morzev earning a 70% interest in Round Top, the parties shall formalize a joint venture in respect of Round Top, with each party being required to contribute to future expenditures with respect to Round Top in proportion to their ownership and all budgets and timelines to be determined and agreed by a management committee established between the parties, consisting of 2 appointees of Morzev and Mr. Gorski. Additionally, the failure of a party to fund its proportionate expenditure request may result in dilution of an ownership interest.

Morzev shall have the option to acquire from the Company an additional 10 percent interest (10%) in the Round Top Project by:

- (i) providing written notice to the Company within 180 days of the completion of the bankable feasibility study; and
- (ii) paying to the Company \$3,000,000.

The additional option is only relevant if Morzev earns a 70% interest in the Round Top Project.

Morzev presently serves as the project manager of Round Top, with responsibility to manage, supervise, direct, and control the mining operations with respect to Round Top.

On August 26, 2019, we executed an amended and restated option agreement whereby Morzev assigned its interest in the option to USA Rare Earth LLC, a Delaware Corporation.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Pursuant to Section 1503(a) of the recently enacted 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 fiscal year ended August 31, 2019, our U.S. exploration properties were not subject to regulation by the Federal Mine Safety and Health Administration ("MSHA") under the *Federal Mine Safety and Health Act of 1977* (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 Stock is listed for quotation on the OTC QB operated by OTC Markets Group Inc. under the symbol "TMRC." The market for our Common Stock on the OTC QB is limited, sporadic and highly volatile. The quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not represent actual transactions. The following table sets forth the range of high and low bid prices during the periods indicated.

	Fiscal Year 2019	
	High	Low
Quarter ended August 31, 2019	\$ 0.50	\$ 0.28
Quarter ended May 31, 2019	\$ 0.45	\$ 0.19
Quarter ended February 28, 2019	\$ 0.25	\$ 0.21
Quarter ended November 30, 2018	\$ 0.29	\$ 0.17
	Fiscal Year 2018	
	High	Low
Quarter ended August 31, 2018	\$ 0.34	\$ 0.17
Quarter ended May 31, 2018	\$ 0.20	\$ 0.15
Quarter ended February 28, 2018	\$ 0.21	\$ 0.14
Quarter ended November 30, 2017	\$ 0.22	\$ 0.17

The last bid price of our Common Stock on November 22, 2019 was \$0.285 per share.

Holders

The approximate number of holders of record of our Common Stock as of November 22, 2019 was 498.

Dividends

We have not paid any cash dividends on our equity security and our Board has no present intention of declaring any cash dividends. We are not prohibited from paying any dividends pursuant to any agreement or contract.

Securities Authorized for Issuance under Equity Compensation Plans

We have adopted a stock option plan, approved by our shareholders. As of August 31, 2019, a total of 9,000,000 shares of our Common Stock have been reserved for issuances under our plan, with 4,635,000 shares being reserved for future issuance.

The following table sets forth certain information as of August 31, 2019 concerning our Common Stock that may be issued upon the exercise of options or warrants or pursuant to purchases of stock under the Amended 2008 Plan:

Plan Category	(a) Number of Securities to be Issued Upon the Exercise of Outstanding Options	(b) Weighted- Average Exercise Price of Outstanding Options	(c) Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders	4,365,000	\$ 0.28	4,635,000
Nonplan equity compensation	1,345,000	\$ 0.27	—
Total	5,710,000	\$ 0.28	4,635,000

Recent Sales of Unregistered Securities During Fiscal 2019

Except as set forth below, all unregistered sales of equity securities during the period covered by the Annual Report were previously disclosed in our current reports on Form 8-K or quarterly reports on Form 10-Q.

Date	Description	Number	Purchaser	Proceeds (\$)	Consideration	Exemption (E)
August 2019	Common Stock	5,111,626	Investor	\$1,840,185	Cash	Sec. 4(a)(2)
August 2019	Common Stock	2,142,897(A)	Directors	non-cash	Services	Sec. 4(a)(2)
August 2019	Common Stock	2,076,825(B)	Directors	non-cash	Debt conversions	Sec. 4(a)(2)
August 2019	Common Stock Warrants	2,564,190(C)	Directors	non-cash	Consideration for Debt Extension	Sec. 4(a)(2)
August 2019	Common Stock Warrants	720,000(D)	Consultant	non-cash	Services	Sec. 4(a)(2)

- (A) Common Stock issued pursuant to Board services in lieu of cash compensation.
- (B) Common Stock issued pursuant to loans made to the Company on behalf of certain Directors and Officers.
- (C) Common Stock Warrants issued pursuant to consideration for debt extensions on behalf of certain Directors and Officers. Each warrant is exercisable for a 5-year term at an exercise price of \$0.20.
- (D) Common Stock Warrants issued pursuant to a consulting agreement for legal services.
- (E) With respect to sales designated by “Sec. 4(a)(2),” these shares were issued pursuant to the exemption from registration contained in to Section 4(a)(2) of the Securities Act as privately negotiated, isolated, non-recurring transactions not involving any public offer or solicitation. Each purchaser represented that such purchaser’s intention to acquire the shares for investment only and not with a view toward distribution. None of the securities were sold through an underwriter and accordingly, there were no underwriting discounts or commissions involved.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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 under “Risk Factors” and elsewhere in this Annual Report.

Overview

We currently do not have any producing properties and consequently, we have no current operating income or cash flow and have not generated any revenues. Further exploration will be required before a final evaluation as to the economic and practical feasibility of any of our properties is determined.

Liquidity and Capital Resources

At August 31, 2019, our accumulated deficit was approximately \$36,576,000 and our cash position was approximately \$1,825,000. In August 2019, we issued 5,111,626 shares of common stock for \$1,840,185. We had a working capital surplus of approximately \$448,000. We have not commenced commercial production on any of our mineral properties. We have no revenues from operations and anticipate we will have no operating revenues until we place one or more of our properties into production. All properties are in the exploration stage.

During the fiscal year ending August 31, 2019, we expended approximately \$139,000 in certain metallurgical activities and we expect to expend additional amounts to fund metallurgical activities during our current fiscal year.

Other than the financial commitment with USA Rare Earth to fund operations to earn a 70% interest in the Round Top Project, we currently do not have funds to pursue exploration or development work on the Round Top Project, which means that we will be required to raise additional capital on best efforts terms if USA Rare Earth ceases funding, or find alternative means to finance the Round Top Project continued exploration activities, if warranted. Subsequent to the funding of the USA Rare Earth amount, we will need to raise a significant amount of additional capital to exploit the Round Top Project. Failure to obtain required and sufficient financing may result in the (i) delay or indefinite postponement of exploration and, if warranted, development or production in the Round Top Project and/or (ii) curtailment or cessation of our operations. This includes our leases over claims covering the Round Top Project. We cannot be certain that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable or acceptable to us. Our ability to arrange additional financing in the future is dependent upon third parties. Failure of obtaining the required capital will result in the curtailment or cessation of our business operations.

Results of Operations

Fiscal Years ended August 31, 2019 and 2018

Revenue

During the fiscal year ended August 31, 2019 we had no revenues For the fiscal year ended August 31, 2019, our net loss was approximately \$1,206,000 We had no operating revenues during the fiscal years ended August 31, 2019 and 2018. We are not currently profitable. As a result of ongoing operating losses, we had an accumulated deficit of approximately \$36,576,000 as of August 31, 2019.

Operating expenses and resulting losses from Operations.

We incurred exploration costs for the fiscal years ended August 31, 2019 and 2018, in the amount of approximately \$139,000 and \$95,000, respectively. Expenditures during fiscal year 2019 and 2018 were primarily for metallurgical testing.

Our general and administrative expenses for the fiscal year ended August 31, 2019 were approximately \$785,000 of which approximately \$675,000 were stock compensation for services. The remaining expenditures were primarily for accrued payroll, professional fees and other general administrative expenses necessary for our operations.

Our general and administrative expenses for the fiscal year ended August 31, 2018 were approximately \$518,000 of which approximately \$109,000 were for stock compensation for services. The remaining expenditures were primarily for accrued payroll and related taxes and benefits, professional fees and other general and administrative expenses necessary for our operations.

We had losses from operations for the fiscal years ended August 31, 2019 and 2018 totaling approximately \$924,000 and \$618,000, respectively and net losses for the fiscal years ended August 31, 2019 and 2018 totaling approximately \$1,206,000 and \$738,000. We had interest expense of approximately \$20,000 and \$23,000 and non-cash interest of approximately \$269,000 and \$98,000 for the fiscal years ended August 31, 2019 and 2018, respectively.

Off-Balance Sheet Arrangements

For the fiscal years ended August 31, 2019 and 2018, we have off-balance sheet arrangements for annual payments in relation to the mineral leases as disclosed in foot note 4 of the financial statements.

Recently Issued Accounting Pronouncements

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position, or cash flow.

Critical Accounting Estimates

Management's discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with GAAP. Preparation of financial statements requires management to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and the related disclosures of contingencies. Management bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are fairly presented in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Management believes that the following critical accounting estimates and judgments have a significant impact on our financial statements; Valuation of options granted to directors and officers using the Black-Scholes model, and fair value of mineral properties. The accounting policies are described in greater detail in Note 2 to our audited financial statements for the fiscal year ended August 31, 2019.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

LBB & ASSOCIATES LTD., LLP
7600 W. Tidwell, Suite 501
Houston, TX 77040
Phone: (713) 800-4343 Fax: (713) 456-2408

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Texas Mineral Resources Corp.
Sierra Blanca, Texas

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Texas Mineral Resources Corp. (the Company) as of August 31, 2019 and 2018, and the related statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended August 31, 2019, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended August 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/S/ LBB & ASSOCIATES LTD., LLP

We have served as the Company's auditor since 2011.

Houston, Texas

November 26, 2019

TEXAS RARE EARTH RESOURCES CORP
BALANCE SHEETS

August 31, 2019 August 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,824,546		\$	31,591
Prepaid expenses and other current assets		4,450			3,333
Total current assets		1,828,996			34,924

Mineral properties, net		354,234			354,234
Deposits		4,000			4,000

TOTAL ASSETS	\$	2,183,230		\$	393,158
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LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$	1,181,820		\$	1,357,013
Advances due to - related party		5,000			421,415
Current portion of note payable		193,760			260,387
Total current liabilities		1,380,580			2,038,815
Total liabilities		1,380,580			2,038,815

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY

Preferred stock, par value \$0.001; 10,000,000 shares authorized, no shares issued and outstanding as of August 31, 2019 and August 31, 2018, respectively		—			—
Common stock, par value \$0.01; 100,000,000 shares authorized, 56,204,994 and 44,941,532 shares issued and outstanding as of August 31, 2019 and August 31, 2018, respectively		562,050			449,416
Additional paid-in capital		36,817,096			33,275,248
Accumulated deficit		(36,576,496)			(35,370,321)
Total shareholders' equity		802,650			(1,645,657)

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	2,183,230		\$	393,158
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The accompanying notes are an integral part of these financial statements.

TEXAS RARE EARTH RESOURCES CORP
STATEMENTS OF OPERATIONS

	For the Year Ended August 31,	
	2019	2018
OPERATING EXPENSES		
Exploration costs	139,198	95,452
Impairment of mineral properties	—	4,360
General and administrative expenses	785,112	518,001
Total operating expenses	924,310	617,813
LOSS FROM OPERATIONS	(924,310)	(617,813)
OTHER INCOME (EXPENSE)		
Non-cash interest expense	(268,621)	(97,508)
Other income	6,874	—
Interest and other expense	(20,118)	(23,017)
Total other income (expense)	(281,865)	(120,525)
NET LOSS	\$ (1,206,175)	\$ (738,338)
Net loss per share:		
Basic and diluted net loss per share	\$ (0.03)	\$ (0.02)
Weighted average shares outstanding:		
Basic and diluted	46,737,894	44,941,533

The accompanying notes are an integral part of these financial statements.

TEXAS RARE EARTH RESOURCES CORP
STATEMENTS OF CASH FLOWS

For the Year Ended August 31,
2019 **2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (1,206,175)	\$ (738,338)
Adjustments to reconcile net loss to net cash used in operating activities:		
Non-cash interest expense	268,621	97,508
Impairment of mineral properties	—	4,360
Depreciation expense	11,250	5,421
Stock based compensation	675,673	109,431
Changes in current assets and liabilities:		
Prepaid expenses and other assets	1,833	23,334
Accounts payable and accrued expenses	101,278	353,545
Net cash used in operating activities	<u>(147,520)</u>	<u>(144,739)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash used in investing activities	<u>—</u>	<u>—</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from notes payable - related party	—	175,250
Cash from sale of common stock, net	1,971,785	—
Proceeds from exercise of common stock warrants	35,317	—
Payments on notes payable	(66,627)	—
	<u>1,940,475</u>	<u>175,250</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS	1,792,955	30,511
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	31,591	1,080
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,824,546</u>	<u>\$ 31,591</u>

SUPPLEMENTAL INFORMATION:

Interest paid	\$ —	\$ —
Taxes paid	\$ —	\$ —

Non-cash Transactions:

Common stock for assets	\$ 11,250	\$ —
Conversion of related party advances to common stock	\$ 415,365	\$ —
Common stock issued for accrued expenses	\$ 322,627	\$ —
Common stock issued for cashless exercise of common stock warrants	\$ 1,228	\$ —

The accompanying notes are an integral part of these financial statements.

TEXAS RARE EARTH RESOURCES CORP
STATEMENTS OF SHAREHOLDERS' EQUITY
For Year Ended August 31, 2019 and 2018

	<u>Common Stock Shares</u>	<u>Amount</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at August 31, 2017	44,941,532	\$ 449,416	\$ 33,068,309	\$ (34,631,983)	\$ (1,114,258)
Options issued to Officers and Directors	—	—	88,697	—	88,697
Options issued for services	—	—	118,242	—	118,242
Common stock issued for cash	—	—	—	—	—
Shares issued for services	—	—	—	—	—
Common stock issued for note conversion	—	—	—	—	—
Net loss	—	—	—	(738,338)	(738,338)
Balance at August 31, 2018	44,941,532	449,416	33,275,248	(35,370,321)	(1,645,657)
Options issued to Officers and Directors	—	—	256,637	—	256,637
Options issued for services	—	—	267,880	—	267,880
Common stock issued for cash	5,757,680	57,576	1,922,609	—	1,980,185
Cost of capital	598,666	5,987	(14,387)	—	(8,400)
Common stock issued to SW Range & Wildlife	500,000	5,000	100,000	—	105,000
Common stock issued for services	22,500	225	11,025	—	11,250
Common stock issued to Officers and Directors	2,084,073	20,841	301,786	—	322,627
Warrant Conversion	100,907	1,009	34,308	—	35,317
Cashless exercise of common stock warrants	122,811	1,228	(1,228)	—	—
Warrant extension	—	—	268,621	—	268,621
Common stock issued for note conversion	2,076,825	20,768	394,597	—	415,365
Net loss	—	—	—	(1,206,175)	(1,206,175)
Balance at August 31, 2019	56,204,994	\$ 562,050	\$ 36,817,096	\$ (36,576,496)	\$ 802,650

TEXAS MINERAL RESOURCES CORP.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Texas Rare Earth Resources Corp (the “Company”) was incorporated in the State of Nevada in 1970. In July 2004, our articles of incorporation were amended and restated to increase the authorized capital to 25,000,000 common shares and, in April 2007, we effected a 1 for 2 reverse stock split. In September 2008, our articles of incorporation were further amended and restated to increase the authorized capital to 100,000,000 common shares with a par value of \$0.01 per share and to authorize 10,000,000 preferred shares with a par value of \$0.001 per share. Our fiscal year-end is August 31.

Effective September 1, 2010, we changed our name from “Standard Silver Corporation” to “Texas Rare Earth Resources Corp.” We are now a mining company engaged in the business of the acquisition and development of mineral properties. As of the date of this filing, we hold two nineteen year leases, executed in September and November of 2011, to explore and develop a 950 acre rare earths project located in Hudspeth County, Texas known as the Round Top Project and prospecting permits covering an adjacent 9,345 acres. We also own unpatented mining claims in New Mexico. We are currently not evaluating any additional prospects, and intend to focus primarily on the development of our Round Top rare earth prospect.

On August 24, 2012, we changed our state of incorporation from the State of Nevada to the State of Delaware (the “Reincorporation”) pursuant to a plan of conversion dated August 24, 2012. The Reincorporation was previously submitted to a vote of, and approved by, our stockholders at a special meeting of the stockholders held on April 25, 2012.

On March 14, 2016, the Company filed a Certificate of Amendment with the Secretary of State of the State of Delaware to amend its Certificate of Incorporation to change the name of the Company from “Texas Rare Earth Resources Corp” to “Texas Mineral Resources Corp”. The amendment was effective on March 21, 2016. The Certificate of Amendment did not make any other amendments to the Company’s Certificate of Incorporation.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Exploration-Stage Company

Effective January 1, 2009, the Company was, and still is, classified as an “exploration stage” company for purposes of Industry Guide 7 of the U.S. Securities and Exchange Commission (“SEC”) Under Industry Guide 7, companies engaged in significant mining operations are classified into three categories, referred to as “stages” - exploration, development, and production. Exploration stage includes all companies that do not have established reserves in accordance with Industry Guide 7. Such companies are deemed to be “in the search for mineral deposits.” Notwithstanding the nature and extent of development-type or production-type activities that have been undertaken or completed, a company cannot be classified as a development or production stage company unless it has established reserves in accordance with Industry Guide 7

Basis of Presentation

Our financial records are maintained on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred, in accordance with generally accepted accounting principles (“GAAP”) – United States.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of demand deposits at commercial banks. We currently do not have cash deposits at financial institutions in excess of federally insured limits.

Property and Equipment

Our property and equipment consist primarily of vehicles, furniture and equipment, and are recorded at cost. Expenditures related to acquiring or extending the useful life of our property and equipment are capitalized. Expenditures for repair and maintenance are charged to operations as incurred. Depreciation is computed using the straight-line method over an estimated useful life of 3-20 years.

Lease Deposits

From time to time, the Company makes deposits in anticipation of executing leases. The deposits are capitalized upon execution of the applicable agreements.

Long-lived Assets

The Company reviews the recoverability of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through operations. To determine if these costs are in excess of their recoverable amount, periodic evaluation of carrying value of capitalized costs and any related property and equipment costs are based upon expected future cash flows and/or estimated salvage value in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC 360”), *Property, Plant and Equipment*. The Company’s assets susceptible to impairment analysis are the mineral properties described in foot note 4.

Revenue Recognition

Revenue is recognized when title passes to the buyer and when collectability is reasonably assured. Title passes to the buyer based on terms of the sales contract. Product pricing is determined based on contractual arrangements with the Company’s customers.

Effective January 1, 2018, the Company adopted ASC Topic 606. In May 2014, the Financial Accounting Standards Board (“FASB”) issued guidance on revenue recognition, which provides a single, comprehensive revenue recognition model for all contracts with customers and supersedes most existing revenue recognition guidance. The main principle under this guidance is that an entity should recognize revenue at the amount it expects to be entitled to in exchange for the transfer of goods or services to customers.

The Company identified the predominant changes to its accounting policies resulting from the application of this guidance and quantified the impact on its consolidated financial statements. The cumulative effect of the initial adoption of this guidance did not have any significant impact on the Company’s consolidated financial statements as the Company did not have any significant customer contracts in place at August 31, 2018. As a result, comparative prior periods have not been adjusted and continue to be reported under FASB ASC Topic 605, Revenue Recognition (“ASC 605”).

The Company’s revenue recognition policies are established in accordance with the Revenue Recognition topics of ASC 606, and accordingly, revenue is recognized when control of the promised goods or services is transferred to our clients, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Mineral Exploration and Development Costs

All exploration expenditures are expensed as incurred. Costs of acquisition and option costs of mineral rights are capitalized upon acquisition. Costs incurred to maintain current production or to maintain assets on a standby basis are charged to operations. If the Company does not continue with exploration after the completion of the feasibility study, the mineral rights will be expensed at that time. Costs of abandoned projects are charged to mining costs including related property and equipment costs. To determine if these costs are in excess of their recoverable amount, periodic evaluation of carrying value of capitalized costs and any related property and equipment costs are based upon expected future cash flows and/or estimated salvage value in accordance with ASC 360-10-35-15, *Impairment or Disposal of Long-Lived Assets*. Exploration costs were approximately \$139,000 and \$95,000 for the years ended August 31, 2019 and 2018, respectively.

Expected Funding From USA Rare Earth

In August 2018, we executed a joint venture agreement with Morzev, to develop the Round Top Deposit. Terms of the agreement require Morzev to expend up to \$10 million to produce a bankable feasibility study. The funds will be allocated in two tranches, the first of \$2.5 million to optimize and finalize the metallurgical processing and the remaining \$7.5 million to fund the engineering, design, geotechnical work, and permitting necessary for a bankable feasibility study. Upon completion of these funding milestones, Morzev will earn and own 70% of the Round Top Project and will have a six-month option to purchase an additional 10% (bringing its ownership in the Round Top Project to 80%) for a purchase price of \$3 million. In August 2019, Morzev assigned this ownership right to USA Rare Earth LLC. In connection with entering into this agreement, Morzev purchased 646,054 shares of Common Stock for \$140,000.

Share-based Payments

The Company estimates the fair value of share-based compensation using the Black-Scholes valuation model, in accordance with the provisions of ASC 718, *Stock Compensation* and ASC 505, *Share-Based Payments*. Key inputs and assumptions used to estimate the fair value of stock options include the grant price of the award, the expected option term, volatility of our stock, the risk-free rate, and dividend yield. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by the option holders, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company.

Amended 2008 Stock Option Plan

In September 2008, the Board adopted our 2008 Stock Option Plan (the “2008 Plan”), which was also approved by our shareholders in September 2008. In May 2011, the board of directors adopted an amendment to our 2008 Plan (the “Amended 2008 Plan”), which was also approved by our shareholders in August 2011. The Amended 2008 Plan increased the number of shares available for grant from 2,000,000 to up to 5,000,000 shares of our common stock for awards to our officers, directors, employees and consultants. On February 15, 2012, our stockholders approved an increase of 2,000,000 of shares of common stock available for issuance under the amended 2008 Stock Option Plan (the “Plan”). As amended, the Plan provides for 7,000,000 shares of common stock for all awards. On February 24, 2016, the stockholders of the Company approved an amendment to the Company’s 2008 Stock Option Plan, pursuant to which the number of shares available under the plan was increase from 7,000,000 to 9,000,000 shares of common stock. Other provisions of the Amended 2008 Plan remain the same as under our 2008 Plan. As of August 31, 2019, a total of 4,635,000 shares of our common stock remained available for future grants under the Amended 2008 Plan.

Income Taxes

Income taxes are computed using the asset and liability method, in accordance with ASC 740, *Income Taxes*. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities, and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Basic and Diluted Loss Per Share

The Company computes loss per share in accordance with ASC 260, *Earnings Per Share*, which requires presentation of both basic and diluted earnings per share on the face of the Statements of Operations. Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares during the period. Diluted loss per share gives effect to all dilutive potential common shares outstanding during the period, including stock options and warrants using the treasury method. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these financial statements include all normal and recurring adjustments necessary for a fair presentation under Generally Accepted Accounting Principles.

Fair Value Measurements

We account for assets and liabilities measured at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified with Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The three levels of inputs used to measure fair value are as follows:

- Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Our financial instruments consist principally of cash, accounts payable and accrued liabilities and note payable. The carrying amounts of such financial instruments in the accompanying financial statements approximate their fair values due to their relatively short-term nature. It is management's opinion that the Company is not exposed to any significant currency or credit risks arising from these financial instruments.

Recent Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates, modifies and adds disclosure requirements for fair value measurements. The amendments in this ASU are effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the effects of this ASU on its financial statements and related disclosures.

In August 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, *Disclosure Update and Simplification*. The Company does not anticipate that the adoption of these SEC amendments will have a material effect on the Company's financial position, results of operations, cash flows or shareholders' equity.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The amendments in this ASU expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This new guidance is effective for the Company in fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the effects of this ASU on its financial statements and related disclosures.

In July 2017, the FASB issued ASU 2017-11, “Earnings per share”, which allows companies to exclude a down round feature when determining whether a financial instrument is considered indexed to the entity’s own stock. As a result, financial instruments with down round features may no longer be required to be accounted classified as liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, such as warrants, an entity will treat the value of the effect of the down round, when triggered, as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. The guidance in ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, and the guidance is to be applied using a full or modified retrospective approach. The Company is currently evaluating the effects of this ASU on its financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This ASU clarifies the definition of a business when evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for the Company for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company does not expect the adoption of this ASU to have a significant impact on its financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230: Classification of Certain Cash Receipts and Cash Payments). This guidance addresses specific cash flow issues with the objective of reducing the diversity in practice for the treatment of these issues. The areas identified include: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and application of the predominance principle with respect to separately identifiable cash flows. The guidance will generally be applied retrospectively and is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company does not expect the adoption of this ASU to have a significant impact on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes the guidance in former ASC 840, Leases. The new standard, as amended by subsequent ASUs on the Topic, requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. For the Company, this standard is effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. The FASB issued ASU No. 2018-10 “Codification Improvements to Topic 842, Leases” and ASU No. 2018-11 “Leases (Topic 842) Targeted Improvements” in July 2018. ASU 2018-10 provides certain amendments that affect narrow aspects of the guidance issued in ASU 2016-02. ASU 2018-11 provides an optional transition method allowing entities to apply the new lease standard at the adoption date with a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption (modified retrospective approach) as opposed to restating prior period consolidated financial statements. The Company elected to adopt the standard on September 1, 2019. The Company is finalizing its new accounting policies, processes and internal controls. The Company is in the process of quantifying the full impact of the application of the new guidance; however, it expects that adoption of the new standard will not have a material effect on its consolidated statements of operations, will result in a gross-up on our consolidated balance sheets and will have no effect on our consolidated statements of cash flows.

Joint Venture

On July 15, 2015, we entered into an operating agreement (“Operating Agreement”) with K-Tech, to formalize our joint venture company, Reetech, LLC, a Delaware limited liability company (the “Reetech”), which gives TMRC the exclusive license to market K-Tech’s CIX/CIC process to other rare earth developers pursuant to the February 24, 2015 letter of intent with K-Tech. On October 18, 2015, we entered into an amendment agreement to the Operating Agreement, expanding the way in which we can earn percentage membership interests in Reetech in exchange for granting K-Tech changes in the management of Reetech and TMRC’s license from Reetech to use K-Tech’s CIX/CIC process for its properties.

The operating agreement between TMRC and K-Tech is still in effect, but due to the inactivity of our Round Top project, there has been no ongoing advancement under the operating agreement as of August 31, 2018.

The Company uses the cost method to account for its investment in the joint venture. Under the cost method, the Company recognizes its share of the earnings and losses of the joint venture as they accrue instead of when they are realized. We have elected to expense the initial investment amount of \$391,000 as exploration expenses. Based upon information available we have determined there are no significant potential loss liabilities. The Company’s interest in the joint venture remains \$0.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of office furniture, equipment and vehicles. The property and equipment are depreciated using the straight-line method over their estimated useful life of 3-20 years. Our property and equipment, net consist of the following:

	August 31, 2019	August 31, 2018
Furniture & office equipment	\$ 75,606	\$ 75,606
Vehicles	89,185	89,185
Computers & software	48,711	48,711
Field equipment	71,396	71,396
Total cost basis	284,898	284,898
Less: Accumulated depreciation	(284,898)	(284,898)
Property & equipment, net	\$ —	\$ —

Depreciation expense for the years ending August 31, 2019 and 2018 was \$0 and \$5,421, respectively and is included in general and administrative expenses.

NOTE 4 – MINERAL PROPERTIES

September 2011 Lease

On September 2, 2011, we entered into a new mining lease with the Texas General Land Office covering Sections 7 and 18 of Township 7, Block 71 and Section 12 of Block 72, covering approximately 860 acres at Round Top Mountain in Hudspeth County, Texas. The mining lease issued by the Texas General Land Office gives us the right to explore, produce, develop, mine, extract, mill, remove, and market beryllium, uranium, rare earth elements, all other base and precious metals, industrial minerals and construction materials and all other minerals excluding oil, gas, coal, lignite, sulfur, salt, and potash. The term of the lease is nineteen years so long as minerals are produced in paying quantities.

Under the lease, we will pay the State of Texas a lease bonus of \$142,518; \$44,718 of which was paid upon the execution of the lease, and \$97,800 which will be due when we submit a supplemental plan of operations to conduct mining. Upon the sale of minerals removed from Round Top, we will pay the State of Texas a \$500,000 minimum advance royalty.

Thereafter, we will pay the State of Texas a production royalty equal to eight percent (8%) of the market value of uranium and other fissionable materials removed and sold from Round Top and six and one quarter percent (6 1/4%) of the market value of all other minerals removed and sold from Round Top.

Thereafter, assuming production of paying quantities has not been obtained, we may pay additional delay rental fees to extend the term of the lease for successive one (1) year periods pursuant to the following schedule:

	Per Acre Amount	Total Amount
September 2, 2015 – 2019	\$ 75	\$ 67,077
September 2, 2020 – 2024	\$ 150	\$ 134,155
September 2, 2025 – 2029	\$ 200	\$ 178,873

In August 2019, we paid a delay rental to the State of Texas in the amount of \$67,077.

November 2011 Lease

On November 1, 2011, we entered into a mining lease with the State of Texas covering 90 acres, more or less, of land that is adjacent to the land we purchased in September 2011 near our Round Top site. The deed was recorded with Hudspeth County on September 16, 2011. Under the lease, we paid the State of Texas a lease bonus of \$20,700 which was paid upon the execution of the lease. Upon the sale of minerals removed from Round Top, we will pay the State of Texas a \$50,000 minimum advance royalty. Thereafter, we will pay the State of Texas a production royalty equal to eight percent (8%) of the market value of uranium and other fissionable materials removed and sold from Round Top and six and one quarter percent (6 1/4%) of the market value of all other minerals sold from Round Top.

Thereafter, assuming production of paying quantities has not been obtained, we may pay additional delay rental fees to extend the term of the lease for successive one (1) year periods pursuant to the following schedule:

	Per Acre Amount	Total Amount
November 1, 2015 – 2019	\$ 75	\$ 6,750
November 1, 2020 – 2024	\$ 150	\$ 13,500
November 1, 2025 – 2029	\$ 200	\$ 18,000

In August 2019, we paid a delay rental to the State of Texas of \$6,750.

March 2013 Lease

On March 6, 2013, we purchased the surface lease at the Round Top Project, known as the West Lease, from the Southwest Wildlife and Range Foundation, since renamed the Rio Grande Foundation for \$500,000 cash and 1,063,830 shares of our common stock. We also agreed to support the Foundation through an annual payment of \$45,000 for ten years to support conservation efforts within the Rio Grande Basin and in particular engaging in stewardship of Lake Amistad, a large and well-known fishing lake near Del Rio, Texas. The West Lease comprises approximately 54,990 acres. Most importantly, the purchase of the surface lease gave us unrestricted surface access for the potential development and mining of our Round Top Project. Through our JV partner, we are currently paying \$13,235 monthly until the balance owed to the Foundation has been fully paid. We fully intend to continue with the evaluation of the mineral potential of the property, to ultimately mine the property, and to bring the lease current when funds are available.

October 2014 Surface Option and Water Lease

On October 29, 2014, we announced that we had executed agreements with the Texas General Land Office securing the option to purchase the surface rights covering the potential Round Top project mine and plant areas and, separately, a lease to develop the water necessary for the potential Round Top project mine operations. The option to purchase the surface rights covers approximately 5,670 acres over the mining lease and the additional acreage adequate to site all potential heap leaching and processing operations as currently anticipated by the Company. We may exercise the option for all or part of the option acreage at any time during the sixteen year primary term of the mineral lease. The option can be kept current by an annual payment of \$10,000. The purchase price will be the appraised value of the surface at the time of exercising the option. All annual payments have been made as of the date of this filing.

The ground water lease secures our right to develop the ground water within a 13,120 acre lease area located approximately 4 miles from the Round Top deposit. The lease area contains five existing water wells. It is anticipated that all potential water needs for the Round Top project mine operations would be satisfied by the existing wells covered by this water lease. This lease has an annual minimum production payment of \$5,000 prior to production of water for the operation. After initiation of production we will pay \$0.95 per thousand gallons or \$20,000 annually, whichever is greater. This lease remains effective as long as the mineral lease is in effect. The minimum production payment for all the fiscal years have been made as of the date of this filing.

Northeast Pennsylvania REE and Scandium Project

On June 28, 2016 TMRC executed a Memorandum of understanding with Pagnotti Enterprises Inc. of Wilkes Barre, Pennsylvania, owners of the Jeddo Coal Co., whereby under specified terms TMRC could lease one or more of Jeddo's deposits located in the anthracite region of northeast Pennsylvania. Research by the Department of Energy (DOE) has shown that these coal deposits and the sandstones and siltstones immediately associated with them contain anomalously high values of rare earth and of particular interest, Scandium. The DOE research to date has indicated that the rare earth can be efficiently extracted from pulverized rock using ammonium sulfate as the lixiviant. TMRC is in the process of preparing an application for a federal grant to design and construct a continuous ion exchange/continuous ion chromatography (CIX/CIC) pilot plant to be delivered to a designated project area in the Appalachian cold province. TMRC and its co-applicants, K-Tech, Inventure Renewables, of Tuscaloosa, Alabama and Penn State University are proposing to plan, develop, design and install the CIX/CIC pilot plant at one of the Jeddo Coal properties. The grant was awarded in March 2017 to a consortium consisting of Inventure Renewables, Penn State, K-Tech and TMRC with Inventure being the principal investigator in the consortium. Funding began in September 2017.

Under the terms of the Memorandum of Understanding (MOU) signed 28 June 2016, TMRC had a six month term to perform the necessary due diligence and to technically and economically evaluate the properties. Upon execution of the MOU TMRC and PEI had six months to draft and execute a formal lease agreement containing all the standard terms of mining lease agreements. Upon execution of a lease, TMRC will be obligated to pay a \$5,000 per month rental or a 12% royalty whichever is greater. As of the date of this filing, no lease has been executed. This MOU has now lapsed and would have to be renegotiated if the Company were to continue this project.

NOTE 5 – NOTES PAYABLE

In relation to the Foundation lease discussed in Note 4 the Company recorded a note payable for an amount for the initial \$45,000 due upon signing of lease and the nine (9) future payments due of \$45,000 which has been recorded at its present value discounted with an imputed interest rate of 5% for a total note payable of \$364,852. As of the date of this filing, we have not paid the June 2018, 2017 or 2016 installments of our surface lease, in the amount of \$45,000 each, to the Southwest Wildlife Foundation. As a result, the full amount of the note payable has been classified as currently due. The note payable balance as of August 31, 2019 was approximately \$194,000. The Company has also accrued interest expense as of August 31, 2019 in the amount of \$6,500. This unpaid interest is included in accrued liabilities.

Related Party Notes Payable and Advances

The Company had loans totaling \$421,415 outstanding as of August 31, 2018 from directors of the Company. The loans were due March 1, 2017, are non-interest bearing, and unsecured.

In July 2019, as additional consideration for the loans, we issued in total 832,830 common stock purchase warrants. The warrants have an exercise price of \$0.40 and term of five years. The warrants have a fair value of \$268,621 at the date of issuance determined using the Black-Scholes option-pricing model. The assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 1.880% (ii) estimated volatility of 91% (iii) dividend yield of 0.00% and (iv) expected life of the warrants of five years. The \$268,621 was recorded as loss on conversion during the year ended August 31, 2109.

The Company issued 2,076,825 common shares to various directors totaling \$415,365 in notes payable on August 16, 2019. See summary below:

	Amount	Common Shares	Warrants	Warrants Fair Value
Director	\$ 3,000	15,000	6,000	\$ 1,919
Director	165,500	827,500	331,000	106,796
Director	5,000	25,000	10,000	4,155
Director	1,000	5,000	2,000	831
Director	89,625	448,125	179,250	57,336
Director	151,240	756,200	302,580	96,753
Total converted	<u>\$ 415,365</u>	<u>2,076,825</u>	<u>830,830</u>	<u>\$ 267,790</u>

On January 12, 2017 the Company entered into a loan totaling \$10,000 from an officer of the Company. The loans are due July 12, 2017, are non-interest accruing, and unsecured. As of this filing the loans are in default and due upon demand. At origination, as additional consideration for the loans, we issued 20,000 common stock purchase warrants. The warrants have an exercise price of \$0.10 and term of five years. The loans have a relative fair value of \$6,771 and the warrants have a relative fair value of \$3,229 at the date of issuance determined using the Black-Scholes option-pricing model. The assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 1.87% (ii) estimated volatility of 240% (iii) dividend yield of 0.00% and (iv) expected life of the warrants of five years. The notes payable balance as of August 31, 2019 and August 31, 2018 was \$4,000 and \$10,000. The value of the warrant was amortized to interest expense over the term of the note payable.

The Company has an advance due upon demand of \$1,000 as of August 31, 2019 and 2018.

NOTE 6 – INCOME TAXES

The following table sets forth a reconciliation of the federal income tax benefit to the United States federal statutory rate for the years ended August 31, 2018 and 2017:

	2019	2018
Loss before provision for income taxes	<u>\$ (1,206,000)</u>	<u>\$ (738,000)</u>
Income tax benefit at 21% statutory rate	253,000	244,000
Increase in valuation allowance	<u>(253,000)</u>	<u>(244,000)</u>
	<u>\$ —</u>	<u>\$ —</u>

The tax effects of the temporary differences between reportable financial statement income and taxable income are recognized as a deferred tax asset and liability. Significant components of the deferred tax assets are set out below along with a valuation allowance to reduce the net deferred tax asset to zero.

Management has established a valuation allowance because of the potential that the tax benefits underlying deferred tax asset may not be realized. Significant components of our deferred tax asset at August 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Net operating loss carryforward	\$ 4,742,000	\$ 4,572,000
Stock-based compensation	1,781,000	1,728,000
Assets, exploration cost, depreciation and amortization	3,734,000	3,734,000
Impairment of surface lease	474,000	474,000
Less valuation allowance	<u>(10,761,000)</u>	<u>(10,508,000)</u>
Net deferred tax asset	<u>\$ —</u>	<u>\$ —</u>

As a result of a change in control effective in April 2007, our net operating losses prior to that date may be partially or entirely unavailable, by law, to offset future income and, accordingly, are excluded from the associated deferred tax asset.

The gross net operating loss carryforward in the approximate amount of \$13,384,000 will begin to expire in 2022. We file income tax returns in the United States and in one state jurisdiction. With few exceptions, we are no longer subject to United States federal income tax examinations for fiscal years ending before 2011 and is no longer subject to state tax examinations for years before 2010.

We also record any financial statement recognition and disclosure requirements for uncertain tax positions taken or expected to be taken in a tax return. Financial statement recognition of the tax position is dependent on an assessment of a 50% or greater likelihood that the tax position will be sustained upon examination, based on the technical merits of the position. Any interest and penalties related to uncertain tax positions are recorded as interest expense. We believe we have no uncertain tax positions at August 31, 2019 and 2018.

NOTE 7 – SHAREHOLDERS’ EQUITY

Our authorized capital stock consists of 100,000,000 shares of common stock, with a par value of \$0.01 per share, and 10,000,000 preferred shares with a par value of \$0.001 per share.

All shares of common stock have equal voting rights and, when validly issued and outstanding, are entitled to one non-cumulative vote per share in all matters to be voted upon by shareholders. The shares of common stock have no pre-emptive, subscription, conversion or redemption rights and may be issued only as fully paid and non-assessable shares. Holders of the common stock are entitled to equal ratable rights to dividends and distributions with respect to the common stock, as may be declared by our Board of Directors (our “Board”) out of funds legally available. In the event of a liquidation, dissolution or winding up of the affairs of the Corporation, the holders of common stock are entitled to share ratably in all assets remaining available for distribution to them after payment or provision for all liabilities and any preferential liquidation rights of any preferred stock then outstanding.

On November 13, 2018, we received \$140,000 for 646,054 common shares as consideration for a joint venture agreement and paid \$8,400 to the broker.

On October 17, 2018, we issued 500,000 common shares valued at \$105,000 to the director of the Rio Grande Foundation as consideration for not placing us in default on the note payable to the Foundation.

In June 2019, we issued 22,500 shares of our common stock for website services.

In June 2019, we received proceeds in the amount of \$35,317 for 100,907 shares of our Common Stock issued upon the exercise of common stock warrants.

In July 2019, we issued 122,811 shares for a cashless exercise of 122,811 Common Stock warrants.

In August 2019, we issued 2,084,073 shares of our Common Stock to our Directors for Directors fees in arrears.

In August 2019, we issued 2,076,825 shares of our Common Stock to certain Directors for the conversion of notes owed to them.

In August 2019, we issued 5,757,680 shares of our Common Stock for \$1,971,785 to an investor, including cost of capital in the amount of \$8,400 and 598,666 shares of our Common Stock.

During the fiscal year ended August 31, 2019, we issued 1,300,000 options to our Directors.

During the fiscal year ended August 31, 2019, we issued 830,000 options for services.

We have 56,204,994 shares of our common stock outstanding as of August 31, 2019.

The following table sets forth certain information as of August 31, 2019 and 2018 concerning our common stock that may be issued upon the exercise of options not under the Amended 2008 plan and pursuant to purchases of stock under the Amended 2008 Plan:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Grant Date Fair Value
Outstanding at August 31, 2017	5,085,000	\$ 0.36	5.37	\$ 1,808,350
Vested and exercisable at August 31, 2017	5,085,000	0.36	5.37	1,808,350
Options granted	620,000	0.21	7.77	109,431
Options exercised	—	—	—	—
Options cancelled/forfeited/expired	1,785,000	0.44	—	533,296
Outstanding at August 31, 2018	3,920,000	0.32	4.31	1,384,485
Vested and exercisable at August 31, 2018	3,920,000	0.32	4.31	1,384,485
Options granted	2,130,000	0.21	7.48	524,517
Options exercised	—	—	—	—
Options cancelled/forfeited/expired	340,000	0.41	—	146,162
Vested and exercisable at August 31, 2019	5,710,000	\$ 0.28	5.41	\$ 1,762,840

During the year ended August 31, 2019, the Company granted a total of 2,130,000 stock options with a fair value of approximately \$524,000 on the date of grant. The fair value of the options was determined using the Black-Scholes option-pricing model. The weighted average assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 2.5 to 2.9% (ii) estimated volatility of 84% (iii) dividend yield of 0.00% and (iv) expected life of all options of 5 years.

During the year ended August 31, 2018, the Company granted a total of 620,000 stock options with a fair value of approximately \$109,000 on the date of grant. The fair value of the options was determined using the Black-Scholes option-pricing model. The weighted average assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 2.9% (ii) estimated volatility of 102% (iii) dividend yield of 0.00% and (iv) expected life of all options of 5 years.

During the years ended August 31, 2019 and 2018, the Company recognized total stock based compensation expenses of \$524,517 and \$109,431, respectively, for vesting options.

Warrants

Warrant activity for the years ended August 31, 2019 and 2018 are as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Grant Date Fair Value
Outstanding at August 31, 2017	16,148,010	\$ 0.38	.84	\$ 3,180,071.35
Vested and exercisable at August 31, 2017	16,148,010	0.38	.84	3,180,071
Warrants granted	701,000	0.20	3.72	97,508
Warrants exercised	—	—	—	—
Warrants cancelled/forfeited/expired	—	—	—	—
Outstanding at August 31, 2018	16,849,010	0.37	.96	3,277,579
Vested and exercisable at August 31, 2018	16,849,010	0.37	.96	3,277,579
Warrants granted	832,830	.20	4.88	268,621
Warrants exercised	223,718	.35	—	44,868
Warrants cancelled/forfeited/expired	—	—	—	—
Outstanding at August 31, 2019	17,458,122	0.36	1.16	3,501,332

During the year ended August 31, 2019, the Company granted a total of 832,830 common stock warrants with a fair value of approximately \$269,000 on the date of grant. The fair value of the options was determined using the Black-Scholes option-pricing model. The weighted average assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 2.5 to 2.9% (ii) estimated volatility of 84% (iii) dividend yield of 0.00% and (iv) expected life of all warrants of 5 years.

During the year ended August 31, 2018, the Company granted a total of 701,000 stock options with a fair value of approximately \$98,000 on the date of grant. The fair value of the options was determined using the Black-Scholes option-pricing model. The weighted average assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 2.9% (ii) estimated volatility of 102% (iii) dividend yield of 0.00% and (iv) expected life of all warrants of 5 years.

During the years ended August 31, 2019 and 2018, the Company recognized total non-cash interest expense of \$268,621 and \$97,508, respectively, for vesting warrants.

NOTE 8 – RELATED PARTY TRANSACTIONS

In July 2019, as additional consideration for the loans, we issued in total 832,830 common stock purchase warrants. The warrants have an exercise price of \$0.40 and term of five years. The warrants have a fair value of \$268,621 at the date of issuance determined using the Black-Scholes option-pricing model. The assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 1.880% (ii) estimated volatility of 91% (iii) dividend yield of 0.00% and (iv) expected life of the warrants of five years. The \$268,621 was recorded as non-cash interest expense during the year ended August 31, 2019.

The Company issued 2,076,825 common shares to various directors totaling \$415,365 in notes payable on August 16, 2019.

NOTE 9 – SUBSEQUENT EVENTS

None

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At the end of the period covered by this Annual Report on Form 10-K for the fiscal year ended August 31, 2019, an evaluation was carried out under the supervision of and with the participation of our management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operations of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act). Based on that evaluation the CEO and the CFO have concluded that as of the end of the period covered by this Annual Report, our disclosure controls and procedures were not effective in ensuring that: (i) information required to be disclosed by us in reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles (“GAAP”). Management has assessed the effectiveness of internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in *Internal Control-Integrated Framework*. A material weakness, as defined by SEC rules, is a control deficiency, or combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses in internal control over financial reporting that were identified are:

- a) We did not maintain sufficient personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of GAAP commensurate with our complexity and our financial accounting and reporting requirements. We have limited experience in the areas of financial reporting and disclosure controls and procedures. Also, we do not have an independent audit committee. As a result, there is a lack of monitoring of the financial reporting process and there is a reasonable possibility that material misstatements of the consolidated financial statements, including disclosures, will not be prevented or detected on a timely basis; and
- b) Due to our small size, we do not have a proper segregation of duties in certain areas of our financial reporting process. The areas where we have a lack of segregation of duties include cash receipts and disbursements, approval of purchases and approval of accounts payable invoices for payment. This control deficiency, which is pervasive in nature, results in a reasonable possibility that material misstatements of the financial statements will not be prevented or detected on a timely basis.

As a result of the existence of these material weaknesses as of August 31, 2019, management has concluded that we did not maintain effective internal control over financial reporting as of August 31, 2019, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*.

This annual report does not include an attestation report of the Company’s independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the SEC that permit the company to provide only management’s report in this annual report.

Changes to Internal Controls and Procedures over Financial Reporting

We intend that our internal control over financial reporting will be modified now that we have adequate funding to allow adding additional advisors to address deficiencies in the financial closing, review and analysis process, which will improve our internal control over financial reporting.

Management's Remediation Plans

We will look to increase our personnel resources and technical accounting expertise within the accounting function. Management believes that hiring additional knowledgeable personnel with technical accounting expertise will remedy the material weakness: insufficient personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of GAAP commensurate with our complexity and our financial accounting and reporting requirements.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth certain information with respect to our current directors and executive officers. The term for each director expires at our next Annual Meeting or until his or her successor is appointed and qualified. The ages of the directors and officers are shown as of August 2019:

<u>Name</u>	<u>Age</u>	<u>Current Office with Company</u>	<u>Positions Held Since</u>
Daniel E. Gorski	82	Director Chief Executive Officer	January 2007 August 2012
Anthony Marchese	63	Director	December 2009
Cecil Wall	88	Director	August 2012
Nicholas Pingitore	75	Director	August 2012
James Wolfe	83	Director	August 2012
Peter Denetclaw	60	Director	August 2019
Clark Moseley	68	Director	August 2019
Wm Chris Mathers	60	Chief Financial Officer	February 2016

Daniel E. Gorski – Mr. Gorski has served as a director of the Company since January 2006 and as the Company’s chief executive officer since August 2012. Prior thereto, Mr. Gorski served as the Company’s president and chief executive officer from January 2007 to May 2011 and chief operating officer from May 2011 to December 2011. From July 2004 to January 2006, Mr. Gorski was the co-founder and vice president of operations for High Plains Uranium Inc., a uranium exploration and development company that went public on the Toronto Stock Exchange in December 2005. Between June 1996 to May 2004, Mr. Gorski served as an officer and director of Metalline Mining Co., a publicly traded mining and development company with holdings in the Sierra Mojada Mining District, Coahuila, Mexico. From January 1992 to June 1996, Mr. Gorski was the exploration geologist under contract to USMX Inc. and worked exclusively in Latin America. Mr. Gorski earned a BS in 1960 from Sul Ross State College, in Alpine, Texas and an MA in 1970 from the University of Texas in Austin, Texas. Mr. Gorski has over forty-three years of experience in the mining industry.

Mr. Gorski’s extensive technical knowledge and experience in the mining industry combined with his historical relationship with the Company’s principal property, the Round Top project, permits Mr. Gorski to provide the Board with valuable insight to the exploration and development of the Round Top project. Accordingly, the Board believes that Mr. Gorski should serve on the Board.

Anthony Marchese – Mr. Marchese has served as a director since December 2009. Since July 2018, Mr. Marchese has served as President of Marchese Management Co., LLC., a strategic advisory firm that consults to both public and private emerging growth companies. Mr. Marchese also serves as the general partner and chief investment officer of the Insiders Trend Fund, LP, an investment partnership whose mandate is to invest in those public companies whose officers and/or directors have been active acquirers of their own stock. Mr. Marchese’s prior experience includes TriPoint Global Equities (Managing Director/Capital Markets- 2012-2018), Axiom Capital Management, Inc. (Managing Director – 2011-2012), Monarch Capital Group, LLC (President and Chief Operating Officer – 2003 to 2011), Laidlaw Equities (senior vice president - April 1997 to March 2002), Southcoast Capital (senior vice president – May 1988 to April 1997), Oppenheimer & Co (limited partner – September 1982 to May 1988), Prudential-Bache (vice president – July 1981 to August 1982) and the General Motors Corporation (analyst – June 1980 to June 1981). Mr. Marchese served in the military with the Army Security Agency and the U.S. Army Intelligence and Security Command. Mr. Marchese received an MBA in Finance from the University of Chicago. Mr. Marchese provides the Board with exceptional leadership and management knowledge, having gained extensive management and corporate finance experience during the course of his career. Mr. Marchese’s specific experience, qualifications, attributes and skills described above led the Board to conclude that Mr. Marchese should serve as a member of the Board of Directors.

Cecil C. Wall – Cecil C. Wall was born in Duchene County, Utah in 1931. Mr. Wall attended Carbon County College and Utah State University. In 1969, he acquired control of a publicly traded company, Altex Oil Co. (formerly known as Mountain Valley Uranium), listed on the American Stock Exchange. Under Mr. Wall’s leadership, Altex established a 20,000 acre position in what became the Greater Altamont Field at Altamont, Utah. Mr. Wall sold his interest in Altex in 1985. Mr. Wall was also part of the founding group for the 2007 reorganization of Standard Silver Corp. which became TMRC. He sat on the TMRC board of directors and served as the Secretary and Treasurer from January 2004 to April 2012. He is currently the manager for C-Wall Investment Company, LLC, a Utah Limited Liability Company. In addition, he is the president of several family-owned private companies, and he brings wide business experience and close relations with many of the original shareholders.

Mr. Wall’s past experience with the Company as its Secretary and Treasurer and his past experience with public companies serve the Board at this time by providing needed guidance on public company matters and insight into the Company’s historical operations. Mr. Wall’s specific experience, qualifications, attributes and skills described above led the Board to conclude that Mr. Wall should serve as a member of the Board of Directors.

Dr. Nicholas Pingitore – Dr. Nicholas Pingitore was born in New York City in 1944. Dr. Pingitore holds an AB degree from Columbia College (NYC, 1965) and a Masters (ScM) and PhD from Brown University (Providence RI, 1968 & 1973) in Geology. Since 1977, he has held a full-time faculty appointment at UTEP. In addition to being a Texas Licensed Geoscientist, Dr. Pingitore is a member of the American Chemical Society, Geochemical Society, American Association for the Advancement of Science, American Geophysical Union, Materials Research Society, Mineralogical Society of America, Society of Economic Paleontologists and Mineralogists, and Society of the Sigma Xi. He has served for 25 years as Director of UTEP’s Electron Microprobe Laboratory, and he expects to use this instrument to study the Round Top minerals. The 2,500-foot-square geochemical laboratory that Dr. Pingitore also anticipates using to conduct research sponsored by TMRC includes three x-ray fluorescence units, a high resolution inductively coupled plasma mass spectrometer, various optical microscopes, and sample preparation facilities. Since 2000, he has been project director of approximately \$7,000,000 in research funding, and a co-investigator on another \$10,000,000 in grants. He has established a record for successfully managing and completing large institutional projects on time and on budget. Dr. Pingitore considers Round Top to be a national treasure. He is ready to bring his wide geologic and chemical experience, his project skills, and his insight from decades of investment in the extractive industries, to help unlock the riches of this deposit. Mr. Pingitore’s extensive experience and education in geology bring valuable expertise to the Board in relation to the Board’s oversight of the Company’s exploration and potential development activities at its Round Top project. Mr. Pingitore’s specific experience, qualifications, attributes and skills described above led the Board to conclude that Mr. Pingitore should serve as a member of the Board of Directors.

Dr. James R. Wolfe – Dr. Wolfe and the firm he co-founded in 1995, Pacific Materials Resources, Inc. (“PMR”), were among the pioneers of the China-U.S. rare earth industry and trade. As Vice President of PMR from 1995 to 2010, Dr. Wolfe interfaced between the major rare earth producers in China and a broad spectrum of rare earth consumers in the U.S. Prior to founding PMR, from 1992 to 1995, Dr. Wolfe was President of MPV Lanthanides, Inc., a rare earth joint venture between China Metallurgical Import/Export of Inner Mongolia and U.S. interests. From 1979 to 1995, Dr. Wolfe’s professional interests centered on resource recovery from industrial and mining wastes. He served as a consultant to the steel industry, co-founded Exmet Corporation (zinc from smelter dust) and served as Executive Vice President of Williams Strategic Metals, Inc. and its predecessor, Nedlog Technology Group, Inc. Dr. Wolfe developed and implemented projects for the recovery of cobalt from slags, indium from smelter dusts, and rare earths from mine tailings. In 1970, while he was employed by the Lawrence Livermore Laboratory, Dr. Wolfe invented and patented a plasma method for producing ultra-fine refractory metal carbides. He co-founded Cal-Met Industries, Inc. in 1973 to commercialize the plasma technology. Cal-Met was bought by Fansteel Corporation in 1975. Dr. Wolfe was employed by Fansteel from 1975 to 1979 to implement the plasma technology for the manufacture of drill bits and cutting tools. Dr. Wolfe was employed by the AVCO Corporation as a space research scientist from 1965 to 1968, while working for his doctorate. Dr. Wolfe received his BS and MS in Metallurgical Engineering from the University of Washington and his PhD from the University of Missouri-Rolla in 1968. He is currently the Secretary and Trustee of The Biella Foundation.

Mr. Wolfe’s experience and knowledge in the rare earth sector and his education metallurgical engineering are valuable to the Board as it assesses its potential mine development plan at its exploration stage Round Top project. Mr. Wolfe’s specific experience, qualifications, attributes and skills described above led the Board to conclude that Mr. Wolfe should serve as a member of the Board of Directors.

Peter Denetclaw, Jr., – Mr. Denetclaw has served as a manager of Freeport McMoran since 2008. Mr. Denetclaw has served as vice-chair of the management committee for Navajo Transitional Energy Company since 2014.

Clark A. Moseley – Mr. Moseley has served as chief executive officer of the Morrow Pacific Project on behalf of Ambre Energy from February 2010 through September 2014. Mr. Moseley has served as chief executive officer for Navajo Transitional Energy Company since December 2014.

Wm. Chris Mathers – Mr. Mathers is a senior finance and accounting professional with more than 30 years of experience in financial accounting, mergers and acquisition, Securities and Exchange Commission compliance and operational and administrative support. Mr. Mathers holds a BBA in Accounting from Southwestern University at Georgetown, Texas, and is a certified public accountant. Mr. Mathers began his career in public accounting in 1981 with the accounting firm of Price Waterhouse focusing on multi-national public audits. From 1983 through 1989, Mr. Mathers was in private practice focusing on tax preparation, and the financial audits of corporations, partnerships and individuals. From 1989 through 1993, Mr. Mathers was a Controller and Administrative Officer of GJR Investments, Inc., a national real estate firm.

Beginning in 1994, Mr. Mathers began work as chief financial officer for several privately and publicly held companies, including: InterSystems, Inc. of Houston, Texas, a multi-state manufacturing firm; Nexus Custom Electronics, Inc., a manufacturer of circuit boards to private industry and the U.S. Department of Defense; Interactive Nutrition International, Inc., Ottawa, Canada, a manufacturer of Nutritional products.

Arrangements between Officers and Directors

To our knowledge, there is no arrangement or understanding between any of our officers and any other person, including directors, pursuant to which the officer was selected to serve as an officer.

Family Relationships

None of our Directors are related by blood, marriage, or adoption to any other Director, executive officer, or other key employees.

Other Directorships

No directors of the Company are also directors of issuers with a class of securities registered under Section 12 of the United States Securities Exchange Act (or which otherwise are required to file periodic reports under the Exchange Act).

Legal Proceedings

No director or officer of the Company is a party adverse to the Company or any of its subsidiaries, or has a material interest adverse to the Company or any of its subsidiaries. During the past ten years, no director or executive officer of the Company has:

- (a) filed or has had filed against such person, a petition under the U.S. federal bankruptcy laws or any state insolvency law, nor has a receiver, fiscal agent or similar officer been appointed by a court for the business or property of such person, or any partnership in which such person was a general partner, at or within two years before the time of filing, or any corporation or business association of which such person was an executive officer, at or within two years before such filings;
- (b) been convicted or pleaded guilty or *nolo contendere* in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offences);
- (c) been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting such person's activities in any type of business, securities, trading, commodity or banking activities;
- (d) been the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any U.S. federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any type of business, securities, trading, commodity or banking activities, or to be associated with persons engaged in any such activity;
- (e) been found by a court of competent jurisdiction in a civil action or by the U.S. Securities and Exchange Commission (the "SEC"), or by the U.S. Commodity Futures Trading Commission to have violated a U.S. federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- (f) been the subject of, or a party to, any U.S. federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (i) any U.S. federal or state securities or commodities law or regulation; or (ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- (g) been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C.78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the U.S. *Commodity Exchange Act* (7 U.S.C.1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Board of Directors Structure

The Company's current bylaws require the Board to consist of one or more directors, the number of directors to be determined from time to time by resolution of the stockholders or by resolution of the Board. The current Board is composed of seven directors.

Director Independence

The Company has four independent directors as of August 31, 2019 as follows:

- Anthony Marchese

- Cecil Wall
- Nicholas Pingitore
- James R Wolfe

Meetings of the Board and Board Member Attendance at Annual Meeting

During the fiscal year ending August 31, 2019, the Board held two (2) meetings of the Board. None of the incumbent Directors attended fewer than 75% of the board meetings which occurred during their tenure on the Board.

Communications to the Board

Stockholders who are interested in communicating directly with members of the Board, or the Board as a group, may do so by writing directly to the individual Board member c/o Corporate Secretary, at 516 South Spring Avenue, Tyler, Texas 75702. The Company's Secretary will forward communications directly to the appropriate Board member. If the correspondence is not addressed to the particular member, the communication will be forwarded to a Board member to bring to the attention of the Board. The Company's Secretary will review all communications before forwarding them to the appropriate Board member.

Board Committees

The Board has established three board committees: an Audit Committee, a Compensation Committee, and a Corporate Governance and Nominating Committee.

The information below sets out the current members of each of the Company's board committees and summarizes the functions of each of the committees in accordance with their mandates.

Audit Committee and Audit Committee Financial Experts

The Company has a standing Audit Committee and audit committee charter, which complies with Rule 10A-3 of the Exchange Act. The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee is comprised of three (3) directors all of whom, in the opinion of the Board, are independent (in accordance with Rule 10A-3 of the Exchange Act: Anthony Marchese (Chairman), Cecil Wall and Nicholas Pingitore. Mr. Marchese is a "financial expert" as defined under Item 407(d)(5) of Regulation S-K.

The Audit Committee is responsible for the oversight of the Company's accounting and financial reporting processes. This includes the selection and engagement of the Company's independent registered public accounting firm and review of the scope of the annual audit, audit fees and results of the audit.

The Audit Committee monitors the Company's audit and the preparation of financial statements and all financial disclosure contained in the Company's SEC filings. The Audit Committee appoints the Company's external auditors, monitors their qualifications and independence and determines the appropriate level of their remuneration. The external auditors report directly to the Audit Committee. The Audit Committee has the authority to terminate the Company's external auditors' engagement and approve in advance any services to be provided by the external auditors that are not related to the audit.

Audit Committee Report

The Company's Audit Committee oversees the Company's financial reporting process on behalf of the Board. The Committee has three (3) members, each of whom is "independent" as determined under Rule 10A-3 of the Exchange Act. The Committee operates under a written charter adopted by the Board.

The Committee assists the Board by overseeing the (1) integrity of the Company's financial reporting and internal control, (2) independence and performance of the Company's independent auditors, (3) and provides an avenue of communication between management, the independent auditors and the Board.

In the course of providing its oversight responsibilities regarding the audited annual financial statements for the year ended August 31, 2019, the Committee reviewed the audited annual financial statements for the year ended August 31, 2019 with management and the Company's independent auditors. The Committee reviewed accounting principles, practices, and judgments as well as the adequacy and clarity of the notes to the financial statements.

The Committee reviewed the independence and performance of the independent auditors who are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States, and such other matters as required to be communicated by the independent auditors in accordance with Statement of Auditing Standards 61, as superseded by Statement of Auditing Standard 114 – the Auditor's Communication With Those Charged With Governance, as modified or supplemented.

The Committee meets with the independent auditors to discuss their audit plans, scope and timing on a regular basis, with or without management present. The Committee has received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board for independent auditor communications with Audit Committees concerning independence, as may be modified or supplemented.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in the Annual Report to the SEC on Form 10-K for the year ended August 31, 2019. The Committee and the Board have also recommended the selection of LBB & Associates Ltd., LLP as independent auditors for the Company for the fiscal year ending August 31, 2019.

Submitted by the Audit Committee Members

- Anthony Marchese (Chairman)
- Nicolas Pingitore
- Cecil Wall

Compensation Committee

The Company has a Compensation Committee comprised of three (3) directors, each of whom, in the opinion of the Board, are independent: Cecil Wall (Chairman), James Wolfe and Anthony Marchese.

The Compensation Committee has adopted a charter. The Compensation Committee is responsible for considering and authorizing terms of employment and compensation of executive officers and providing advice on compensation structures in the various jurisdictions in which the Company operates. The Company's Chief Executive Officer may not be present during the voting determination or deliberations of his or her compensation; however, the Compensation Committee does consult with the Company's Chief Executive Officer in determining and recommending the compensation of directors and other executive officers.

In addition, the Company's Compensation Committee reviews both our overall salary objectives and significant modifications made to employee benefit plans, including those applicable to executive officers, and proposes awards of stock options. The Compensation Committee has determined that the Company's compensation policies and practices for its employees generally, not just executive officers, are not reasonably likely to have a material adverse effect on the Company.

The Compensation Committee does not and cannot delegate its authority to determine director and executive officer compensation. Our Compensation Committee and management did not engage the services of an external compensation consultant during fiscal year 2019.

A copy of the Compensation Committee charter is available on the Company's website at www.TMRC.com.

Compensation Committee Interlocks and Insider Participation

There are no Compensation Committee or Board interlocks among the members of the Company's Board.

Corporate Governance and Nominating Committee

General

The Company has a Corporate Governance and Nominating Committee composed of 2 directors, James Wolfe and Nicholas Pingitore. It is the opinion of the Board that these two individuals are independent.

The Company's Corporate Governance and Nominating Committee are responsible for developing the Company's approach to corporate governance issues. The Committee evaluates the qualifications of potential candidates for director and recommends to the Board nominees for election at the next annual meeting or any special meeting of stockholders, and any person to be considered to fill a Board vacancy resulting from death, disability, removal, resignation or an increase in Board size. The Committee has not adopted a formal policy which sets forth the criteria the Board will assess in connection with the consideration of a candidate. Instead the Committee considers a multitude of qualifications and characteristics, including the candidate's integrity, reputation, judgment, knowledge, independence, experience, accomplishments, commitment and skills, all in the context of an assessment of the perceived needs of the Board at that time.

A copy of the Corporate Governance and Nominating Committee charter is available on the Company's website at www.TMRC.com.

Board Diversity

The Company does not have a formal policy regarding diversity in the selection of nominees for directors. The Corporate Governance and Nominating Committee does, however, consider diversity as part of its overall selection strategy. In considering diversity of the Board as a criteria for selecting nominees, the Corporate Governance and Nominating Committee takes into account various factors and perspectives, including differences of viewpoint, professional experience, education, skills and other individual qualities and attributes that contribute to Board heterogeneity, as well as race, gender and national origin. The Corporate Governance and Nominating Committee seeks persons with leadership experience in a variety of contexts. The Corporate Governance and Nominating Committee believes that this conceptualization of diversity is the most effective means to implement Board diversity. The Corporate Governance and Nominating Committee will assess the effectiveness of this approach as part of its annual review of its charter.

Recommendations to the Board

The Committee will consider recommendations for director nominees made by stockholders and others if these individuals meet the criteria for consideration. For consideration by the Committee, the nominating stockholder or other person must provide the Corporate Secretary at the Company's principal offices with information about the nominee, including the detailed background of the suggested candidate that will demonstrate how the individual meets the Company's director nomination criteria. If a candidate proposed by a stockholder meets the criteria, the individual will be considered on the same basis as other candidates.

Board Leadership Structure

The Board has reviewed the Company's current Board leadership structure in light of the composition of the Board, the Company's size, the nature of the Company's business, the regulatory framework under which the Company operates, the Company's stockholder base, the Company's peer group and other relevant factors. Considering these factors the Board has determined to have a separate Chief Executive Officer and Chairman of the Board. The Chairman of the Board is a non-executive position. The Board has determined that this structure is currently the most appropriate Board leadership structure for the Company. The Board noted the following factors in reaching its determination:

- The Board acts efficiently and effectively under its current structure.
- A structure of a separate Chief Executive Officer and non-executive Chairman of the Board puts the Company in the best position efficiently handle major issues facing the Company on a day-to-day and long-term basis, and still ensure that the Board is in the best position to have an independent director identify key risks and developments facing the Company and have those risks and developments brought promptly to the Board's attention.
- This structure eliminates the potential for confusion and duplication of efforts at the highest executive level.
- Companies within the Company's peer group utilize similar Board structures.

The Company's non-executive Chairman of the Board acts as a lead independent director. Given the size of the Board, the Board believes that having a non-executive Chairman of the Board combined with the presence of three other independent directors out of the five directors on the Board and independent directors sitting on all of the Board's committees is sufficient independent oversight of the Chief Executive Officer. The independent directors work well together in the current board structure and the Board does not believe that selecting a lead independent director outside of the non-executive Chairman of the Board would add significant benefits to the Board's oversight role.

The Board of Director's Role in Risk Management Oversight

The understanding, identification and management of risk are essential elements for the successful management of the Company. Risk oversight begins with the Board and the Audit Committee. The Audit Committee reviews and discusses policies with respect to risk assessment and risk management. The Audit Committee also has oversight responsibility with respect to the integrity of the Company's financial reporting process and systems of internal control regarding finance and accounting, as well as its financial statements.

At the management level, an internal audit provides reliable and timely information to the Board and management regarding the Company's effectiveness in identifying and appropriately controlling risks. Annually, management presents to the Audit Committee a report summarizing the review of the Company's methods for identifying and managing risks.

Based on a review of the nature of operations, the Board does not believe that any areas of the Company have incentive to take excessive risks that would likely have a material adverse effect on the Company's operations.

Code of Business and Ethical Conduct

The Company has adopted a corporate Code of Business and Ethical Conduct administered by its President and Chief Executive Officer, Daniel Gorski. The Company believes its Code of Business and Ethical Conduct is reasonably designed to deter wrongdoing and promote honest and ethical conduct, to provide full, fair, accurate, timely and understandable disclosure in public reports, to comply with applicable laws, to ensure prompt internal reporting of code violations, and to provide accountability for adherence to the code. The Company's Code of Business and Ethical Conduct provides written standards that are reasonably designed to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in reports and documents that are filed with, or submitted to, the Commission and in other public communications made by an issuer;
- Compliance with applicable governmental laws, rules and regulations; and
- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and
- Accountability for adherence to the code.

The Company's Code of Business and Ethical Conduct is available on its web site at www.TMRC.com. A copy of the Code of Business and Ethical Conduct will be provided to any person without charge upon written request to the Company at its executive offices: 516 S. Spring Avenue, Tyler, Texas 75702. We intend to disclose any waiver from a provision of the Code of Business and Ethical Conduct that applies to any of the Company's principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions that relates to any element of the Company's Code of Business and Ethical Conduct on the Company's website. No waivers were granted from the requirements of the Code of Business and Ethical Conduct during the year ended August 31, 2017, or during the subsequent period to the date of this Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The following summary compensation tables set forth information concerning the annual and long-term compensation for services in all capacities to the Company for the years stated for those persons who were, at August 31, 2019 named executive officers. "Named Executive Officer" means: (a) each Chief Executive Officer, (b) each Chief Financial Officer, (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year; and (d) each individual who would be an Named Executive Officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

Summary Compensation Table

Name and principal position	Year	Salary (US\$)	Option Awards (US\$)	All Other Compensation (US\$)	Total compensation (US\$)
Daniel Gorski	2019	\$ 120,000	\$ 100,000(1)	\$ —	\$ 220,000
<i>Chief Executive Officer</i>	2018	\$ 120,000	\$ —	\$ —	\$ 120,000
Wm Chris Mathers	2019	\$ 60,000	\$ —	\$ —	\$ 60,000
<i>Chief Financial Officer</i>	2018	\$ 60,000	\$ 93,876(2)	\$ —	\$ 153,876

- (1) In October 2018, our Board approved and granted an option to purchase 500,000 shares of common stock to Mr. Gorski. These options are exercisable at \$0.20 per share for a period of ten years, vesting immediately and at a fair value of approximately \$100,000 using the Black-Sholes pricing model. With respect to these options, the Black-Sholes pricing model was used to estimate the fair value of the option, using the assumption of a risk free interest rate of 2.880%, a dividend yield of 0%, volatility of 220.02 and an expected life of 10 years
- (2) On June 12, 2018, our Board approved and granted an option to purchase 500,000 shares of common stock to Mr. Mathers. These options are exercisable at \$0.19 per share for a period of ten years, vesting immediately and at a fair value of \$93,876 using the Black-Sholes pricing model. With respect to these options, the Black-Scholes pricing model was used to estimate the fair value of the option, using the assumptions of a risk free interest rate of 2.880%, a dividend yield of 0%, volatility of 222.87% and an expected life of 10 years.

In August 2012, the Company agreed to accrue Mr. Daniel Gorski, in the amount of \$120,000 annually in connection with his appointment as Chief Executive Officer of the Company. The Company and Mr. Gorski have not entered into a formal written employment agreement in relation to Mr. Gorski's compensation and employment terms as Chief Executive Officer. Mr. Mathers has been accruing \$60,000 per year pursuant to an at-will employment arrangement. The Company does not believe that its compensation arrangements with its named executive officers creates inherent risks that may have a material adverse effect on the Company. Mr. Gorski is currently owed approximately \$381,000 and Mr. Mathers is currently owed approximately \$131,000.

Executive Compensation Agreements and Summary of Executive Compensation

Report on Executive Compensation

During the year ended August 31, 2019, the Board and the Company's Compensation Committee, was responsible for establishing a compensation policy and administering the compensation programs of the Company's executive officers.

Salary

The amount of compensation paid by the Company to each of the Company's officers and the terms of those persons' employment is determined by the Compensation Committee. The Compensation Committee evaluates past performance and considers future incentive and retention in considering the appropriate compensation for the Company's officers. The Company believes that the compensation paid to the Company's directors and officers is fair to the Company.

Stock Incentive Awards

The Compensation Committee believes that the use of direct stock awards is at times appropriate for employees, and in the future intends to use direct stock awards to reward outstanding service or to attract and retain individuals with exceptional talent and credentials. The use of stock options and other awards is intended to strengthen the alignment of interests of executive officers and other key employees with those of our stockholders.

In this regard, during the fiscal year ended August 31, 2019, the Compensation Committee and the Board authorized the issuance of 500,000 stock option awards to Mr. Gorski.

Executive Compensation Agreements

Agreement with Mr. Gorski

The Company pays Mr. Daniel Gorski a salary in the amount of \$120,000 annually in connection with his appointment as Chief Executive Officer of the Company. The Company and Mr. Gorski have not entered into a formal written employment agreement.

Agreement with Wm. Chris Mathers

The Company pays Mr. Wm. Chris Mathers a salary in the amount of \$60,000 annually in connection with his appointment as Chief Financial Officer of the Company. The Company and Mr. Mathers have not entered into a formal written employment agreement.

Outstanding Equity Awards At Fiscal Year-End

There were 4,365,000 stock options fully vested and outstanding as of August 31, 2019.

Nonqualified Deferred Compensation

The Company does not offer nonqualified deferred compensation to any of its named executive officers.

Director Compensation

The following table sets forth the compensation granted to our directors during the fiscal year ended August 31, 2019. Compensation to directors that are also named executive officers is detailed above and is not included on this table.

Name	Fees Paid or Earned in Cash (\$)	Fee Paid or Earned in Stock (\$)	Option Awards (\$)	Total (\$)
Anthony Marchese	\$ —	\$ 18,750	\$ —	\$ 18,750
Cecil Wall	\$ —	\$ 10,500	\$ —	\$ 10,500
Nicholas Pingitore	\$ —	\$ 7,500	\$ —	\$ 7,500
James Wolfe	\$ —	\$ 7,500	\$ —	\$ 7,500
Peter Denetclaw, Jr.	\$ —	\$ —	\$ —	\$ —
Clark A. Moseley	\$ —	\$ —	\$ —	\$ —

The Company does not currently pay directors' fees in cash and paid the above-referenced directors' fees in fiscal 2018 through the issuance of shares of common stock valued at the market price at the time such fees were earned. Each of our directors are reimbursed reasonable out of pocket expenses associated with attending our board meetings.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following tables set forth information as of November 20, 2019, regarding the ownership of the Company's common stock by: (i) each named officer, each director and all of the Company's directors and executive officers as a group; and (ii) each person who is known by us to own more than 5% of the Company's shares of common stock. The number of shares beneficially owned and the percentage of shares beneficially owned are based on 56,204,994 shares of common stock outstanding as of November 20, 2019.

Beneficial ownership is determined in accordance with the rules and regulations of the Securities and Exchange Commission. Shares subject to options that are exercisable within 60 days following November 20, 2019 are deemed to be outstanding and beneficially owned by the optionee for the purpose of computing share and percentage ownership of that optionee but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table, and as affected by applicable community property laws, all persons listed have sole voting and investment power for all shares shown as beneficially owned by them.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percent of Class Beneficially Owned
Daniel E. Gorski	7,819,400(1)	13.4%
Anthony Marchese	5,595,499(2)	9.5%
Cecil Wall	956,154(3)	1.7%
Nicholas Pingitore	1,040,239(4)	1.8%
James Wolfe	626,351(5)	1.1%
Wm Chris Mathers	540,000(6)	1.0%
Peter Denetclaw, Jr.	5,111,626(7)	9.1%
Clark A. Moseley	5,111,626(8)	9.1%
All directors and executive officers as a group (6 persons)	16,577,643	26.4%
SC Fundamental Value Fund LP	3,600,000(9)	6.0%
Navajo Transitional Energy Company	5,111,626(10)	9.1%
Roseland Enterprises, Ltd.	3,950,000 (11)	7.0%

* Less than 1%.

- (1) Represents 5,738,020 shares of Common Stock, (i) 60,000 shares of Common Stock acquirable upon exercise of a 10 year option at an exercise price of \$0.45 per share, (ii) 250,000 shares of Common Stock acquirable upon exercise of a 10 year option at an exercise price of \$0.22 per share, (iii) 500,000 shares of Common Stock acquirable upon exercise of 10 year option at an exercise price of \$0.20 per share, (iv) 605,160 shares of Common Stock acquirable upon exercise of a 10 year warrant at an exercise price of \$0.10 per share, (v) 302,580 shares of Common Stock acquirable upon exercise of a 5 year warrant at an exercise price of \$0.20, and (vi) 363,640 shares of Common Stock acquirable upon exercise of 5 year warrants at an exercise price ranging from \$0.35-\$0.50.
- (2) Represents (i) the following securities registered in the name of Mr. Marchese (a) 1,624,049 shares of Common Stock, (b) a ten year option to purchase up to 100,000 shares of Common Stock at an exercise price of \$0.45 per share (c) a ten year option to purchase up to 240,000 shares of Common Stock at an exercise price of \$0.45; (d) a ten year option to purchase up to 250,000 shares of Common Stock at an exercise price of \$0.22; (e) a ten year option to purchase up to 500,000 shares of Common Stock at an exercise price of \$0.20; (f) a 5 year warrant to purchase up to 550,300 shares of Common Stock at an exercise price of \$0.10; (g) a 5 year warrant to purchase up to 275,150 shares of Common Stock at an exercise price of \$0.20; (h) a 5 year warrant to purchase up to 145,000 shares of Common Stock at an exercise price ranging from \$0.35 - \$0.50 and (ii) the following securities registered in the name of the Insiders Trend Fund, LP., an entity in which Mr. Marchese serves as general partner and chief investment officer: 1,140,000 shares of Common Stock and 5 year warrants to purchase up to 771,000 shares of Common Stock at an exercise price ranging from \$0.10-\$0.20. Consists of (i) 616,154 shares of Common Stock owned by Cecil Wall as an individual and Cecil Wall as trustee for the Cecil Wall Trust, which he controls, (ii) a ten year option to purchase up to 100,000 shares of Common Stock at an exercise price of \$0.45; (iii) a ten year option to purchase up to 60,000 shares of Common Stock at an exercise price of \$0.45; (iv) a ten year option to purchase up to 50,000 shares of Common Stock at an exercise price of \$0.22; (v) a ten year option to purchase up to 100,000 shares of Common Stock at an exercise price of \$0.20 and a 5 year warrants to purchase up to 30,000 shares of Common Stock at an exercise price ranging from \$0.10 - \$0.20.

- (3) Consists of (i) 443,295 shares of Common Stock; (ii) a ten year option to purchase up to 100,000 shares of Common Stock at an exercise price of \$0.45, (iii) a ten year option to purchase up to 160,000 shares of Common Stock at an exercise price of \$0.45; (iv) a ten year option to purchase up to 50,000 shares of Common Stock at an exercise price of \$0.22; (v) a ten year option to purchase up to 100,000 shares of Common Stock at an exercise price of \$0.20; (vi) five year warrants to purchase up to 18,000 shares of Common Stock ranging from \$0.10-\$0.20, and 5 year warrants to purchase up to 168,944 shares of Common Stock at an exercise price ranging from \$0.35-\$0.50.
- (4) Consists of 310,351 shares of Common Stock and (i) a ten year option to purchase up to 100,000 shares of Common Stock at an exercise price of \$0.45, (ii) a ten year option to purchase up to 60,000 shares of Common Stock at an exercise price of \$0.45; (iii) a ten year option to purchase up to 50,000 shares of Common Stock at an exercise price of \$0.22; (iv) a 10 year option to purchase up to 100,000 shares of Common Stock at an exercise price of \$0.20 and 5 year warrants to purchase up to 6,000 shares of Common Stock ranging from \$0.10-\$0.20.
- (5) Includes a ten-year option to purchase up to 500,000 shares of Common Stock at an exercise price of \$0.19 and a ten year warrant to purchase up to 40,000 shares of Common Stock at an exercise price of \$0.10.
- (6) Includes 1,889,597 shares of Common Stock, 149,000 shares of Common Stock underlying warrants and 475,000 Shares underlying options that are currently exercisable.
- (7) Mr. Denetclaw is deemed to be a beneficial owners of the shares of common stock owned by Navajo Transitional Energy Company.
- (8) Mr. Moseley is deemed to be a beneficial owners of the shares of common stock owned by Navajo Transitional Energy Company.
- (9) Represents shares held by related persons and entities SC Fundamental Value Fund, L.P., SC Fundamental LLC, Peter M. Collery, Neil H. Koffler, John T. Bird, David Hurwitz and SC Fundamental LLC Employee Savings & Profit Sharing Plan. Represents (i) 100,000 shares of Common Stock and, (ii) 3,500,000 Common Stock purchase warrants exercisable at \$0.35 per share for a period of five years. Represents shares held by the Navajo Transitional Energy Corp.
- (10) Messrs. Denetclaw and Moseley have voting and investment power with respect to these shares.
- (11) Represents shares held by Roseland Enterprises, LTD

It is believed by the Company that all persons named have full voting and investment power with respect to the shares indicated, unless otherwise noted in the table and the footnotes thereto. Under the rules of the Securities and Exchange Commission, a person (or group of persons) is deemed to be a "beneficial owner" of a security if he or she, directly or indirectly, has or shares the power to vote or to direct the voting of such security, or the power to dispose of or to direct the disposition of such security. Accordingly, more than one person may be deemed to be a beneficial owner of the same security. A person is also deemed to be a beneficial owner of any security, which that person has the right to acquire within 60 days, such as options or warrants to purchase our common stock.

The Company is not, to the best of our knowledge, directly or indirectly owned or controlled by another corporation or foreign government.

Change in Control

The Company is not aware of any arrangement that might result in a change in control in the future. The Company has no knowledge of any arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in the Company's control.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's officers, directors, and persons who beneficially own more than 10% of the Company's common stock, to file reports of ownership and changes in ownership with the SEC.

Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, the Company believes that during fiscal year ended August 31, 2017 the filing requirements applicable to its officers, directors and greater than 10% percent beneficial owners were complied with, except as follows: (i) Mr. Denetclaw has failed to file a Form 3 in connection with his election as a director, (ii) Mr. Moseley has failed to file a Form 3 in connection with his election as a director, (iii) Mr. Marchese has failed to file a Form 4 in connection with the receipt of shares of common stock upon conversion of certain indebtedness and upon payment of director fees; (iv) Mr. Gorski has failed to file a Form 4 in connection with the receipt of shares of common stock upon conversion of certain indebtedness and upon payment of director fees; (v) Mr. Wall has failed to file a Form 4 in connection with the receipt of shares of common stock upon conversion of certain indebtedness and upon payment of director fees; (vi) Mr. Pingitore has failed to file a Form 4 in connection with the receipt of shares of common stock upon conversion of certain indebtedness and upon payment of director fees; and (vii) Mr. Wolfe has failed to file a Form 4 in connection with the receipt of shares of common stock upon conversion of certain indebtedness and upon payment of director fees.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

During the fiscal year ended August 31, 2019 we converted advances from certain officers and directors totaling \$465,780 into 1,249,325 shares of Common Stock. As of August 31, 2019, there were no advances by officers and directors to the Company.

In August 2019, the Navajo Transitional Energy Corp. purchased 5,11,625 shares of our common stock for \$1,840,185. In connection with this investment, Messrs. Denetclaw and Moseley were elected and appointed directors of the Company.

The Company has a policy for the review of transactions with related persons as set forth in the Company's Audit Committee Charter and internal practices. The policy requires review, approval or ratification of all transactions in which the Company is a participant and in which any of the Company's directors, executive officers, significant stockholders or an immediate family member of any of the foregoing persons has a direct or indirect material interest, subject to certain categories of transactions that are deemed to be pre-approved under the policy - including employment of executive officers, director compensation (in general, where such transactions are required to be reported in the Company's proxy statement pursuant to SEC compensation disclosure requirements), as well as certain transactions where the amounts involved do not exceed specified thresholds.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

LBB & Associates Ltd., LLP was the Independent Registered Public Accounting Firm for the Company in the fiscal year ended August 31, 2019.

The Company's financial statements have been audited by LBB & Associates Ltd., LLP, independent registered public accounting firm, for the years ended August 31, 2019 and 2018. The following table sets forth information regarding the amount billed to us by our independent auditor, LBB & Associates Ltd., LLP for our two fiscal years ended August 31, 2019 and 2018, respectively:

	Years Ended August 31,	
	2019	2018
Audit Fees	\$ 40,500	\$ 40,500
Audit Related Fees	\$ 0.00	\$ 0.00
Tax Fees	\$ 0.00	\$ 0.00
All Other Fees	\$ 0.00	\$ 0.00
Total	\$ 40,500	\$ 40,500

Audit Fees

Consist of fees billed for professional services rendered for the audit of our financial statements and review of interim consolidated financial statements included in quarterly reports and services that are normally provided by the principal accountants in connection with statutory and regulatory filings or engagements.

Audit Related Fees

Consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees".

Tax Fees

Consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include preparation of federal and state income tax returns.

All Other Fees

Consist of fees for product and services other than the services reported above.

Policy on Pre-Approval by Audit Committee of Services Performed by Independent Auditors

The Audit Committee has adopted procedures requiring the Audit Committee to review and approve in advance, all particular engagements for services provided by the Company's independent auditor. Consistent with applicable laws, the procedures permit limited amounts of services, other than audit, review or attest services, to be approved by one or more members of the Audit Committee pursuant to authority delegated by the Audit Committee, provided the Audit Committee is informed of each particular service. All of the engagements and fees for 2019 were pre-approved by the Audit Committee. The Audit Committee reviews with LBB & Associates Ltd., LLP whether the non-audit services to be provided are compatible with maintaining the auditor's independence.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES

Documents filed as part of this Annual Report on Form 10-K or incorporated by reference:

- (1) The financial statements are listed on the “Index to Financial Statements” in Item 8.
- (2) Financial Statement Schedules (omitted because the Company is a smaller reporting issuer).

The following exhibits are attached hereto or are incorporated by reference:

Exhibit No.	Description
2.1	Plan of Conversion, dated August 24, 2012, incorporated by reference to Exhibit 2.1 of our Form 8-K filed with the SEC on August 29, 2012.
3.1	Delaware Certificate of Conversion, incorporated by reference to Exhibit 3.1 of our Form 8-K filed with the SEC on August 29, 2012.
3.2	Delaware Certificate of Incorporation, incorporated by reference to Exhibit 3.2 of our Form 8-K filed with the SEC on August 29, 2012.
3.3	Delaware Certificate of Amendment, incorporated by reference to Exhibit 3.1 of our Form 8-K filed with the SEC on March 18, 2016
3.4	Delaware Bylaws, incorporated by reference to Exhibit 3.3 of our Form 8-K filed with the SEC on August 29, 2012.
4.1	Form of Common Stock Certificate, incorporated by reference to Exhibit 4.1 of our Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
4.2	Form of Warrant Indenture, incorporated by reference to Exhibit 4.2 of our Form S-1/A filed with the SEC on December 10, 2014.
4.3	Form of Class A Warrant, included as Schedule A in Exhibit 4.2.
4.4	Form of Class B Warrant, included as Schedule B in Exhibit 4.2.
10.1	Amended and Restated 2008 Stock Option Plan, incorporated by reference to Exhibit 10.1 of our Form 10-Q for the period ended May 31, 2011 filed with the SEC on July 15, 2011.
10.2	Mining Lease, incorporated by reference to Exhibit 10.2 of our Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
10.3	Mining Lease dated November 2011 with the State of Texas ⁽¹⁾
10.4	Purchase option agreement dated September 2014 with the State of Texas ⁽¹⁾
10.5	Groundwater lease dated September 2014 with the State of Texas ⁽¹⁾
10.6	ReeTech Operating Agreement, incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K as filed with the Commission on July 21, 2015
10.7	Amendment Number One to the Reetech Operating Agreement, incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K as filed with the Commission on November 30, 2015
10.8	Amendment Number One to the TRER License, incorporated by reference to Exhibit 10.3 to the Company’s Form 8-K as filed with the Commission on November 30, 2015
10.9*	Director’s Agreement by and between the Company and Anthony Marchese, incorporated by reference to Exhibit 10.6 of our Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
10.10*	Summary of Dan Gorski Employment Arrangement ⁽¹⁾
10.11*	Summary of Wm. Chris Mathers Employment Arrangement ⁽¹⁾
10.12*	Option Agreement for Wm. Chris Mathers incorporated by reference to Exhibit 10.21 of our Amendment No. 2 to its Registration Statement on Form S-1 (333-172116) filed with the SEC on May 25, 2011.
10.13*	Form of Directors Option Agreement incorporated by reference to Exhibit 10.22 of our Amendment No. 2 to its Registration Statement on Form S-1 (333-172116) filed with the SEC on May 25, 2011.
10.14	Consulting Agreement between the Company and Chemetals, Inc., dated January 22, 2013, incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the SEC on January 28, 2013.
10.15	Lease Agreement between the Company and Southwest Range & Wildlife Foundation, Inc., dated March 6, 2013, incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the SEC on March 12, 2013.
10.16	Variation agreement with Morzev PTY LTD. (USA Rare Earth) dated October 2018 ⁽¹⁾
10.17	Amended and Restated Option Agreement with Morzev (USA Rare Earth) dated August 2019 ⁽¹⁾

- 101.INS(2) XBRL Instance Document
- 101.SCH(2) XBRL Taxonomy Extension — Schema
- 101.CAL(2) XBRL Taxonomy Extension — Calculations
- 101.DEF(2) XBRL Taxonomy Extension — Definitions
- 101.LAB(2) XBRL Taxonomy Extension — Labels
- 101.PRE(2) XBRL Taxonomy Extension — Presentations

* Management contract or compensatory plan or arrangement.

- (1) Filed herewith.
- (2) Submitted Electronically Herewith. Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Balance Sheets at August 31, 2019 and 2018; (ii) Statements of Operations for the years ended August 31, 2019 and 2018; (iii) Statements of Cash Flows for the years ended August 31, 2019 and 2018; (iv) Statements of Shareholders' Equity for the years ended August 31, 2019 and 2018; and (v) Notes to Financial Statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS MINERAL RESOURCES CORP.

/s/ Daniel E Gorski
Daniel E Gorski, Chief Executive Officer

DATED: November 27, 2019

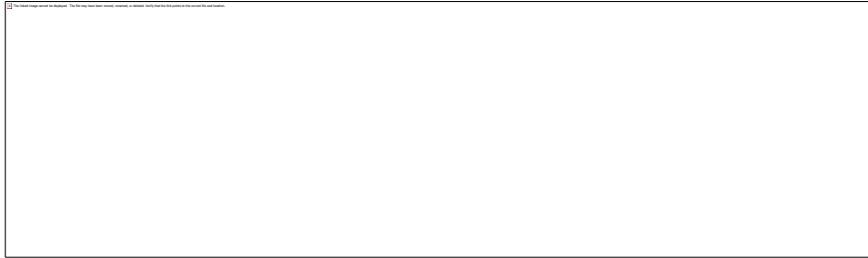
/s/ Wm Chris Mathers
Wm Chris Mathers, Chief Financial Officer

DATED: November 27, 2019

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Daniel E Gorski</u> Daniel E Gorski	Chief Executive Officer, Principal Executive Officer and Director	November 27, 2019
<u>/s/ Wm Chris Mathers</u> Wm Chris Mathers	Chief Financial Officer	November 27, 2019
<u>/s/ Cecil C Wall</u> Cecil C Wall	Director	November 27, 2019
<u>/s/ Nicholas Pingitore</u> Nicholas Pingitore	Director	November 27, 2019
<u>/s/ James R Wolfe</u> James R Wolfe	Director	November 27, 2019

Mining Lease dated November 2011 with the State of Texas



Austin, Texas

MINING LEASE
M-113629

WHEREAS, pursuant to Chapter 53, Subchapter C of the Texas Natural Resources Code, the following described land:

SW/4 of SE/4 of SE/4 of Section 12, Block 72, T-7, T&P Ry. Co., and N/2 of the NE/4 of Section 13, Block 72, T-7, T&P Ry. Co. containing 90 acres, more or less, in Hudspeth County, Texas, (hereinafter referred to as the “leased premises”)

was subject to lease by the State of Texas acting by and through its agent, Texas Rare Earth Resources Corp. of 304 Inverness Way South, Suite 365, Englewood, Colorado 80112, said agent hereinafter referred to as “the owner of the soil” (whether one or more).

WHEREAS, the owner of the soil of the leased premises has executed and recorded in Hudspeth County, Texas, and has filed in the General Land Office Mineral File for this lease, its Affidavit of Waiver of Agency Rights wherein said owner of the soil, inter alia, warrants to the State that said owner is duly authorized to waive all surface owner rights associated with the leased premises without joinder of any other person or entity and wherein said owner waives any right to receive compensation from any lease on the above described land. Texas Rare Earth Resources Corp. has properly made application for a Mining Lease. Pursuant to Chapter 53, Subchapter C of the Natural Resources Code and the title opinion furnished by the owner of the soil, the School Land Board of the State of Texas has approved and accepted this lease under the following terms and conditions:

NOW, THEREFORE, this mining lease is made and entered into this 1st day of November, 2011 between the State of Texas (hereinafter referred to as “LESSOR”, “State of Texas” or “State”), acting by and through the Commissioner of the General Land Office (hereinafter referred to as “COMMISSIONER”) and Texas Rare Earth Resources Corp. of 304 Inverness Way South Suite 365 Englewood Colorado 80112 (hereinafter referred to as “LESSEE”). LESSEE, as used herein, shall also include any successor, assignee, devisee, legal representative or heir who acquires any right or obligation initially held by this named LESSEE under this lease.

I. GRANTING CLAUSE: For and in consideration of the amounts stated below and of the covenants and agreements of this lease hereby agreed to be paid, kept and performed by LESSEE, the State of Texas hereby grants, leases and lets unto LESSEE the leased premises, for the sole and only purpose of prospecting for, exploring for, producing, developing, mining (by drilling, boring, open pit, underground mining, strip mining, solution mining, or any other method permitted herein), extracting, milling, removing, and marketing the following: beryllium, uranium, rare earth elements, all other base and precious metals, industrial minerals and construction materials of all kinds and all other minerals excluding oil, gas, coal, lignite, sulphur, salt and potash, hereinafter referred to as the “named material”, and the rocks, minerals and mineral substances that are contained in or are necessarily and actually produced in conjunction with or incidental to the named material (the named material and the other rocks, minerals and mineral substances granted herein are hereinafter collectively referred to as the “leased minerals”), and no other material or mineral.

Additionally, there is hereby excepted and reserved to LESSOR the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted and to the extent herein granted to the LESSEE, together with the rights of ingress and egress and use of said lands by LESSOR and its mineral lessees, for purposes of exploring for and producing the minerals which are not covered by the terms of this lease, but which may be located within the surface boundaries of the leased area. All of the rights in and to the leased premises retained by LESSOR and all of the rights in and to the leased premises granted to LESSEE shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

The bonus consideration paid for this lease is as follows:

To the State of Texas: Twenty thousand seven hundred and no/100 Dollars (\$20 700.00)

To the owner of the soil: None

The total bonus consideration paid represents a bonus of Two hundred thirty and No/100 Dollars(\$ 230.00) per acre, on 90 net acres.

2. TERM: Subject to the other provisions in this lease, this lease shall be for a term of nineteen (19) years from this date (hereinafter called “primary term”), and as long thereafter as the named material shall be produced in paying quantities from the land hereby leased. As used in this lease, the term “produced in paying quantities” shall be defined to mean that the receipts from the sale of the named material and the market value (as defined in this lease) of any named material used by LESSEE in a manner authorized by the COMMISSIONER (excluding those amounts allocable to the State’s royalties provided for in this lease and including those amounts attributable to the working interest as of the date of this lease) exceed out of pocket operational expenses for the twelve months past. Out of pocket operational expenses, as used in this lease, shall be defined as those costs directly associated with the current costs of operations. Specifically, this definition shall not include the costs of capital improvements to leased premises and fixtures affixed thereto, and it shall not include non-cash items, such as depreciation expenses and depletion allowances. If after the expiration of the 20 year term this lease is not producing in paying quantities as defined above, then a rebuttable presumption shall arise that this lease has terminated for failure to so produce.

3. DELAY RENTAL: If production in paying quantities of the named material has not been obtained on or before one (1) year after the date of this lease, then this lease shall terminate unless LESSEE, on or before that date, pays in the manner prescribed in Section 27 of this lease the following sum:

Per Acre Amount	Total Amount
<u>\$50.00</u>	<u>\$4,500.00</u>

In a like manner and upon payment of the amounts set out below on or before the corresponding anniversary dates of this lease, LESSEE may defer the commencement of said production for successive periods of one (1) year each during the primary term hereof:

	Per Acre Amount	Total Amount
Anniversary Date 2013 -2014	<u>\$ 50.00</u>	<u>\$ 4 500.00</u>
Anniversary Date 2015 - 2019	<u>\$ 75.00</u>	<u>\$ 6 750.00</u>
Anniversary Date 2020 - 2024	<u>\$150.00</u>	<u>\$13 500.00</u>
Anniversary Date 2025 - 2029	<u>\$200.00</u>	<u>\$18 000.00</u>

Payments under this section shall act as a rental and shall cover the privilege of deferring commencement of production in paying quantities of the named material for one (1) year from the corresponding anniversary date.

4. MINIMUM ADVANCE ROYALTY: Immediately upon the sale of the leased minerals, if such sale occurs on the lease premises, or the removal of the leased minerals in commercial quantities from the leased premises, LESSEE shall pay in the same manner prescribed in Section 28 of this lease a sum of Fifty Thousand and No/100 Dollars (\$50 000.00) as minimum advance royalty. This Section 4 shall not apply to the production of waste materials as defined in Section 14(g). The payment of the initial minimum advance royalty shall be considered timely if it is received by the COMMISSIONER, at Austin, on or before seven (7) days after the date of the initial commencement of production. Thereafter, this royalty is to be so paid and received on or before the anniversary date of this lease, in advance, for each lease year (as determined by the anniversary date of this lease) in which the leased minerals are produced from the leased premises. It is understood and agreed that this minimum advance royalty is due and payable for every year that the leased minerals are produced from the leased premises, regardless of the amount of actual production.

Should LESSEE cease production and later re-commence production, then payment of a minimum advance royalty shall be due and payable immediately upon re- commencement of production in the same manner as if LESSEE were initially commencing production. However, should LESSEE so re-commence production within the same lease year for which a minimum advance royalty has already been properly paid to the COMMISSIONER, then a payment shall not be due upon the re- commencement but shall be due and payable thereafter by LESSEE in the manner described above on or before the anniversary date of this lease, in advance, for each lease year in which the leased minerals are produced from the leased premises.

If applicable, a minimum advance royalty paid will be credited against the first royalty due as hereinafter provided for the leased minerals actually produced from the leased premises during the lease year for which such minimum advance royalty was paid.

5. PLAN OF OPERATIONS: Before LESSEE commences any activities associated with mineral exploration or development that require substantially disturbing or destroying the surface or subsurface of the leased premises, LESSEE agrees to submit to and obtain approval from the COMMISSIONER and, upon request, submit to any surface lessee of the leased premises, for said lessee's information, a plan of operations in compliance with all current and future General Land Office administrative rules relating to the procedure for filing, obtaining approval and complying with of any such plan of operations. LESSEE also agrees to so submit amended and supplemental plans of operations as required by said rules. The General Land Office reserves the right to require LESSEE to furnish a bond as a condition to approval of a plan of operations. The current and future General Land Office administrative rules relating to plans of operations and conduct of exploration and mining operations shall determine when and how LESSEE may commence and conduct any activities on, in, or under the leased premises.

LESSEE is expressly placed on notice of the National Historical Preservation Act of 1966, (PB-89-66, 80 Statute 915; 16 U.S.C.A §470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Res. Code Ann. (Vernon 1996 Supp.). Before breaking ground at a project location, lessee shall notify the Texas Historical Commission, P.O. Box 12276, Austin, Texas 78711. An archaeological survey might be required by the commission before construction of the project can commence. Further, in the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural or historic interest is encountered during the activities authorized by this lease, lessee will immediately notify LESSOR and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate.

6. EXPLORATION: It is understood and agreed that LESSEE owes LESSOR a duty to take all steps a reasonably prudent operator would take to explore the leased premises for the named material and to delineate the reserves thereof.,

7. DUTY TO MAKE MARKETABLE, PROCESS, ETC.: (a) If the leased minerals are capable of being economically produced by the LESSEE in commercial quantities, it is understood and agreed that LESSEE owes LESSOR a duty to take all steps necessary to put the leased minerals into a marketable condition. This may include crushing, separating, concentrating, processing or other forms of preparing the leased minerals for sale. It is understood and agreed that LESSEE has the duty to undertake and/or arrange to have undertaken all operations a reasonably prudent operator would undertake in order to produce, process, and make marketable the most valuable component or components of the leased minerals. No cost incurred in meeting these duties is deductible in the computation of the royalty due under this lease except where expressly allowed in this lease. Should LESSEE not put the leased minerals into a marketable condition as required herein, royalty due under this lease will nevertheless be calculated upon the market value, as defined herein, of the leased minerals in a marketable condition. Should LESSEE not put the leased minerals into their most valuable component or components as required herein, royalty due under this lease will nevertheless be calculated upon the market value, as defined herein, of this most valuable component or components in a marketable condition. Neither the bonus, rentals, nor royalties paid or to be paid hereunder shall relieve LESSEE from any of the obligations herein expressed. The point at which these said duties have or could have been complied with shall define "the mine" as that phrase is used in this lease for the purposes of royalty calculation.

(b) Should LESSEE, in performance of those duties required in Section 7(a) of this lease, transport the leased minerals to a location away from the leased premises, LESSEE may deduct, for the purposes of royalty calculation, the transportation cost, as defined by Generally Accepted Accounting Principles, incurred in and directly allocable to that transportation of the leased minerals from the leased premises, and no other costs, as follows:

If LESSEE actually incurs this transportation cost pursuant to a bona fide transaction entered into at arm's length with a non-affiliated party (as defined in Section 8(a) of this lease) of adverse economic interests, then this transportation cost, if reasonable, may be deducted for the purposes of royalty calculation. If this transportation cost is incurred pursuant to other than the above-described transaction, including by means of LESSEE-owned facilities, then this deduction shall be determined by the reasonable costs that (1) are actually incurred by the party or parties. (whether that party is LESSEE and/or some other party) that actually performs the transportation service (hereinafter referred to in this subsection (b) as the "transporter") and (2) are directly allocable to this transportation of the leased minerals. Therefore, the deduction allowed in this second type of transaction (i.e. non arm's length, etc.) shall not include any profit margin, commission or any other similar charge that is charged by any transporter for the performance of this transportation service. In no event shall any transportation deduction discussed in this subsection (b) include any transportation cost incurred for transportation within the leased premises. In no event shall any deduction discussed in this subsection (b) be greater than the State or Federal tariff, whichever was legally applicable, that was in effect at the time the leased minerals were transported and that was for comparable movement of minerals. The deduction discussed in this subsection (b) is subject at any time to the COMMISSIONER's review and audit. LESSEE must be able to document these deductions to the COMMISSIONER's satisfaction, should the COMMISSIONER at any time request such verification, in order to properly deduct these costs.

(c) LESSEE shall also have the duty to diligently market the leased minerals that are produced, processed and made marketable as required above. (See Section 8(a) for an explanation of the allowed deductions for the costs incurred in meeting this duty for royalty calculation purposes.)

8. **PRODUCTION ROYALTY:** As a production royalty LESSEE agrees to pay in the manner prescribed in Section 27 of this lease a sum equal to Eight percent (8%) of the Market Value (as defined below) of the uranium and other fissionable minerals, and Six and 25/100 percent (6.25%) of the Market Value (as defined below) of all other leased minerals at "the mine" (as defined in Section 7(a)) produced from the leased premises. (For the treatment of waste material, see Section 13.) Notwithstanding anything contained herein, it is expressly provided in accordance with Texas Natural Resources Code, §53.018 that if production is obtained, the state shall receive not less than one-sixteenth (6.25%) of the value of the leased minerals produced from the leased premises.

(a) Market Value Definition and Procedure. Market value, as that Phrase is used in this lease, shall be defined to mean the higher of, at the option of the COMMISSIONER: (1) gross proceeds received by LESSEE (e.g., the gross price paid or offered LESSEE) from the sale of the leased minerals and including any reimbursements for severance taxes and production related costs, or (2) highest price for materials or minerals (a) produced from the leased premises or from other mines and (b) that are comparable in quality to the produced leased minerals. Price shall be determined by any generally accepted method of pricing chosen by the COMMISSIONER, including, but not limited to, comparable sales (e.g. prices paid' or offered), published prices plus premium, and values/costs reported to a regulatory agency. Provided, however, that in no event shall the royalty due the State be less than the minimum royalty amounts set out in this lease.

For purposes of computing and paying royalties under this lease, the market value shall be presumed to be the gross proceeds received by LESSEE pursuant to a bona fide transaction entered into at arms' length with a non-affiliated party, as defined hereafter, of adverse economic interests. An affiliated party is defined for the purposes of this lease as a subsidiary, or parent of LESSEE or other entity in which LESSEE or an owner of LESSEE has a financial interest by stock ownership or otherwise of ten percent or more or one related to LESSEE or an owner of LESSEE by blood, marriage or common business enterprise. A non-affiliated party is defined, for the purposes of this lease, as one without any of the above described characteristics of an affiliated party. This presumption may be overcome and additional royalties may be assessed under Section 8(a)(2) of this lease when a different price is established by any of the methods set out in that section.

Should LESSEE incur post-"mine" costs, i.e. costs other than those incurred as a result of the LESSEE's performance of those duties required in Section 7(a) of this lease, then, at the option of the COMMISSIONER, the market value of the leased minerals at "the mine" shall be determined by the market value of the leased minerals, as defined above, after some or all of these post-"mine" costs have been incurred, less these post-"mine" costs, as defined by this lease and Generally Accepted Accounting Principles, actually incurred in and directly allocable to out of pocket costs, charges and expenses incurred by LESSOR in: (1) transporting run of the mine ore from the portal, pit opening or shaft collar to the mill or other place where beneficiation, concentration or refining takes place; (2) concentrating, including the cost of milling, floatation, thickening, regrinding, and filtering; (3) roasting; (4) loading and shipping; and (5) handling tailings and mine waste, (such activities are hereinafter referred to in this paragraph as "marketing"), and no other costs, as follows: If these marketing costs are actually incurred by LESSEE pursuant to a bona fide transaction entered into at arms' length with a non-affiliated party (as defined in Section 8(a) of this lease) of adverse economic interests, then these actual marketing costs, if reasonable, may be deducted for the purposes of royalty calculation. If these marketing costs are incurred pursuant to other than the above described transaction, including by means of LESSEE-owned facilities, then this marketing deduction shall be determined by the reasonable costs that (1) are actually incurred by the party or parties (whether that party is LESSEE and/or some other party) that actually perform the post-"mine" marketing services (hereinafter referred to in this paragraph as the "marketer") and (2) are directly allocable to this marketing of the leased minerals. Therefore, the deduction allowed in this second type of transaction (i.e. non arm's length, etc.) shall not include any profit margin, commission or any other similar charge that is charged by any marketer for the performance of these marketing services. In no event shall any deduction discussed in this paragraph be greater than the lowest charge available for comparable services or products from an unaffiliated party (defined in Section 8(a) of this lease) with economic interests adverse to those of LESSEE. In no event shall any transportation deduction discussed in this paragraph include any transportation cost incurred for transportation within the "the mine": A deduction for the costs of post-"mine" transportation shall not exceed the State or Federal tariff, whichever was legally applicable, that was in effect at the time the leased minerals were transported and that was for comparable movement of minerals. All deductions discussed in this paragraph are subject at any time to the COMMISSIONER's review and audit. LESSEE must be able to document these deductions to the COMMISSIONER's satisfaction, should the COMMISSIONER at any time request such verification, in order to properly deduct these costs.

(b) Gross Proceeds Definition and Procedure. For the purpose of determining gross proceeds, the following will apply: When a LESSEE sells or otherwise transfers the leased minerals to a purchaser or transferee by other than a bona fide transaction entered into at arm's length with a non-affiliated party of adverse economic interests, the COMMISSIONER, at his option, may choose to use (1) such purchaser's or transferee's gross proceeds received from its sale of the leased minerals or (2) the total financial benefit accruing to the LESSEE and the purchaser or transferee for the purposes of royalty calculation instead of the LESSEE's gross proceeds received from the sale or transfer to said purchaser or transferee. LESSEE agrees to obtain and provide the COMMISSIONER all information requested by the COMMISSIONER for the purposes of determining the affiliation or relationship of LESSEE and a purchaser or transferee of the leased minerals. As in the case of royalty calculation based on the LESSEE's gross proceeds, no costs incurred as required under this lease are deductible for the purposes of calculating the royalty due under this lease except where expressly allowed in this lease. Upon satisfactory evidence provided to the COMMISSIONER and subject to the COMMISSIONER's discretion, the purchaser's or transferee's gross proceeds or the total of the financial benefit accruing to LESSEE and the purchaser or transferee will not be used for royalty calculation purposes if LESSEE demonstrates that during the relevant time period either: (1) the purchaser or transferee was legitimately in the business of purchasing and processing or marketing the leased minerals at issue from parties other than those with which it is affiliated, as defined above, and that its transaction with the LESSEE was an arms' length transaction or (2) the

transaction at issue contained terms equivalent to those Of comparable transactions between non-affiliated parties. In the event LESSEE sells or transfers title to a material and/or mineral covered by this lease and retains a financial interest or benefit to be returned at some later date, the Commissioner may elect to calculate royalty due upon the total value eventually returned to LESSEE.

(c) Minimum Royalty. Provided, however, in no event shall the royalty due under this lease be less than One Dollar (\$1.00) per pound of the U₃O₈ (yellow cake) and Forty Cents (\$0.40) per pound of the BeO (beryllium oxide), contained in the ore produced from leased premises.

(d) In Kind Royalty. Notwithstanding anything contained herein to the contrary, COMMISSIONER may at the COMMISSIONER's option, upon not less than 60 days' notice to LESSEE, require at any time or from time to time that payment of all or any portion of the royalties accruing to the State under this lease be made in kind (i.e. Six and 25/100 percent (6.25%) of the gross production of the leased minerals) at "the mine" without any deduction (including, but not limited to, deduction for the cost of producing, separating, treating, concentrating, processing, or storing said leased minerals or otherwise meeting the duties set out in Section 7 of this lease). Any leased minerals taken in kind shall be loaded at LESSEE's expense upon the transportation provided by LESSOR at "the mine". The COMMISSIONER may, at the COMMISSIONER's option, so require such in kind payment to be so made at a point prior to "the mine". In kind payments of the leased minerals made ready for in kind delivery during a given calendar month shall be made on or before, at the COMMISSIONER's discretion, the last day of the following calendar month.

(e) Payments and Reports. Unless the COMMISSIONER elects to take the royalties stipulated in this lease in kind, all royalties not taken in kind are to be received by the COMMISSIONER, at Austin, on or before the last day of each calendar month for the leased minerals produced during the preceding calendar month. For the purposes of the prior sentence only, "produced" shall be defined in the applicable administrative rule effective when the leased minerals on which royalty is owed were physically extracted from the leased premises. The royalty payment shall be accompanied by an affidavit of the LESSEE or his authorized representative completed in the following form and manner: The report shall be based on LESSEE's samples, assays, analyses, measurements and records and shall set forth, using the appropriate measurements, the type and exact amount of all materials and/or minerals produced from the leased premises during the preceding calendar month and the amount of royalty being submitted. If any materials and/or minerals produced from the leased premises have been sold during the preceding calendar month, then the report shall also set out the type and exact amount of each material and/or mineral sold during the preceding calendar month, the gross amount received for and the market value of the same (including the method and figures used to calculate this value as shown by any relevant documents, records, reports or schedules), and to whom sales were made. If these sales were made to an affiliated or related party, the report shall set out the details of such affiliation or relationship. In addition, the report shall be accompanied by production records, ore records, sales receipts, invoices, weight receipts, records of mill, mint, refinery or smelter settlements, and other pertinent returns or documents which shall substantiate the selling price of the materials and/or minerals and the compliance of LESSEE with the royalty or other provisions of this lease and any other report, record, or document the COMMISSIONER may require to verify such compliance. If any materials and/or minerals produced from the leased premises have been used by LESSEE during the preceding calendar month, then the report must also indicate the type and exact amount of each material and/or mineral so used and the method and figures used by LESSEE to calculate the value of each material and/or mineral so used as shown by any relevant documents, records, reports or schedules. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing, by the assigned General Land Office lease number, the amount of royalty being paid on each lease. Even if royalty payments are not due or are taken in kind, an affidavit of the LESSEE or his authorized representative, completed in the same form and manner as described in this paragraph, shall be filed with the General Land Office on or before the last day of each calendar month.

(f) Penalty and Interest. Delinquent royalty payments and reports shall accrue penalty and/or interest as determined by Texas Natural Resources Code §53.024 or its successor and any applicable administrative rule in effect at the time the royalty payments or reports were due. As of the date of this lease, the following are the current key penalty and interest provisions under which this lease shall operate: If LESSEE pays royalty on or before thirty (30) days after the royalty payment was due, then LESSEE owes a penalty of 5% on the royalty due or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days delinquent shall accrue a penalty of 10% of the royalty due or \$25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin to accrue 60 days after the due date. Documents which are required under this lease or by law and not filed when due shall incur a penalty in an amount set by the General Land Office administrative rules. The LESSEE shall bear all responsibility for paying royalties or causing such royalties to be paid in the manner prescribed in this lease. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law and by this lease nor act to postpone the date on which royalties were originally due. The above penalty Provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

9. SHUT-IN ROYALTY: If at the expiration of the primary term or at any time thereafter: (1) the leased premises is capable of producing the named minerals in paying quantities, and (2) this lease is not otherwise being maintained in force and effect, then LESSEE may, at LESSEE's option, pay as a shut-in royalty, in the same manner prescribed in Section 28 of this lease, an amount equal to Fifty Thousand and No/100 Dollars (\$ 50,000.00). To be effective, any shut-in royalty must be received by LESSOR on or before: (1) the expiration of the primary term, or (2) not more than sixty days after LESSEE ceases to produce the named minerals in paying quantities from the leased premises, or (3) not more than sixty days after LESSEE completes a mining or rehabilitation operation on the leased premises in accordance with an approved plan of operations, whichever date is latest and must be in the full amount set out above and this lease must have theretofore been maintained in force and effect. The shut-in royalty payment shall be accompanied by (1) a statement by LESSEE describing the circumstances requiring the use of this shut-in provision and (2) an affidavit by LESSEE that the mine is shut-in and not producing in paying quantities.

If the shut-in royalty is properly paid and received, this lease shall be considered to be a producing lease and the shut-in payment shall hold this lease in force and effect for a period of one year from the end of the primary term or from the first day of the month following the month in which production in paying quantities ceased or in which said mining or rehabilitation operations were completed, whichever date is later. After that one year period, if the above listed conditions still exist, LESSEE may, at LESSEE's option, continue to hold this lease in force and effect by shut-in royalty payments for additional and successive periods of one year each if the LESSOR receives the same shut-in royalty amount set out above each year on or before the expiration of the previously held one year period. If the due date of a shut-in royalty payment should fall on a Saturday, Sunday or a legal state or federal holiday, the due date shall be extended to the next calendar day which is not a Saturday, Sunday, or such a holiday. It is provided, however, that shut-in royalty cannot serve to hold this lease in force and effect for more than five years from the date this lease is initially shut-in (i.e. from the first date of the first shut-in period of this lease). LESSEE may proportionately reduce any shut-in payment that if made will hold this lease in effect for less than a full year because of this five (5) year maximum.

None of these provisions shall relieve LESSEE of the obligation of reasonable development. Neither receipt nor retention by the LESSOR of an improperly paid shut-in payment shall operate as a ratification or a re-grant of the interest covered by this lease if this lease terminated because of improper payment, nor shall such receipt or retention estop LESSOR from asserting the termination of this lease. Minimum advance royalty that has been paid shall not be credited against a shut-in payment Lessee chooses to make. Shut-in royalty payment shall not be credited against any production royalty due as provided in this lease for the leased minerals actually produced during any shut-in period or thereafter.

10. MEASURING, ASSAYING AND ANALYZING: LESSEE shall install and use scales, meters, or any other measuring device reasonably necessary to accurately measure the produced leased minerals, prior to said leased minerals being moved from the leased premises. It is understood and agreed that the COMMISSIONER may, with reasonable notice, require the LESSEE, at any time and at the LESSEE's expense, to assay and/or analyze the produced leased minerals in a manner consistent with standard techniques of the industry to determine its material or mineral content and/or its quality.

11. INSPECTIONS: The books, accounts, weights, wage contracts and records, correspondence, records, contracts and other documents relating to the production, transportation, assaying, analyzing, processing, recovery, use, sale, and marketing of the leased minerals shall at all times be subject to inspection and examination by the COMMISSIONER, or the COMMISSIONER'S authorized representative, and copies of such records shall be forwarded to the COMMISSIONER at Austin, Texas upon request.

LESSEE's mining, milling, and processing operations shall be subject at any time to inspection by the COMMISSIONER or the COMMISSIONER'S authorized representative. This inspection right shall include, but shall not be limited to, the following: the COMMISSIONER or the COMMISSIONER'S authorized representative is authorized (1) to check scales, sampling and assaying procedures as to their accuracy, (2) to have full access to any of the entries, shafts, pits, stopes or workings on the leased premises and to any of LESSEE's other mining, milling and processing operations, and (3) to examine, inspect, survey and take measurements of same and to examine all books and weight sheets, records and any other documents that relate to these operations or that may show in any way the material or mineral output of the leased premises or any other aspect of compliance with the covenants or conditions of this lease, whether express or implied. Copies of any records or other documents pertaining to these operations shall be furnished to the COMMISSIONER upon written request. LESSEE shall cooperate in such manner as shall be reasonably necessary for said inspection, survey, or examination. All inspections, examinations, and the like provided for herein may be performed at any time and without any requirement of prior notice.

12. LIEN: By acceptance of this lease, LESSEE grants the State, in addition to any applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to LESSEE from the sale of such leased minerals, whether such proceeds are held by LESSEE or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that LESSOR may suffer by reason of LESSEE's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in Title 1, Chapter 9 of the Texas Business and Commerce Code.

LESSEE agrees that the COMMISSIONER may require LESSEE to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. LESSEE hereby represents that there are no prior or superior liens arising from and relating to LESSEE's activities upon the above-described property or from LESSEE's acquisition of this lease. Should the COMMISSIONER at any time determine that this representation is not true, then the COMMISSIONER may declare this lease forfeited as provided in Section 18 of this lease.

13. REQUIRED FILINGS: A log, sample analysis, or other information obtained from each test drilled or area sampled on the area covered by this lease shall be filed with the General Land Office upon request. Within ninety (90) days after any sampling, drilling, mining or other evaluation program shall have been completed or abandoned, LESSEE shall file in the General Land Office an evaluation map or plat showing all geological formations penetrated, the depth, thickness, grade, and mineral character of all ore bodies, the water bearing strata, the elevation and location of all test holes, and other pertinent information. The correctness of such map or plat shall be sworn to by LESSEE or his representative. Further, LESSEE must furnish annually on the anniversary date of this lease a map or plat showing all activities and workings conducted on or in association with this lease. The filings discussed in this section shall be required notwithstanding the fact that this lease may have subsequently terminated, been forfeited or been released.

14. DEVELOPMENT: If the leased minerals are capable of being economically produced by the LESSEE in commercial quantities, LESSEE agrees to diligently develop the leased premises into a viable mine and to mine the leased minerals in such a manner as is consistent with good mining practice including, but not limited to, in a manner consistent with General Land Office and Railroad Commission rules and regulations. Neither bonus, rentals nor royalties paid or to be paid hereunder shall relieve the LESSEE from any of the obligations herein expressed. Such methods of mining must be used as will insure the extraction of the greatest possible amounts of the leased minerals consistent with prevailing good mining practice. Specific examples of compliance with the above include, but are not limited to:

- (a) LESSEE agrees to slope the sides of all surface pits, excavations and subsidence areas in a manner consistent with good mining practices. Such sloping is to become a normal part of the operation;
- (b) Whenever practicable, all surface pits, excavations and subsidence areas shall not be allowed to become a hazard to persons, wildlife or livestock;
- (c) LESSEE agrees to mine the leased minerals in such a manner as to leave as much level surface as is reasonable and consistent with prevailing good mining practices; All development shall be done in such a manner as to prevent the pollution of water.
- (d) In underground workings, all shafts, inclines, and drifts must be adequately supported and all parts of workings, where minerals commercially minable are not exhausted, shall be kept free from water and waste materials to the extent reasonably possible;
- (e) Underground workings are to be protected against fire, floods, creeps and squeezes. If such events do occur, they shall be checked by LESSEE to the extent and in a manner which is in keeping with good methods of mining;
- (f) If relevant, LESSEE shall take all steps a reasonably prudent operator would take to adequately protect the leased minerals from drainage by operations on other lands or this lease shall be subject to forfeiture by the COMMISSIONER; and
- (g) As governed by the duties and standards set out in Section 7 of this lease, all leased minerals produced by LESSEE from the leased premises that cannot be so marketed (herein called "waste materials") will be used to fill the pits, shafts and excavations on the leased premises and no royalty shall be due thereon at that time. No other use of these waste materials or any leased mineral is allowed unless the LESSEE obtains the COMMISSIONER's prior written consent to such other use. However, should another use of the leased minerals be permitted, royalty shall be due for these used leased minerals in accordance with Sections 7 and 8 of this lease and, should another use of the waste materials be permitted, the waste material royalty exception of this subsection shall not apply and royalty shall be due for these used waste materials in accordance with sections 7 and 8 of this lease. The LESSEE's duty regarding the leased minerals as set out in Section 7 of this lease is a continuing duty. Should changing technology or market conditions render any component of former waste materials marketable, then LESSEE shall (1) process, make marketable and market those former waste materials as set out in Section 7 of this lease and (2) pay royalty thereon in accordance with Sections 7 and 8 of this lease. The state reserves the title to all minerals contained in these waste materials both during the term of this lease, subject to LESSEE's duty set out above, and upon the expiration, surrender, or termination of this lease.

Nothing in this section shall be construed to give LESSEE the right to sell or otherwise dispose of minerals or substances other than those covered hereby.

In the event LESSEE, in the interest of economy or efficiency of mining operations or for other valid reasons, intends to conduct mining operations on or within the leased premises in conjunction with mining operations on or within any other land (whether state or privately owned), for example by commingling production, then prior thereto LESSEE must obtain the COMMISSIONER's approval of such plan of operations, which shall not unreasonably be withheld.

15. RECLAMATION: By the end of the term of this lease, LESSEE shall grade the leased premises so that the grade of the leased premises shall approximate the grade of the surrounding topography. Upon completion of the required grading, the surface shall be reseeded with a seed mixture approved by the COMMISSIONER. Should this obligation not be met by the end of the term of this lease, it shall nevertheless survive and continue beyond the term of this lease and shall be an obligation owed to the state. This obligation is owed by LESSEE in addition to any other obligation imposed upon LESSEE by this lease, including, but not limited to, the requirements of Section 6 hereof and LESSEE's plan of operations.

16. TRANSFERS (E.G. ASSIGNMENTS): After obtaining written approval by the COMMISSIONER, which shall not unreasonably be withheld, this lease may be transferred at any time. All transfers must reference the lease by the file number and must be recorded in any county in which any portion of the leased premises is located, and each such recorded transfer or a certified copy of each such recorded transfer shall be filed in the General Land Office within ninety (90) days after the execution of the transfer, as provided by Texas Natural Resources Code §52.026, accompanied by the appropriate filing fee. A transfer is not effective until these required documents are properly filed in the General Land Office. Failure to properly file these required documents in the General Land Office shall subject this lease to forfeiture. The filing fee due under this section shall be determined by the applicable statute and/or administrative rule in effect at the time the transfer is filed in the General Land Office.

Upon any assignment of this lease, in whole or in part, the assignee will succeed to all rights and be subject to all liabilities, claims, obligations, penalties, and the like, theretofore incurred by the assignor, including any liabilities to the State for unpaid royalties. However, such assignment will not have the effect of releasing the assignor from any liability, claim, obligation, penalty, or the like, theretofore accrued in favor of the State. In addition, upon any assignment of this lease, the assignee assumes, for the benefit of the State, the obligation to fulfill all provisions and covenants of this lease, both expressed and implied. Assignee, as used in this section, shall also include any successor, devisee, legal representative or heir of an assignee who acquires any right or obligation initially held by that assignee under this lease.

Upon assignment of any divided part of this lease, whether divided by acreage, zone, horizon, vein, mineral or other similar method, said assigned interest shall become segregated from the remaining portion of this lease so that from the date of such assignment or assignments, the provisions hereof shall extend and be applicable severally and separately to each segregated portion of the land covered hereby and so assigned, so that performance or lack of performance of the provisions hereof as to any segregated portion of this lease shall not benefit or prejudice any other segregated portion, to the same extent as if each segregated portion of the lands covered hereby are under separate leases. It is understood and agreed that the effect of such an assignment is to create two separate leases, both of which must comply with their lease terms in order to keep their leases in force.

In the case of ownership or assignment of any undivided interest in this lease, no covenant or condition thereof, implied or expressed, is divisible. Anything less than complete compliance with said covenants or conditions shall render this lease subject to forfeiture and/or termination as provided by the lease's provisions.

17. RELEASES: The LESSEE may release all or any portion of this lease to the State at any time. To release this lease, LESSEE must record the relevant instrument or instruments evidencing such release in each county where the leased premises are located and mail a certified copy of each such recorded release to the General Land Office, accompanied by the appropriate filing fee. Any release will not have the effect of releasing LESSEE from any liability, claim, obligation, penalty, or the like, theretofore accrued in favor of the State nor will it have the effect of reducing any amount due under this lease. A release is not effective until the required certified copies of that release are filed in the General Land Office. Failure to file the required certified copies of a release in the General Land Office shall subject this lease to forfeiture. The filing fee due under this section shall be determined by the applicable statute and/or administrative rule in effect at the time the release is filed with the General Land Office.

18. AUTHORITY OF MANAGER OR AGENT: When required by the COMMISSIONER, the authority of a manager or agent to act for LESSEE must be filed in the General Land Office.

19. FORFEITURE: If LESSEE shall fail or refuse to make payment of any sum due, or if LESSEE or LESSEE's agent should refuse the COMMISSIONER or his authorized representative access to the records or other data pertaining to the operations under this lease, or if LESSEE or LESSEE's agent should knowingly make any false return or false report concerning this lease, or if any of the material terms of this lease should be violated, then this lease and all rights hereunder shall be subject to forfeiture by the COMMISSIONER, and the COMMISSIONER may declare this forfeiture when sufficiently informed of the facts which authorize a forfeiture, and, in such event, the COMMISSIONER shall write on the wrapper containing the papers relating to this lease words declaring the forfeiture and sign it officially; and this lease, and all rights under this lease, together with all payments made under it, shall thereupon be forfeited. Notice of the forfeiture shall be mailed forthwith to the person or persons shown by the records of the General Land Office to be the owner of the forfeited lease at their last known addresses as shown by said records. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any term or condition arising hereunder.

20. REINSTATEMENT: A forfeiture may be set aside and all rights under this lease may be reinstated before the rights of another party intervene, upon satisfactory evidence to the COMMISSIONER of future compliance with the provisions of the law, this lease, and any rules adopted applicable to this lease and with any conditions placed upon the reinstatement. LESSEE shall offer the evidence required for reinstatement within 30 days after the date the notice of forfeiture was mailed and after such 30 days, LESSEE shall have no future opportunity for reinstatement.

21. FORCE MAJEURE: When, after effort is made in good faith, LESSEE is prevented from complying with any express or implied covenant of this lease or from producing and mining the named material from the leased premises by reason of storm, flood, or other acts of God, fire, war, rebellion, insurrection, riot, strikes, or as result of any valid order, rule or regulation of any court or governmental authority having jurisdiction, or litigation required to gain access to the lands described in this lease under the power of eminent domain as provided in §11.079, Texas Natural Resources Code, effective September 1, 1987 (for the period beginning with the filing of the action in a court of competent jurisdiction until a final non-appealable order is entered in such action but not including periods of pre-filing discussions or negotiations), then upon written application by LESSEE and upon written approval thereof by the COMMISSIONER, LESSEE's obligation to comply with such covenant shall be suspended while LESSEE is so prevented; and LESSEE shall not be liable for damages for failure to comply with such covenant while LESSEE is so prevented; and this lease shall be extended while and so long as LESSEE is so prevented from producing and mining the named material from the leased premises. Provided, however, that nothing in this section shall be construed to suspend the condition of paying delay rentals as set out in Section 3 hereof. As dictated by 31 Texas Administrative Code §10.3(d)(1), the term of this lease may not be extended by this Section to exceed twenty (20) years.

22. USE OF WATER: LESSEE shall have the right to use water produced during operations under this lease as is reasonably necessary for operations under this lease except water from wells or tanks of the surface owner or any surface lessee; provided, however, LESSEE shall not use potable water or water suitable for livestock or irrigation purposes for operations without the prior written consent of the COMMISSIONER.

23. DAMAGE PAYMENTS FOR PERSONAL PROPERTY, IMPROVEMENTS, LIVESTOCK AND CROPS: LESSEE shall pay damages caused by its operations to all personal property, improvements, livestock and crops on said land to the owner of said items.

24. SURFACE USE: Subject to the obligation to pay surface damages as set out in Section 33 of this lease, and to any reservation in favor of LESSOR, LESSEE shall have the right to occupy within the limits of this lease so much of the surface as may be reasonably necessary for the development of leased minerals; and shall have the right of ingress and egress over and across the area embraced herein.

25. SURFACE USE LIMITATIONS: LESSEE shall not drill or mine, erect buildings or conduct any mining operations within three hundred (300) feet of improvements without reasonably compensating the owner of said improvements.

26. REMOVAL OF EQUIPMENT AND FIXTURES: LESSEE shall not be permitted to remove any casing or wellhead from any well or bore hole during the life of this lease or after the termination, expiration, or forfeiture of this lease without the written consent of the COMMISSIONER or his authorized representative. LESSEE shall have the right to remove all equipment, machinery, tools, supplies, and installations, excluding the casing and wellhead, placed by LESSEE on the leased premises during the life of this lease and for a period of three hundred sixty-five (365) days after the termination, expiration or forfeiture of this lease, unless an extension in writing of such three hundred sixty-five (365) day period has been obtained from the COMMISSIONER or some other written agreement is reached between all parties to this lease.

27. FILING REQUIREMENTS: LESSEE shall record this executed lease in each county in which the lease premises is located. After such recordation, LESSEE shall obtain a certified copy of the recorded lease from the county clerk. LESSEE shall send such certified copies to the General Land Office within ninety days of the date of recordation.

28. PAYMENTS, NOTICES AND OTHER REQUIRED DOCUMENTS: Unless otherwise expressly provided for herein, all payments provided for in this lease shall be payable to the COMMISSIONER of the General Land Office at Austin, Texas, for the use and benefit of the State of Texas.

All notices, payments and other documents required or due hereunder shall be given to the parties at their respective addresses as follows and shall be deemed received only upon actual receipt, unless "receipt" is otherwise defined by an applicable Texas Statute or Administrative Rule:

(a) If to LESSOR, COMMISSIONER, General Land Office, State or State of Texas:

General Land Office
1700 North Congress
Austin, Texas 78701
Attn: Minerals Leasing Division

(b) If to LESSEE:

Texas Rare Earth Resources Inc.
304 Inverness Way South, Suite 365
Englewood, Colorado 80112

Tax Payer ID # _____

or addressed to any of the above parties at such other addresses as such party shall hereafter furnish to the other parties in Writing. Any notice of change of address shall not be binding on a party until the expiration of 30 days after the receipt of such notification by that party. Such notification must be in writing, delivered or mailed by registered or certified mail.

29. APPLICABLE LAW: The law of the United States and the State of Texas shall apply to and govern this lease in any and all matters whatsoever. For the purposes of this lease, such law shall include, but shall not be limited to, Texas Water Code §61.117 and all current and future General Land Office and/or School Land Board administrative rules governing State minerals other than oil and gas that are not in direct conflict with the provisions contained in this lease. In addition, mining operations in submerged areas are further subject to the applicable laws of the United States regarding mining in such submerged areas.

30. BINDING EFFECT: This lease and the provisions hereof shall be binding upon and inure to the benefit of State and LESSEE and their respective heirs, devisees, legal representatives, successors and assigns.

31. IMPLIED COVENANTS: Neither payment of bonus, rental, royalties nor compliance with any other covenant or condition of this lease shall relieve the LESSEE from any obligation expressed in this lease or implied by law unless this lease expressly so relieves the LESSEE.

32. REMEDIES: The remedies provided for in this lease are not exclusive and in no way shall limit any other lawful claim or remedy available to the State under law.

33. PAYMENT OF DAMAGES FOR USE OF SURFACE: Upon the issuance of this lease, LESSEE shall pay, in the manner prescribed in Section 27 of this lease, surface damages to the LESSOR in the amount of Dollars (\$) QJ for the use of the surface of the leased premises in prospecting for, exploring, developing, or producing the leased minerals during the first year of this lease. On or before one (1) year after the date of this lease, if this lease is still held in effect on that anniversary date, LESSEE shall pay, in a like manner, surface damages to LESSOR in a like amount for like use of the surface of the leased premises during the second year of this lease. On or before two (2) years after the date of this lease (ie. on the 20 NA anniversary date), if this lease is still held in effect on that anniversary date, LESSEE shall pay, in a like manner, surface damages to LESSOR in a like amount for like use of the surface of the leased premises during the third year of this lease. In no event shall any payments for damages for use of the surface be paid to any party other than LESSOR, nor production royalty or any other benefit reserved to LESSOR in this lease.

34. SEVERABILITY: If any section of this lease or its application to any person or circumstance shall be held to be invalid by a court of competent jurisdiction, such invalidity shall not affect any other section of this lease, or any application thereof, that can be given effect without the invalid section or application. To this end, the sections of this lease, or any portion thereof, are declared to be severable.

35. LEASE SECURITY: LESSEE shall take the degree of care and all proper safeguards a reasonably prudent operator would take to protect the leased premises and to prevent theft of all materials and/or minerals produced from the leased premises. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points at the lease's production, gathering and storage systems where theft of said materials and/or minerals can occur. LESSEE shall be liable for the loss of any of said materials and/or minerals resulting from theft and shall pay the State royalties thereon as provided in this lease on all leased minerals lost by reason of theft.

36. ANTIQUITIES CODE: In the event that any foundation, site, item, or the feature of archaeological, scientific, or historic interest is encountered during the activities authorized by this lease, LESSEE will immediately cease such activities and will immediately notify the LESSOR and the Texas Antiquities Committee so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. In this regard, LESSEE is expressly placed on notice of the National Historical Preservation Act of 1966, (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Natural Resources Code.

37. INDEMNIFICATION: Lessee hereby releases and discharges the State of Texas, its officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas, its officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and its officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND/OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE. NOTWITHSTANDING THE FOREGOING, THE LESSEE SHALL NOT BE LIABLE TO INDEMNIFY WITH REGARD TO ANY CLAIM OR MATTER ARISING THROUGH THE GROSS NEGLIGENCE OF THE LESSOR OR ANY AGENT, REPRESENTATIVE OR SERVANT OF THE LESSOR.

38. EXECUTION: This hard mineral lease must be signed and acknowledged by the LESSEE before it is filed of record in the county records and in the General Land Office of the State of Texas.

/s/ Daniel E. Gorski for Texas Rare Earth Resources
LESSEE

BY: Daniel E. Gorski

TITLE: Chief Operating Officer

DATE: 2 December 2011

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office, under the seal of the General Land Office.

/s/ Jerry E. Patterson
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE
STATE OF TEXAS

APPROVED

Minerals	
Legal	
Dep. Com.	
Chief Clerk	

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HUDSPETH

BEFORE ME, the undersigned authority, on this day personally appeared Daniel E. Gorski known to me to be the person whose name is subscribed to the foregoing instrument, as he and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 2nd day of December, 2011.

/s/ L. Kay Scarbrough

Notary Public, in and for Hudspeth County, Texas

My commission expires: May 7, 2014

State of Texas §
County of Hudspeth §

**Affidavit of Waiver
of Agency Rights**

Know all men by these presents, that whereas, the undersigned

Texas Rare Earth Resources of 304 Inverness Way S., Englewood, CO 80112
(Mailing Address)

is the owner of the entire surface estate of the tract of mineral classified land described in Exhibit "A" attached hereto, (said tract hereinafter referred to as "the land"); and

Whereas, pursuant to Tex. Nat. Res. Code Ann. § 53.061 et seq. (Vernon 1982, Supp. 1996), the undersigned is designated as the state's agent for the leasing of the land for the exploration and production of minerals other than oil and gas; and

Whereas, the undersigned desires to waive the right and duty to act as the state's agent for the leasing of the land for the exploration and production of minerals other than oil and gas, such waiver being subject to the following conditions:

1. This waiver must be filed for record in each county where any portion of the land is situated. A certified copy of each recorded waiver must be filed in the General Land Office.

2. The undersigned, having waived the right and duty to act as agent for the state, and any assignee, heir or anyone else succeeding to all or part of the undersigned's surface estate interest in the land, are not the state's agents and are not entitled to receive any part of the bonus, rental, royalty and other consideration which would ordinarily accrue to the owner of the soil under Subchapter C of Chapter 53 of the Texas Natural Resources Code as long as a lease issued under the provisions of Section 53.081, of the Natural Resources Code is in effect.

3. Upon the expiration, termination or forfeiture of a lease issued pursuant to the provisions of Section 53.081 of the Natural Resources Code, the agency rights and duties of the undersigned as owner of the soil are reinstated without the necessity for further action by the owner of the soil, the board or the commissioner.

Now, therefore, I the undersigned do hereby waive my right and duty to act as agent for the state in the leasing of the land for the exploration and production of minerals other than oil and gas, and my right to receive any part of the bonus, rental, royalty and other consideration which would ordinarily accrue to the owner of the soil under Subchapter C of Chapter 53 of the Natural Resources Code, and do hereby acknowledge that this waiver is governed by and subject to the conditions contained herein, as well as any applicable statute, administrative rule, or law of this state and all amendments thereto.

In witness whereof, I have set my hand this the 2nd day of December, 2011.

/s/ Daniel E. Gorski

SWORN TO AND ACKNOWLEDGED BEFORE ME this 2nd day of December, 2011, by

/s/ L. Kay Scarbrough
NOTARY PUBLIC, STATE OF TEXAS

[Texas Mineral Resources Corp. 10-K](#)

Exhibit 10.4

Purchase Option Arrangement dated September 2014 with the State of Texas



September 29, 2014

Texas Rare Earth Resources Corp
c/o Dan Gorski
PO Box 539
539 W El Paso Street
Sierra Blanca, TX 79851

Texas Rare Earth Resources Corp.
c/o Laura Lynch
1211 St. Vrain
No. 27
El Paso, TX 79902

RE: Executed Option Agreement and Groundwater Lease.

Dear Mr. Gorski:

The Texas General Land Office (GLO) Option Agreement and Groundwater Lease with Texas Rare Earth Resources Corp. have been fully executed. Enclosed is an original copy of the executed documents for your records. An identical set of originals have been retained for the GLO archives.

Exhibit B of the Option Agreement is the Memorandum of Option. The Memorandum should be recorded by Texas Rare Earth Resources Corp. in the Hudspeth County records no later than 60 days following the receipt of this letter, with receipt of recording provided to the GLO for its archives.

Similarly, the Groundwater Lease must be recorded in the Hudspeth County records no later 60 days following the receipt of this letter, with a receipt of recording provided to the GLO.

Should you have any questions, please feel free to contact Bill Farr by phone at 512-475-1502, or by email at bill.farr@glo.texas.gov.

Sincerely,

/s/ Michael Lemonds

Michael Lemonds

Director, Asset Management & Commercial Leasing

Texas General Land Office

Enclosures: Option Agreement
 Groundwater Lease

Texas General Land Office
Stephen F. Austin Building • 1700 North Congress Avenue, Texas 78701-1495
Post Office Box 12873 • Austin, Texas 78711-2873
Phone: 512-463-5001 • 800-998-4GLO
www.glo.state.tx.us



PURCHASE OPTION AGREEMENT

This Purchase Option Agreement (“**Agreement**”) is made and entered into by and between the **STATE OF TEXAS, ACTING BY AND THROUGH THE COMMISSIONER OF THE GENERAL LAND OFFICE AND CHAIRMAN OF THE SCHOOL LAND BOARD, ON BEHALF OF THE PERMANENT SCHOOL FUND (“Seller”)** and **TEXAS RARE EARTH RESOURCES CORP.**, a Delaware corporation (“**Buyer**”), to be effective on the day this Agreement has been executed by both Seller and Buyer (the “**Effective Date**”).

RECITALS:

A. Seller is the fee simple owner of certain property described on Exhibit A attached here to and made a part hereof for all purposes, located in Hudspeth County, Texas (the “**Option Property**”).

B. Seller has agreed to grant, and Buyer has agreed to procure, an option to purchase the Option Property upon the terms and provisions as hereinafter set forth ;

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties, and agreements contained herein. and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Seller and Buyer covenant and agree as follows:

1. Grant of Option. Subject to the terms and provisions of this Agree ment, Seller does hereby grant to Buyer the exclusive right and option during the Option Term (defined in Section 3) to purchase the Option Property upon the terms and conditions as set forth herein (the “**Option**”). Seller acknowledges that as Buyer develops detailed plans for its mining project, it may wish to make some adjustments to the boundary of the Option Property, and Seller agrees to reasonably cooperate with Buyer in making such adjustments

2. Consideration.

a. As consideration for the Option. Buyer shall pay to Seller the amount of TEN THOUSAND AND NO./100 DOLLARS (\$10,000 .00) within five (5) Business Days (define d in Sec ti o n 18. k) a fter the Effective Date and on each annual anniversary of the Effective Date during the Option Term (the “**Op tion Fee**”). The Option Fee shall not be credited towards the Purchase Price (defined in Section 7), and shall be nonrefundable, except as provided in Section 15 of this Agreement. If Buyer fail s to timely make a payment of the Option Fee, this Agreement shall terminate and neither party hereto shall have any other liability, obligation or duty pursuant to this Agreement.

b. As further consideration for this Opt ion, Grantee agrees to use the Property (defined in Section 5) solely in connection with its operation of a mine of rare earth minerals and/or other minerals covered under Mining Lease M-1 13117 , filed for record on October 6, 20 11, and recorded as Instrument # I 3 48 36, of the Records of Hudspeth County, Texas (the “Mining Lease M-113117”), including without limitation, prospecting, exploring, developing, mining (by drilling, boring, open pit, underground mining, strip mining, solution mining, or any other method permitting in the Mining Lease M-113117), extracting, milling, removing, processing, converting, and marketing the minerals identified in Mining Lea se M-113117, treatment, storage, and disposal of wastes generated by operations, and construction of improvements associated with these activities. If the Mining Lease expires or is terminated, the title to any portion of the Property that was not used in connection with the mining operations under Mining Lease M-113117, Mining Lease M-11 3629, filed for record on December 2, 2011, and recorded as Instrument # I 35079 (“Mining Lease **M- I I 3629**”), or any other mining lease between Seller and Buyer, shall, at the sole option of the Seller, revert to the Seller, and the conveyance of the Property shall be of no further force or effect. Reversion of the surface estate to the Seller shall not alleviate Buyer’s obligations under its Plan of Operations or its mining leases.

3. Option Term. The **“Option Term”** shall mean that period of time commencing on the Effective Date and ending on the date Mining Lease M-113117, filed for record on October 6, 2011, and recorded as Instrument #134836, of the Records of Hudspeth County, Texas, expires or terminates.

4. Memorandum of Option. Contemporaneously with the execution of this Agreement, Seller and Buyer agree to execute and deliver the Memorandum of Option in the form of Exhibit B attached hereto and made a part hereof for all purposes, which may be recorded in the real property records of Hudspeth County, Texas. Buyer agrees to execute a release of the Memorandum of Option, to the extent that Buyer’s Option has expired or terminated, promptly upon request from Seller.

5. Exercise of Option. Buyer may exercise the Option at any time during the Option Term by giving to Seller written Notice (defined in Section 15.e) of its intent to exercise the Option on all or a portion of the Option Property to be defined by Buyer in the Notice (the **“Property”**). Buyer agrees to define the Property in such a manner that it will not “land-lock” any tracts retained by Seller. The date on which Buyer gives Notice of its intent to exercise the Option shall be the **“Option Exercise Date.”** In the event the Buyer does not exercise the Option during the Option Term, Seller shall be entitled to retain the Option Fee, and this Agreement shall terminate and neither party hereto shall have any other liability, obligation or duty pursuant to this Agreement. The Option shall terminate on the Option Exercise Date for all purposes on all Option Property not included in the Property defined in Buyer’s Notice of exercise of the Option.

6. Agreement of Purchase and Sale. Effective as of the Option Exercise Date, Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Property in accordance with the terms and conditions of this Agreement. Seller reserves all interests in and right to remove all oil, gas, groundwater, sulphur and other minerals, including rare earth minerals, together with all attendant mineral rights, water rights, royalty interests, and development rights, together with any and all rights of leasing, exploration and development, and the unrestricted right to access and use of the surface in connection with all interests retained by the Seller. Further, Buyer shall have no right to surface damages for exploration, mining, crushing, milling, treating, processing, stockpiling, waste disposal, or any other activity required to exploit the mineral or water resources retained by the Seller.

BUYER AGREES AND ACKNOWLEDGES THAT SELLER IS SELLING THE PROPERTY STRICTLY ON AN “AS IS, WHERE IS” BASIS, WITHOUT WARRANTY, EXPRESS OR IMPLIED, WITH ANY AND ALL LATENT AND PATE T DEFECTS. BUYER HAS INSPECTED THE PHYSICAL CONDITION OF THE PROPERTY, INCLUDING ALL IMPROVEMENTS THEREON, AND ACCEPTS TITLE TO THE SAME “AS IS” IN ITS EXISTING PHYSICAL CONDITION. BY EXECUTION OF THIS AGREEMENT BUYER ACKNOWLEDGES THAT IT IS NOT RELYING UPON ANY REPRESENTATION, WARRANTY, STATEME T OR OTHER ASSERTION OF THE STATE OF TEXAS, AS SELLER, INCLUDI G THE GE ERAL LAND OFFICE, THE SCHOOL LA D BOARD, OR ANY OFFICIAL, AGENT, REPRESE TATIVE OR EMPLOYEE OF THE FOREGOING, WITH RESPECT TO THE PROPERTY’S CO DITION. BUYER IS RELYING SOLELY AND WHOLLY ON BUYER’S OWN EXAMINATION OF THE PROPERTY. THE STATE OF TEXAS A D ITS AGENCIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES A D SPECIFICALLY MAKE NO WARRANTIES OF HABITABILITY, MERCHANT ABILITY, SUITABILITY, FIT ESS FOR ANY PURPOSE, OR ANY OTHER WARRANTY WHATSOEVER. BUYER IS PUT ON NOTICE THAT ANY PRIOR GRANT AND/OR ENCUMBRANCE MAY BE OF RECORD AND BUYER IS ADVISED TO EXAMINE ALL PUBLIC RECORDS AVAILABLE REGARDING THE PROPERTY. THE PROVISIONS OF THIS SECTION, DISCLAIMI NG A Y AND ALL WARRANTY ES OF ANY KIND, SHALL SURVIVE THE CLOSING OF THE SALE OF THE PROPERTY.

FURTHER, BUYER ACKNOWLEDGES THAT AN INSPECTION OF THE PROPERTY HAS BEEN OR WILL BE PERFORMED BY BUYER OR IN ITS BEHALF. BUYER ACK OWLEDGES THAT SELLER HAS MADE THE PROPERTY AVAILABLE FOR INSPECTION BY BUYER AND BUYER’S REPRESENTATIVES IN ITS BEHALF.

NO EMPLOYEE OR AGENT OF SELLER IS AUTHORIZED TO MAKE ANY REPRESENTATION OR WARRANTY, AS TO THE QUALITY OR CONDITION OF THE PROPERTY, MERCHANTABILITY, SUITABILITY OR FITNESS OF THE PROPERTY FOR ANY USE WHATSOEVER, KNOWN OR UNKNOWN TO SELLER, OR COMPLIANCE WITH ANY ENVIRONMENTAL PROTECTION, POLLUTION OR LAND USE LAWS, RULES, REGULATIONS, ORDERS, OR REQUIREMENTS INCLUDING, BUT NOT LIMITED TO, THOSE PERTAINING TO THE HANDLING, GENERATING, TREATING, STORING, OR DISPOSING OF ANY HAZARDOUS WASTE OR SUBSTANCE. IN NO EVENT SHALL SELLER BE RESPONSIBLE OR LIABLE FOR LATENT OR PATENT DEFECTS OR FAULTS, IF ANY, IN THE PROPERTY, OR FOR REMEDYING OR REPAIRING THE SAME INCLUDING, WITHOUT LIMITATION, DEFECTS RELATED TO ASBESTOS OR ASBESTOS CONTAINING MATERIALS, LEAD, LEAD-BASED PAINT, UNDERGROUND STORAGE TANKS OR HAZARDOUS OR TOXIC MATERIALS, CHEMICALS OR WASTE, OR FOR CONSTRUCTING OR REPAIRING ANY STREETS, UTILITIES OR OTHER IMPROVEMENTS SHOWN ON ANY PLAT OF THE PROPERTY.

EFFECTIVE AS OF THE CLOSING DATE (DEFINED IN SECTION 14.A. OF THIS AGREEMENT), BUYER ACKNOWLEDGES THAT BUYER HAS FULLY INSPECTED THE PROPERTY, IS FULLY SATISFIED WITH THE PROPERTY IN ALL RESPECTS "AS IS, WHERE IS, WITH ANY AND ALL FAULTS", IS NOT RELYING ON ANY REPRESENTATION OR WARRANTY OF SELLER IN PURCHASING THE PROPERTY FROM SELLER, AND ACCEPTS ANY LIABILITIES OR COSTS ARISING IN CONNECTION WITH THE CONDITION OF THE PROPERTY, INCLUDING BUT NOT LIMITED TO ANY COSTS OR LIABILITIES PERTAINING TO ANY ENVIRONMENTAL CONDITION ON THE PROPERTY. THE RESERVATIONS AND LIMITATIONS CONTAINED IN THIS SECTION SHALL SURVIVE THE CLOSING OF THIS TRANSACTION AND SHALL BE INCLUDED IN THE DEED FROM SELLER TO BUYER.

7. Purchase Price. The "Purchase Price" to be paid by Buyer to Seller for the Property shall be the market value as determined and approved, at Seller's expense, by the Texas General Land Office's Chief Appraiser. Seller shall endeavor to have the appraisal of the Property completed and approved within sixty (60) days of the Option Exercise Date. The date on which Seller gives Buyer written Notice of the appraised market value of the Property shall be the "Appraisal Date." Prior to the twentieth (20th) day after the Appraisal Date, Buyer may at Buyer's sole option, give Notice to Seller and the Title Company that Buyer has terminated this Agreement, and thereafter Seller and Buyer shall have no further obligations or liabilities to each other under this Agreement.

8. Title Commitment. At any time prior to the Closing Deadline, Buyer may, at Seller's sole cost and expense, obtain a current title commitment (the "Title Commitment") for issuance of an owner's policy of title insurance, issued by title company to be agreed upon by Buyer and Seller (the "Title Company"), setting forth the status of title of the Property and all exceptions, including rights-of-way, easements, restrictions, covenants, reservations, and other conditions, if any, affecting the Property which would appear in an owner's title insurance policy conforming with Form TLTA-T-1 ("Owner's Policy of Title Insurance"), if issued, together with complete and legible copies of all instruments referred to in the Title Commitment affecting title to the Property. Seller shall have no obligation to cure or pay the cost of curing any Schedule B or C exceptions in the Title Commitment. Buyer may seek to cure any Schedule B or C exceptions in the Title Commitment at Buyer's cost and expense. Any action initiated by Buyer to cure any exceptions shall not be a basis for failing to close this transaction timely.

9. Tax Certificates. At any time prior to the Closing Deadline, Buyer may obtain through either the Hudspeth Central Appraisal District or the Title Company copies of tax certificates for the Option Property, evidencing whether all ad valorem taxes due and payable for periods prior to the calendar year in which the Closing occurs have been paid in full.

10. Survey. Buyer may, at its option and expense, at any time prior to the Closing Date, have furnished to Seller and the Title Company, a survey of the Property or any portion thereof (the "Survey").

11. Representations and Warranties of Seller. Seller represents and warrants to Buyer that the execution and delivery by the Seller of this Agreement has been authorized by all necessary action on behalf of the Seller, and this Agreement has been duly executed and delivered by the Seller and is a legal, valid and binding agreement of the Seller enforceable against the Seller in accordance with its terms. subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity) and principles of sovereign immunity.

12. Seller's Covenants.

a. Limitation on Conveyances. Seller shall not convey or lease any interest in the Option Property that may be inconsistent with Buyer's proposed mining activities for the Option Property, without obtaining Buyer's prior written consent, which shall not be unreasonably withheld.

b. Special Assessments. Seller will notify Buyer promptly in writing of the levy (or threatened levy) of any special governmental assessment or similar occurrence and will pay any such assessment levied prior to the Closing.

c. Litigation. Seller will advise Buyer promptly of any litigation or arbitration proceeding or any administrative hearing (including condemnation) before any governmental agency which concerns or affects the Option Property in any manner and which is instituted after the Effective Date.

d. Cooperation. Seller will assist and cooperate with Buyer prior to Closing (i) in obtaining all necessary permits and licenses to operate the Property for its planned use, and (ii) with any evaluation, inspection, audit or study of the Property prepared by, for or at the request of Buyer.

13. Conditions Precedent To Buyer's Performance. Buyer's obligations to close the purchase and sale of the Property under this Agreement are conditioned upon

a. The representations and warranties set out in Section 11 being true and correct in all material respects on the Closing Date;

b. Seller's compliance with the Seller's covenants set out in Section 12.

c. Buyer shall have the right to waive the satisfaction of such conditions or to terminate the Agreement for failure of such condition by Notice in writing to Seller.

14. Closing.

a. Date and Place of the Closing. The closing of the purchase and sale contemplated by this Agreement (the "**Closing**") shall take place on or before 5:00 p.m. Dallas, Texas time, on or before the thirtieth (30th) day after the Appraisal Date (the "**Closing Deadline**"), at a time mutually agreed to by Seller and Buyer in the offices of the Title Company or at such other location as the parties may mutually agree in writing. The date on which the Closing occurs is the "**Closing Date.**"

b. Items to be Delivered at Closing.

i. By Seller. At or prior to the Closing, Seller shall deliver to the Title Company, at Seller's sole cost and expense, each of the following items:

1. An Owner's Policy of Title Insurance (without endorsements, deletions or modifications unless paid for by Buyer) on the standard TLTA-T-1 form, issued by the Title Company in the amount of the Purchase Price and dated at or after Closing, insuring Buyer's fee simple title to the Property to be good and indefeasible.

2. A Deed Without Warranty, in the form of Exhibit C attached hereto and made a part hereof for all purposes, duly executed and acknowledged by Seller, and in form for recording, conveying good and indefeasible title to the Property to Buyer (the “**Deed**”). The Deed shall be recorded upon Closing in the real property records of Hudspeth County, Texas.

3. All additional documents and instruments as may reasonably be requested by the Title Company or Buyer to carry out the terms and obligations of this Agreement.

4. All additional documents and instruments which Buyer’s counsel and Seller’s counsel may mutually and reasonably determine are necessary to the proper consummation of this transaction.

ii. By Buyer. At or prior to the Closing, Buyer shall deliver to the Title Company, at Buyer’s sole cost and expense, each of the following items:

1. The Purchase Price for the Property in immediately available funds.

2. The Statutory Sales Fee in an amount equal to one and one-half percent (1.5%) of the Purchase Price as required by Texas Natural Resource Code § 32.110, in immediately available funds.

3. All additional documents and instruments as may reasonably be requested by the Title Company or Seller to carry out the terms and obligations of this Agreement.

4. All additional documents and instruments which Buyer’s counsel and Seller’s counsel may mutually and reasonably determine are necessary to the proper consummation of this transaction.

c. Adjustments at the Closing. Notwithstanding anything to the contrary contained herein, the provisions of this Section 14.c shall survive the Closing. The following items shall be adjusted or prorated between Seller and Buyer at the Closing:

i. Seller shall pay: ½ of reasonable escrow fees, recording fee, tax certification fees, and other closing costs associated with the closing of the transaction; the premium for the standard Owner’s Policy of Title Insurance; and any other expenses stipulated to be paid by Seller at Closing under other provisions of this Agreement. Buyer shall pay: ½ of reasonable escrow fees, recording fees, tax certification fees; the premium for any endorsements, deletions or modifications to the Owner’s Policy of Title Insurance; and other closing costs associated with the closing of the transaction, and other expenses stipulated to be paid by Buyer at Closing under other provisions of this Agreement.

ii. Seller is exempt from real estate taxes and assessments. Buyer shall be solely responsible for the payment of taxes and assessments, as of the Closing, and any roll-back or other taxes that may be assessed after Closing. At Closing, Buyer shall refund to Seller any ad valorem taxes pre-paid to any taxing authority by Seller or on Seller’s behalf, on a pro rata basis for the period prior to and including the Closing Date.

iii. All other assessments relating to the Property shall be paid by Buyer unless such assessments are due and payable prior to the Closing Date, in which case such other assessments shall be prorated between Seller and Buyer as of the Closing Date based on each party’s respective period of ownership of the Property during the period relating to such assessment.

iv. Except as otherwise provided herein, all costs and expenses in connection with the transaction contemplated by this Agreement shall be borne by Seller and Buyer in the manner in which such costs and expenses are customarily allocated between the parties at closing of real property similar to the Property in the area in which the Property is located. Each party will be responsible for its own legal fees.

d. Possession and Closing. Full possession of the Property shall be delivered to Buyer by Seller at the Closing.

15. Defaults and Remedies. Except as otherwise provided in this Agreement or by law, Seller's sole and exclusive remedy if Buyer fails to close under this Contract is to terminate this Agreement and to retain the Option Fee as liquidated damages. The parties acknowledge that Seller's actual damages for Buyer's failure to close will be difficult, if not impossible, to ascertain and that the liquidated damages represent the parties' best estimate of the damages Seller will suffer. Buyer's sole and exclusive remedy for Seller's failure to close is to terminate this Agreement and receive a refund of the preceding year's Option Fee (\$10,000). Seller and Buyer have all legal and equitable remedies if Buyer or Seller defaults in the performance of any of their obligations that survive Closing.

16. Condemnation. If any part of the Property is condemned prior to Closing, Seller shall promptly give Buyer written notice of such condemnation. Buyer may either apply the proceeds of any condemnation award on a pro rata basis to reduce the Purchase Price or declare this Agreement terminated by delivering written notice of termination to Seller

17. Brokerage Commissions. Seller and Buyer each represent and warrant to the other, that they know of no brokers or other persons or entities who have been directly involved in submitting or showing the Property to, or procuring Buyer.

18. Miscellaneous.

a. References. All references to Article, Articles, Section, or Sections contained herein are, unless specifically indicated otherwise, refer to Articles and Sections of this Agreement.

b. Exhibits. All references to Exhibits contained herein are references to exhibits attached hereto, all of which are made a part hereof for all purposes.

c. Captions. The captions, headings, and arrangements used in this Agreement are for convenience only and do not in any way affect, limit, amplify, or modify the terms and provisions hereof.

d. Number and Gender of Words. Whenever the singular number is used, the same shall include the plural where appropriate, and words of any gender shall include each other gender where appropriate.

e. Notices. Any notice, consent, approval, request, demand, or payment required or permitted to be given or made between the parties to this Agreement (collectively called "**Notices**") must be in writing to be effective. Any Notice that is addressed to the party for whom it is intended at its address specified for the receipt of Notices (which is currently the address set forth below) will be deemed to have been given or made on the second Business Day after the date it is deposited in the United States mail, postage prepaid, certified, return receipt requested. Any party may change its address for the receipt of Notices by Notice in accordance with this Section. Notices given other than by deposit in the United States mail, postage prepaid, certified, return receipt requested, such as by facsimile, email, or by overnight delivery, will be effective upon receipt; provided, that if delivery is via facsimile or email, and such facsimile or email is received after 5:00 p.m. local time at the location of such receipt, such facsimile or email shall be deemed delivered on the day after such receipt. The current addresses of the parties for Notices are as follows:

If to Buyer:	Texas Rare Earth Resources Corp. P.O. Box 539 539 West El Paso Street Sierra Blanca, TX 79851 Attention: Dan Gorski Telephone: (361) 790-5831 bluemtn@sbcglobal.net
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With a copy to: Texas Rare Earth Resources Corp.
1211 St. Vrain
No. 27
El Paso, Texas 79902
Attention: Laura Lynch

And: Guida, Slavich & Flores, P.C.
750 N. St. Paul Street, Suite 200
Dallas, Texas 75201
Attention: Sally A. Longroy
Telephone: (214) 692-5409
Fax: (214) 692-6610
Email: longroy@gsfpc.com

If to Seller: Texas General Land Office
1700 N. Congress Avenue, Room 720
Austin, Texas 78701
Attn: Energy Resources Division
Telephone: (512) 305-9104
Fax: (512) 475-1543
Email: louis.renaud@glo.texas.gov

And: Texas General Land Office
Legal Services Division
1700 N. Congress Avenue, Room 910
Austin, TX 78701
Attn: Jeff Gordon
Phone: (512) 463-7205
Fax: (512) 463-6311
Email: jeff.gordon@glo.texas.gov

f. **Governing Law.** This Agreement is being executed and delivered, and is intended to be performed, in the State of Texas, and the laws of such State shall govern the validity, construction, enforcement, and interpretation of this Agreement, unless otherwise specified herein.

g. **Multiple Counterparts.** This Agreement may be executed in any number of identical counterparts. If so executed, each of such counterparts is to be deemed an original for all purposes, and all such counterparts shall, collectively, constitute one agreement, but, in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

h. **Parties Bound.** This Agreement shall be binding upon, and inure to the benefit of, Seller and Buyer, and their respective heirs, personal representatives, successors, and assigns.

i. **Further Acts.** In addition to the acts and deeds recited herein and contemplated to be performed, executed, and/or delivered by Seller and Buyer, Seller and Buyer agree to perform, execute, and/or deliver or cause to be performed, executed, and/or delivered at the Closing or after the Closing any and all such further acts, deeds, and assurances as may be necessary to consummate the transactions contemplated hereby.

j. **Time of the Essence.** It is expressly agreed by the parties hereto that time is of the essence with respect to this Agreement.

k. **Dates.** Each date upon which an event is to occur or a period of time is to expire in accordance with the terms of this Agreement will automatically be postponed and extended to the next Business Day if it falls on a Non-Business Day, and any time periods that are defined terms in this Agreement will be automatically extended, and their definitions will include such extensions, in accordance with this Section. A **“Business Day”** is a day upon which national banks in Dallas, Texas, are open for banking business, and a **“Non-Business Day”** is a day upon which national banks in Dallas, Texas, are not open for banking business.

l. Entire Agreement. Amendment. This Agreement, together with all exhibits hereto and documents referred to herein, if any, constitutes the entire arrangements and understandings among the parties hereto. This Agreement may not be amended, modified, changed or supplemented, nor may any obligations hereunder be waived except by a writing signed by the party to be charged or by its agent duly authorized in writing or as otherwise permitted herein.

m. Severability. Whenever possible, each provision of this Agreement and every related document shall be interpreted in such manner as to be valid under applicable law; but, if any provision of any of the foregoing shall be invalid or prohibited under said applicable law, such provisions shall be ineffective to the extent of such in validity or prohibition without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

n. Waiver. No claim of waiver, consent, or acquiescence with respect to any provision of this Agreement shall be made against any party hereto except on the basis of a written instrument executed by or on behalf of such party. However, the party for whose unilateral benefit a condition is herein inserted shall have the right to waive such condition.

o. Sovereign Immunity. Nothing in this Agreement waives Seller's sovereign immunity.

p. Assignment. Buyer shall not assign this Agreement to any other person or entity without the prior written consent of the Seller, which shall not be unreasonably withheld.

q. Disclaimer of Third Party Benefit. This Agreement is not intended to give or confer any benefits, rights, privileges, claims, actions or remedies to any person or entity as a third party beneficiary, decree, or otherwise.

r. Unavoidable Delays. Whenever a period of time is specified in this Agreement for the performance of an action by Buyer or Seller (other than the payment of money or delivery of legal documentation in connection with a Closing, which shall not be subject to extension hereunder), the period of time shall be extended due to acts of God, unavailability of essential materials, inclement weather, acts of governmental authorities, and other causes preventing development progress reasonably beyond the party's control.

s. List of Exhibits. The following is a list of exhibits for convenience only:

Exhibit A	Option Property
Exhibit B	Memorandum of Option
Exhibit C	Deed Without Warranty

[REST OF PAGE IS INTENTIONALLY LEFT BLANK]

EXECUTED by Seller and Buyer on the dates set forth below:

SELLER:

THE STATE OF TEXAS

By: /s/ Jerry E. Patterson
JERRY E. PATTERSON, Commissioner of the General Land
Office and Chairman of the School land Board on behalf of the
Permanent School Fund

Date: 9/18/2014

Approved:

Contents:

Legal:

Gen Counsel:

Deputy:

Executive:

BUYER:

TEXAS RARE EARTH RESOURCES CORP.
a Delaware corporation

By: /s/ Dan Gorski
Dan Gorski, President

Date: 8 September 2014

[Texas Mineral Resources Corp. 10-K](#)

Exhibit 10.5

The State of Texas



Austin, Texas

GROUNDWATER LEASE

STATE OF TEXAS §
 §
COUNTY OF HUDSPETH §

KNOW ALL MEN BY THESE PRESENTS:

This Groundwater Lease (the "Lease") is granted by virtue of the authority granted in Chapter 51, TEX. NAT. RES. CODE ANN. 31 TEX. ADMIN. CODE Chapter 13 (Land Resources), et seq., and all other applicable statutes and rules, as the same may be amended from time to time, and is subject to all applicable regulations promulgated from time to time.

ARTICLE I. PARTIES

1.01. For and in consideration of the amounts stated below and the mutual covenants and agreements set forth herein, the STATE OF TEXAS, acting by and through the Commissioner of the Texas General Land Office, on behalf of the Permanent School Fund of the State of Texas (the "Lessor"), and Texas Rare Earth Resources Corp. (the "Lessee") whose address is 539 West El Paso Street, Sierra Blanca, TX 79851, the right to use certain Permanent School Fund land (the "Premises") for the purposes identified in Article V below.

ARTICLE II. PREMISES

2.01. The Premises is described or depicted on the exhibits attached hereto and collectively incorporated by reference for all purposes.

<u>Section</u>	<u>Block</u>	<u>Survey</u>	<u>File No.</u>	<u>Acres</u>	<u>County</u>
----------------	--------------	---------------	-----------------	--------------	---------------

37, 38, 47, 48	71	PSL	155401	2,560	Hudspeth
1, 2	71	PSL	155401	1,280	Hudspeth
S/2 of 5, 6, 7	48	PSL	155401	1,600	Hudspeth
10, 11, 12	48	PSL	155401	2,560	Hudspeth
13, 14, 15	48	PSL	155401	2,560	Hudspeth
18, 19, 20	48	PSL	155401	2,560	Hudspeth

2.02. LESSEE HAS INSPECTED THE PHYSICAL AND TOPOGRAPHIC CONDITION OF THE PREMISES AND ACCEPTS SAME "AS IS" IN ITS EXISTING PHYSICAL AND TOPOGRAPHIC CONDITION. LESSEE IS NOT RELYING ON ANY REPRESENTATION OR WARRANTY OF THE LESSOR REGARDING ANY ASPECT OF THE PREMISES, BUT IS RELYING ON LESSEE'S OWN INSPECTION OF THE PREMISES. LESSOR DISCLAIMS ANY AND ALL WARRANTIES OF HABITABILITY, MERCHANTABILITY, SUITABILITY, FITNESS FOR ANY PURPOSE, AND ANY OTHER WARRANTY WHATSOEVER NOT EXPRESSLY SET FORTH IN THIS LEASE. LESSOR FURTHER DISCLAIMS AND MAKES NO REPRESENTATIONS TO LESSEE ABOUT THE QUANTITY OR QUALITY OF GROUNDWATER THAT MIGHT BE OBTAINED FROM THE PREMISES. LESSEE WILL MAKE ITS OWN DETERMINATION OF THE USABILITY OF THE GROUNDWATER AND ITS FITNESS FOR CONSUMPTION. LESSOR AND LESSEE HEREBY AGREE AND ACKNOWLEDGE THAT THE USE OF THE TERMS "GRANT" AND/OR "CONVEY" IN NO WAY IMPLIES THAT THIS LEASE OR THE PREMISES ARE FREE OF LIENS, ENCUMBRANCES AND/OR PRIOR RIGHTS. LESSEE IS HEREBY PUT ON NOTICE THAT ANY PRIOR GRANT AND/OR ENCUMBRANCES MAY BE OF RECORD AND LESSEE IS ADVISED TO EXAMINE ALL RECORDS OF THE STATE AND COUNTY IN WHICH THE PREMISES IS LOCATED. THE TERMS OF THIS SECTION SHALL SURVIVE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE.

ARTICLE III. GRANTING CLAUSE

3.01. Lessor hereby grants, leases and lets to Lessee this Lease, for the sole and only purpose of exploring, evaluating, drilling for, producing, developing and extracting groundwater from the Premises. This Lease covers only groundwater under or produced, developed, or extracted from the Premises and Lessee shall not be entitled to, and Lessor retains and reserves, any oil, gas, other minerals and geothermal resources that may be produced from the Premises.

3.02. This Lease is subject to all existing and future oil, gas, and mineral leases, all existing surface leases, easements and rights of way covering or affecting the Premises, and all future surface leases, easements and rights of way covering or affecting the Premises to the extent the estates and interests created thereby are not inconsistent with the rights herein granted. Lessee agrees that it shall not be inconsistent with its rights under this Lease for Lessor: (a) to allow its oil, gas or mineral lessees to use water produced on the Premises to the extent necessary for the lessee's oil, gas or mineral operations; or (b) to allow its surface lessees to use waters produced on the Premises to the extent necessary for watering lessee's permitted livestock and/or wildlife. Lessor reserves the right and privilege to execute and deliver oil, gas, and mineral leases, surface leases, easements, licenses and rights-of-way covering all or any part of the Premises. Lessor agrees to provide Lessee with copies of all such leases, easements, licenses and rights-of-way entered into after the Effective Date (defined in Section 4.01) of this Lease. Lessee agrees to conduct its operations hereunder in such a manner as not to unduly interfere with any third party having a lease, permit, easement, or any other right or interest in the Premises, and shall allow any lessee, permit holder, licensee or other agent, assignee or representative of Lessor the right of ingress and egress over, across and through, and the use of the Premises for any and all purposes authorized by the Lessor.

ARTICLE IV. TERM

4.01 This Lease shall commence on August 1, 2014 (the "Effective Date") and shall remain in effect until the termination of Mining Lease M-113117, which is currently held by Lessee, unless earlier terminated as provided herein. Upon the termination of Mining Lease M-113117, this Lease shall automatically terminate without any further action required of Lessor and all rights hereunder will revert to Lessor.

ARTICLE V. USE OF THE PREMISES

5.01 Lessee may use the Premises solely for the purpose of exploring, evaluating, drilling for, producing, developing and extracting groundwater from the Premises for industrial and potable water use in connection with Lessee's mining project (including, without limitation, mineral processing and metal extraction/processing), for agricultural/wildlife related uses associated with Lessee's contiguous leased or owned properties, and for no other purpose. Lessee shall have the right to pump 2,000 gallons per minute ("gpm") at the beginning of production with the opportunity to increase production up to a maximum of 4,800 gpm. Lessee is prohibited from reselling any groundwater produced under this Lease without advance GLO approval. Lessee is further specifically prohibited from modifying the Premises in any manner not authorized herein, and from using, or allowing the use by agents, employees or invitees of the Premises for any other purpose.

5.02 Lessee shall conduct all operations in such a manner as to cause minimum possible surface damages. Lessee shall have the right of ingress and egress and right of way to any point of Lessee's operations on the Premises, for the purpose of exploring, evaluating, drilling for, producing, developing and extracting groundwater from the Premises, provided, however, that such right of way shall result in the least injury to the occupant of the surface or the holder of any existing or future oil, gas or mineral lease or easement. Lessee shall have the right, from time to time, to lay, maintain, operate, repair and replace such pipelines, pumping facilities, tanks, and power lines as may be necessary to produce water on the Premises, subject to all other provisions of this Lease. Lessee may use only so much of the surface of the Premises as is reasonably necessary for the exploration, evaluation, drilling, production, development and extraction of groundwater as permitted herein.

5.03. Lessee shall, at Lessee's sole expense, (i) construct and maintain such fences, barricades, and other restrictive devices as necessary to adequately protect persons or livestock from injury or as Lessor may reasonably request, and comply in all respects with all enclosure requirements of the Texas commission on Environmental Quality or any successor agency, or any other governmental entity having jurisdiction; and (ii) fill and level all pits, trenches, and other excavations whenever same are abandoned or the use thereof is discontinued.

5.04. In conducting its operations under this Lease, Lessee shall conduct all work and operations in a businesslike manner consistent with good and economical practices and with due regard for good land management, damage prevention, and environmental protection. Lessee shall not commit waste and shall keep all improvements and Lessee's operations in reasonably neat condition. In conducting its operations under this Lease, Lessee shall use very reasonable means to prevent damage to or contamination of any water-bearing strata and to prevent waste or loss of water from any water-bearing strata.

5.05 Lessee may not maintain any nuisances or public hazards on the Premises, and shall be under a duty to abate or remove any activity or property constituting or contributing to a hazard or nuisance that was caused by Lessee, Lessee's agents, employees, invitees, or guests. Lessee shall observe, perform, and comply with all laws, statutes, ordinances, rules, and regulations promulgated by any governmental agency or district and applicable to Lessee's use of the Premises. Lessee shall not occupy or use the Premises or permit its agents, employees, invitees, or guests to occupy or use the Premises for any use or purpose which is unlawful, in part or in whole, or deemed by Lessor to be disreputable in any manner.

5.06 In conducting its operations under this Lease, Lessee shall take all reasonable precautions to suppress and prevent the uncontrolled spread of fire and shall not purposely attempt to burn any part of the Premises without prior approval of Lessor.

5.07 In conducting its operations under this Lease, Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air, or any other environmental medium, by any waste, pollutant, or contaminant. Without Lessor's prior consent, Lessee shall not engage in any activity that is extra hazardous or presents an unreasonable risk of environmental pollution. Lessee shall use all reasonable efforts to contain any actual or potential release of any water, contaminant, or pollutant to the environment caused by Lessee, Lessee's agents, employees, invitees, or guests, and to recapture any such escaped waste, contaminant, or pollutant. In the event of contamination or pollution of any environmental medium resulting from Lessee's operations hereunder or any other act or omission of Lessee, Lessee's agents, employees, invitees, or guests, Lessee shall, at Lessee's sole expense, conduct all soils or surface or groundwater investigations, studies, sampling, and testing and undertake and complete all remedial, removal, restoration, and other actions necessary, in the reasonable opinion of Lessor and/or as required by any other state or federal agency, to contain, clean up, and/or remove all such contamination or pollution. In conducting its operations on the Premises, Lessee will at all times conform to all environmental regulations of county, state, and federal agencies having jurisdiction over the Premises or Lessee's operations thereon. The provisions of this Section shall survive the termination or the unauthorized assignment of this Lease.

ARTICLE VI. CONSIDERATION

6.01. Execution Payment. Upon execution of this Lease, Lessee shall pay, as consideration for the use of the Premises, a one-time Execution Payment of Five Thousand Dollars and NO /100 (\$5,000.00), which shall be credited toward the first Production Payment.

6.02. Production Payments.

- a. If Lessee has not commenced production of water from the Premises by the first anniversary of the Effective Date, Lessee shall make a minimum Production Payment to Lessor of Five Thousand Dollars and NO/100 (\$5,000.00). Lessee shall continue to make this minimum Production Payment in a similar way and for like amount tendered annually, if Lessee has not commenced production of water from the Premises on the second, third and fourth anniversaries of the Effective Date. Once Lessee commences production of water from the Premises, minimum Production Payments pursuant to this subsection shall no longer be required and instead, Lessee shall be obligated to make Production Payments pursuant to subsection (b) below.
- b. On the anniversary of the Effective Date that immediately follows Lessee's commencement of production of water from the Premises, Lessee shall make a Production Payment to Lessor equal to the greater of (i) One Thousand Six Hundred Sixty-Six and 67/100 Dollars (\$ 1,666.67) multiplied times the number of months of production of water during the immediately preceding 12-month period ending sixty (60) days before the Production Payment is due, or (ii) ninety -five cents (\$0.95) per one thousand (1,000) gallons of the gross volume of water produced from the Premises covered by this Lease during the immediately preceding 12-month period ending sixty (60) days before the Production Payment is due. On each anniversary of the Effective Date thereafter annually during the remaining term of the Lease, Lessee shall make a Production Payment to Lessor equal to the greater of (i) Twenty Thousand Dollars and NO/100 (\$20,000.00) or (ii) ninety-five cents (\$0.95) per one thousand (1,000) gallons of the gross volume of water produced from the Premises covered by this Lease during the immediately preceding 12-month period ending sixty (60) days before the Production Payment is due. The Production Payment rate under this subsection shall be increased by ten percent (10%) at five (5) year intervals, with the first Production Payment rate increase occurring on the five (5) year anniversary of the first Production Payment, with further increases occurring at each 5-year interval thereafter.
- b. Lessee shall submit with each Production Payment a report specifying all water produced from the Premises during the previous year. Said annual report shall consist of a statement showing the gross amount of water produced from the Premises during the previous year, all meter readings, other memoranda necessary to show the correct amount of water produced from the Premises and any other supporting data or documents that may be reasonably requested by Lessor. All such reports and documents are to be in a form approved by and acceptable to Lessor.

6.03 Delay Rentals. If no production from a groundwater supply well is commenced by Lessee on the Premises within five (5) years of the Effective Date of the Lease, the Lease shall terminate automatically and all rights hereunder will revert to Lessor, unless on or before such date Lessee pays to Lessor the sum of Five Thousand Dollars and NO / 100 (\$5,000.00) (the "Delay Rentals"), which shall cover the privilege of deferring commencement of water production operations for a period of one (1) year from said date. In a similar way and upon like payments tendered annually by Lessee, the commencement of production from a ground water supply well may be further deferred for four additional one (1) year delay rental periods extending for no more than ten (10) years from the Effective Date of the Lease.

6.04 Cessation of Production. Lessee shall continuously operate ground water supply wells on the Premises during the production phase of the Lease. The Lease shall terminate automatically if the Lessee is not continuously operating groundwater supply wells on the Premises, unless Lessee pays Lessor an annual Product ion Payment (as defined in Section 6.02) and, if applicable, an annual Delay Rental (as defined in Section 6.03). Lessee shall give written notice to Lessor within thirty (30) days of any cessation of production.

6.05 Water Meters. Lessee shall install a water meter or meters at sufficient locations to accurately measure the gross volume of water produced from the Premises, prior to treatment or otherwise making the water ready for sale or use. Following the completion of construct ion of any groundwater production well, Lessee shall submit regular annual reports specifying all water produced from the Premises, including all meter readings, during the preceding year. Such report shall be in a form approved by and acceptable to Lessor. Copies of the original calibration certificate for each meter installed by Lessee shall be provided to Lessor following installation. Upon Lessor's request at any reasonable time (but not to exceed once annually so long as meters appear to be functioning correctly), Lessee shall, at Lessee's sole expense, have any water meter in operation hereunder calibrated by a reputable meter calibration firm. Lessee shall provide reasonable written notice to Lessor prior to having meters calibrated so that Lessor may witness such calibration. Lessor shall have the right, at Lessor's expense, to install its own water meter(s) at any and each well head operated by Lessee for the purpose of verifying the amount of groundwater produced from the Premises.

ARTICLE VII. WELLS

7.01 Investigation and Well Drilling. During the investigation phase of the Lease, Lessee shall have access to the Premises to conduct, at Lessee's sole cost and expense, feasibility studies, surveys, testing, and well borings to determine the potential for the aquifer(s) to supply water to Lessee's mining project. This grant of access shall constitute a lease and not an easement. Testing shall include pumping tests, water level measurements, and analysis for selected water quality constituents. All final reports, including test data, will be shared with GLO. Lessor approves the construction and operation of water wells on the Premises as follows:

- a. Lessee shall be permitted to use existing and /or ins tall and operate pumps to perform tests on existing wells 48-45-602 and 48-45-603, as well as any other existing wells with in the Premises. Lessee shall notify Lessor at least ten (10) days in advance of planned testing on existing wells, including the latitudinal and longitudinal coordinates for the wells to be tested. Lessor agrees to provide Lessee access to any existing records , data and reports associated with the wells identified in the paragraph.
- b. Lessee shall also be permitted to install and operate new test holes, and construct and test new constructed wells. Lessee will notify Lessor at least ten (10) days in advance of all new test hole and well installation. Such notice shall include the latitudinal and longitudinal coordinates of the new hole or well, the proposed depth and the approximate date on which drilling operations will be commenced. Lessor shall have ten (10) days from receipt of said notice to issue Lessee a notice to proceed or reject Lessee's proposed drill request. Lessee's proposed drill request shall be considered approved if Lessor fails to approve or disapprove said request within ten (10) days of receipt of notice from Lessee under this section. Drill pads fortet wells will be approximately 100 x 100 feet. Test wells will be 8 inches in diameter and approximately 1,500 feet deep, or deeper with prior approval of GLO.

7.02 Well Information. For all water well(s) under this Lease, Lessee shall, upon request by Lessor at any time during the term of this Lease, provide to Lessor (i) a sample log or driller's log for the well, designating the producing interval and all water-bearing zones; (ii) a report showing the producing capacity of such well; (iii) a chemical analysis of a sample of the water produced from such well, performed by an independent water laboratory; (iv) a cross-sectional drawing of the well showing total depth, casing and pump settings, gravel pack interval, cement, geologic formations, static and pumping water levels, and all other available downhole information; (v) a map or plat of the Premises showing the location and GPS values of the well, tank s, water meters, roads, and structures and operational facilities; and (vi) any other well data or information requested by Lessor related to Lessee's water production from the Premises .

7.03 Plugging. Each well installed by Lessee under this Lease must be plugged or properly closed with in ninety (90) days after termination or ex pi ration of this Lease or earlier if necessary in order to prevent pollution or to meet environmental or other requirements hereunder, except that no plugging shall occur without first requesting per miss ion in writing from Lessor and obtaining written approval to plug from Lessor. So long as Lessee has requested Lessor's approval to plug the wells within 60 days after termination or expiration of this Lease or within 30 days of Lessee's knowledge of the need to plug or close a well in order to prevent pollution or to meet environmental or other requirements, Lessee's deadline to plug or properly close the wells shall be changed to 60 days after receipt of Lessor's approval. If Lessor refuses to approve plugging, Lessee agrees to be responsible for the plugging of the well until a new operator of the well has been approved by Lessor. Lessee also agrees to comply with all rules and regulations of TCEQ, or other governmental authority with jurisdiction over unplugged and/or open water wells.

7.04 Access. Lessor, or Lessor's authorized representative, may enter upon the Premises and shall have access to Lessee's wells, water meters and operations sites at all times.

ARTICLE VIII. ASSIGNMENTS AND ENCUMBRANCES

8.01 Lessee shall not assign the rights granted herein, in whole or part, to any third party for any purpose without the prior written consent of Lessor, which shall not be unreasonably withheld. Upon the authorized assignment of this Lease and the assumption of the obligations under this Lease by the assignee of this Lease, the assignor of this Lease shall thereupon be released and discharged from all covenants and obligations accruing from and after the date of the assignment. Any unauthorized assignments shall be void and of no effect and such unauthorized assignment shall not relieve Lessee of any liability for any obligation, covenant, or condition of this Lease. **THIS PROVISION AND THE PROHIBITION AGAINST ASSIGNMENT CONTAINED HEREIN SHALL SURVIVE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE.** For purposes of this Lease, an assignment is any transfer, including by operation of law, to another of all or part of rights herein granted.

8.02 Lessee shall not mortgage, hypothecate, encumber, or grant any deed of trust or security interest that encumbers the Premises or the interests created by this Lease. Further, Lessee may not collaterally assign any rent or other income generated from Lessee's use of the Premises, except that this Section 8.02 shall impose no limits whatsoever on Lessee's rights to collaterally assign any rent or other income generated from Lessee's mining operations.

8.03 Lessee shall not permit any mechanic's or materialman's lien or liens to be placed on the Premises during the term of this Lease caused by or resulting from any work performed, materials furnished, or obligation incurred by or at the request of Lessee. In the case of the filing of any such lien, Lessee will promptly pay, bond off, or obtain the release of same to the satisfaction of Lessor. If Lessee's failure to comply with the provisions of this section shall continue for a period of twenty (20) days, Lessor shall have the right, at Lessor's option, of paying the same or any portion thereof without inquiry as to the validity thereof, and any amounts so paid, including expenses and interest, shall be repaid by Lessee to Lessor immediately upon demand.

ARTICLE IX. PROTECTION OF NATURAL and HISTORICAL RESOURCES

9.01. **LESSEE IS EXPRESSLY PLACED ON NOTICE OF THE NATIONAL HISTORICAL PRESERVATION ACT OF 1966 (16 USC § 470, ET SEQ.) AND THE TEXAS ANTIQUITIES CODE (TEX. NAT. RES. CODE CH. 191), AS THE SAME MAY BE AMENDED FROM TIME TO TIME. IN THE EVENT THAT ANY SITE, OBJECT, LOCATION, ARTIFACT OR OTHER FEATURE OF ARCHEOLOGICAL, SCIENTIFIC, EDUCATIONAL, CULTURAL OR HISTORIC INTEREST IS ENCOUNTERED DURING ANY ACTIVITY ON THE PREMISES, LESSEE SHALL IMMEDIATELY CEASE SUCH ACTIVITIES AND SHALL IMMEDIATELY NOTIFY LESSOR AND THE TEXAS HISTORICAL COMMISSION, P.O. BOX 12276, AUSTIN, TEXAS 78711, SO THAT ADEQUATE MEASURES MAY BE UNDERTAKEN TO PROTECT OR RECOVER SUCH DISCOVERIES OR FINDINGS, AS APPROPRIATE.**

ARTICLE X. INDEMNITY AND INSURANCE

10.01. **LESSEE SHALL BE FULLY LIABLE AND RESPONSIBLE FOR ANY DAMAGE, OF ANY NATURE, ARISING OR RESULTING FROM ITS OWN ACTS OR OMISSIONS RELATED TO ITS EXERCISE OF THE RIGHTS GRANTED HEREIN. LESSEE AGREES TO AND SHALL INDEMNIFY AND HOLD LESSOR, LESSOR'S OFFICERS, AGENTS, AND EMPLOYEES, HARMLESS FROM AND AGAINST CLAIMS, SUIT, COSTS, LIABILITY OR DAMAGES OF ANY KIND, INCLUDING STRICT LIABILITY CLAIMS, WITHOUT LIMIT AND WITHOUT REGARD TO CAUSE OF THE DAMAGES OR THE NEGLIGENCE OF ANY PARTY, EXCEPT FOR THE CONSEQUENCES OF THE NEGLIGENT ACTS OR WILLFUL MISCONDUCT OF LESSOR, LESSOR'S OFFICERS, AGENTS, EMPLOYEES, OR INVITEES, ARISING DIRECTLY OR INDIRECTLY FROM LESSEE'S USE OF THE PREMISES (OR ANY ADJACENT OR CONTIGUOUS PERMANENT SCHOOL FUND LAND) OR FROM ANY BREACH BY LESSEE OF THE TERMS CONTAINED HEREIN. THE PROVISIONS OF THIS SECTION SHALL SURVIVE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE.**

10.02. Lessee shall obtain and maintain at all time during this Lease commercial general liability insurance coverage in a minimum amount of One Million and No/100 Dollars (\$1,000,000.00), which policy shall insure against bodily injury, death and property damage and shall include (i) coverage for the Premises and operations and (ii) contractual liability coverage insuring the obligations of Lessee hereunder, including, without limitation, the indemnity obligations of Lessee. The liability insurance policy shall name Lessor as an additional insured, shall be non-cancelable on less than thirty (30) days prior written notice to Lessor and shall include a waiver of subrogation endorsement in a form acceptable to Lessor. Lessee shall furnish Lessor with a certificate of insurance evidencing the foregoing coverage prior to entry onto the Premises.

ARTICLE XI. TAXES

11.01. Lessor is exempt from taxation. If any taxes are levied on Lessee's interest under this Lease, or if any other taxes or assessments are appropriately levied against the Premises, Lessee shall pay such taxes and assessment not less than five (5) days prior to the date of delinquency thereof directly to the taxing authority. Lessee may in good faith and at its sole cost contest any such taxes or assessment, and shall be obligated to pay the contested amount only if and when finally determined to be owed. **LESSEE AGREES TO AND SHALL PROTECT AND HOLD THE LESSOR HARMLESS FROM LIABILITY FOR ANY AND ALL TAXES, CHARGES, AND ASSESSMENTS LEVIED AGAINST THE PREMISES OR LESSEE'S INTEREST UNDER THIS LEASE, TOGETHER WITH ANY PENALTIES AND INTEREST THERETO, AND FROM ANY SALE OR OTHER PROCEEDING TO ENFORCE PAYMENT THEREOF.**

ARTICLE XII. DEFAULT, TERMINATION AND EXPIRATION

12.01 Early Termination. If Lessee determines the ground water supply is not suitable for Lessee's mining project, Lessee shall have the right to terminate the Lease by sending written notice of such termination to Lessor in accordance with Article XIV of this Lease. Upon ending of such written notice, this Lease shall automatically terminate and all rights granted herein to Lessee shall revert to Lessor. Such termination shall not prejudice the rights of Lessor to collect any money due or to seek recovery on any claim arising hereunder.

12.02 Lessor and Lessee agree and acknowledge that it shall be an event of default if Lessee or Lessee's employees, guests, or invitees engage in any use of the Premises not authorized by this Lease, Lessee fails to pay any money due hereunder, or breaches any other term or condition of this Lease. Lessee shall have thirty (30) days following written notice from Lessor specifying the default or breach of this Lease to cure this default or breach, except that Lessee shall be allowed additional time as is reasonably necessary to cure any non-monetary default or breach so long as Lessee (i) commences to cure the failure within the thirty (30) day period following Lessor's written notice, and (2) diligently pursues the course of action that will cure the failure and bring Lessee back into compliance with this Lease. If Lessee fails to cure all defaults or breaches within the notice and time period to cure set forth in this Section, Lessor shall have the right, at its option and its sole discretion, to terminate this Lease and all rights inuring to Lessee herein by ending written notice of such termination to Lessee in accordance with Article XIV of this Lease. Upon ending of such written notice, this Lease shall automatically terminate and all rights granted herein to Lessee shall revert to Lessor. Such termination shall not prejudice the rights of Lessor to collect any money due or to seek recovery on any claim arising hereunder.

12.03 Upon expiration or earlier termination of this Lease, Lessee shall restore the Premises to its original topographical condition that existed as of the Effective Date, to the extent the topographical condition has been altered by Lessee or on behalf of Lessee. Lessor may also require that Lessee remove all related infrastructure improvements placed or constructed on the Premises by or on behalf of Lessee from the Premises, or Lessee may elect to take possession of such infrastructure improvements. **THE TERMS OF THIS SECTION SHALL SURVIVE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE.**

12.04 Lessor and Lessee agree that, in the event Lessee fails to restore the Premises as required by Section 12.03 or remove its personal property or improvement within the time specified in a notice provided pursuant to Section 12.02 above, then Lessor may, at its sole option, remove and dispose of such property (with no obligation to sell or otherwise maintain such property in accordance with the Uniform Commercial Code), at Lessee's sole cost and expense, or Lessor may elect to own such property by written notice of such election provided pursuant to Section 12.02 above. If Lessor elects to remove Lessee's property and dispose of it pursuant to this Section, then in such an event Lessee shall be obligated to reimburse Lessor for the reasonable costs of such removal and disposal within ten (10) days of Lessor's demand for reimbursement. **THE TERMS OF THIS SECTION SHALL SURVIVE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE.**

12.05 The Premises are subject to sale or trade. Lessor and Lessee acknowledge that Lessor may permit entry by prospective or actual buyers. In the event Lessor enters into an agreement to sell or trade the Premises to a third party, Lessor agrees that the Premises shall be sold subject to this Lease and Lessor shall assign this Lease to the buyer and the buyer shall assume the obligations under this Lease.

12.06 Lessor reserves the right to remove from this Lease any portion of the Premises as Lessor may reasonably determine necessary for purposes other than those described herein, so long as such removal does not interfere with Lessee's use or intended use of the Premises. Prior to removing any property from the Premises, Lessor will give Lessee at least thirty (30) days prior written notice of its intent to remove property, which notice will describe in detail the property intended to be removed. Lessee must raise any objections it has to Lessor's removal, as outline in Lessor's notice, within thirty (30) days of Lessee's receipt of Lessor's notice, in which event, Lessor and Lessee agree to reasonably cooperate with one another to ensure that Lessor's removal will not interfere with Lessee's use or intended use of the Premises. Lessee's rights under this Lease to that portion of the Premises so removed shall be considered terminated and the Lease shall be amended to reflect the remaining portion of the Premises. Lessor acknowledges that Lessee may later seek to restore rights to the portion of the Premises so removed and agrees to reasonably cooperate with Lessee to restore such rights as needed for the project.

12.07 In the event of a condemnation proceeding that affects all or part of the Premises, Lessor will have the exclusive authority to negotiate with the condemning authority. In the event of a total condemnation, this Lease shall terminate. In the event of a partial condemnation, Lessor may elect to continue or to terminate this Lease, but, if Lessor elects to continue the Lease, the Consideration shall be proportionately reduced. All condemnation proceeds, except for those allocated to improvements or personal property belonging to Lessee, shall be the property of Lessor and shall be payable to Lessor.

12.08 If Lessee files a petition for bankruptcy or becomes the subject of an involuntary bankruptcy or other similar proceeding under the federal bankruptcy laws, this Lease shall automatically terminate upon such filing without necessity of notice.

ARTICLE XIII. HOLD OVER

13.01 If Lessee holds over and continues in possession of the Premises after expiration of this Lease or the earlier termination of Lessee's rights under this Lease, Lessee shall be deemed to be occupying the Premises on the basis of a month-to-month tenancy subject to all of the terms and conditions of this Lease, except that as liquidated damages by reason of such holding over, the amounts payable by Lessee under this Lease shall be increased such that the Consideration payable under Article VI of this Lease and any other sums payable hereunder shall be one hundred twenty-five percent (125 %) of the amount payable to Lessor by Lessee for the applicable period immediately preceding the first day of the holdover period. Lessee acknowledge that in the event it holds over, Lessor's actual damages will be difficult, if not impossible, to ascertain, and the liquidated damages herein agreed to be paid are reasonable in amount and are payable in lieu of actual damages and are not a penalty. Lessee further acknowledges that acceptance of hold over Consideration does not imply Lessor's consent to hold over.

13.02. The tenancy from month-to-month described in Section 13.01 of this Lease may be terminated by either party upon thirty (30) days written notice to the other.

13.03 The Consideration due after notice of termination has been given is to be calculated according to Section 13.01 hereinabove on a pro rata basis. If, upon notice of termination by Lessor, Lessee pays Consideration in excess of the amount due and payable and Lessor accepts such payment, the acceptance of such payment will not operate as a waiver by Lessor of the notice of termination unless such waiver is in writing and signed by Lessor. Any such excess amounts paid by Lessee and accepted by Lessor shall be promptly refunded by Lessor after deducting therefrom any amounts owed to Lessor.

ARTICLE XIV. NOTICE

14.01. Any notice which may or shall be given under the terms of this Leases hall be in writing and shall be either delivered by hand, by facsimile, or sent by United States first class mail, adequate postage prepaid, as follows:

If for Lessor:

Texas General Land Office
Deputy Commissioner, Professional Services
1700 North Congress Avenue
Austin, Texas 78701-1495
FAX : (512) 463-5304

If for Lessee:

Texas Rare Earth Resources Corp.
P.O. Box 539
539 West El Paso Street
Sierra Blanca, TX 79851
Attention: Dan Gorski
Telephone: (361) 790-5831

With a copy to:

Texas Rare Earth Resources Corp.
1211 St. Vrain
No. 27
El Paso, Texas 79902
Attention: Laura Lynch

And:

Guida, Slavich & Flores, P.C.
750 N. St. Paul Street, Suite 200
Dallas, Texas 75201
Attention: Sally A. Longroy
Telephone: (214) 692-5409
Fax: (214) 692-6610

Any party's address may be changed from time to time by such party by giving notice as provided above, except that the Premises may not be used by Lessee as the sole notice address. No change of address of either party shall be binding on the other party until notice of such change of address is given as herein provided.

14.02. For purposes of the calculation of various time periods referred to in this Lease, notice delivered by hand shall be deemed received when delivered to the place for giving notice to a party referred to above. Notice mailed in the manner provided above shall be deemed completed upon the earlier to occur of (i) actual receipt as indicated on the signed return receipt, or (ii) three (3) business days (excluding federal holidays) after posting as here in provided.

ARTICLE XV. INFORMATIONAL REQUIREMENTS

15.01 Lessee shall promptly provide written notice to Lessor of any change in Lessee's name, address, corporate structure, legal status or any other information relevant to this Lease. Lessee shall provide to Lessor any other information reasonably requested by Lessor in writing within fifteen (15) days following such request or such other time period approved by Lessor (such approval not to be unreasonably withheld).

ARTICLE X. MISCELLANEOUS PROVISIONS

15.02 With respect to terminology in this Lease, each number (singular or plural) shall include all numbers, and each gender (male, female or neuter) shall include all genders. If any provision of this Lease shall ever be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions of the Lease, but such other provisions shall continue in full force and effect.

15.03. The titles of the Articles in this Lease shall have no effect and shall neither limit nor amplify the provisions of the Lease itself. This Lease shall be binding upon and shall accrue to the benefit of Lessor, its successors and assigns, and Lessee, Lessee's successors and assigns (or heirs, executor, administrators and assigns, as the case may be); however, this clause does not constitute a consent by Lessor to any assignment by Lessee.

15.04. Neither acceptance of Consideration (or any portion thereof) or any other sums payable by Lessee hereunder (or any portion thereof) to Lessor nor failure by Lessor to complain of any action, non-action or default of Lessee shall constitute a waiver as to any breach of any covenant or condition of Lessee contained herein nor a waiver of any of Lessor's rights hereunder. Waiver by Lessor of any right for any default of Lessee shall not constitute a waiver of any right for either a prior or subsequent default of the same obligation or for any prior or subsequent default of any other obligation. No right or remedy of Lessor here under or covenant, duty or obligation of Lessee hereunder shall be deemed waived by Lessor unless such waiver be in writing, signed by a duly authorized representative of Lessor. Nothing herein shall constitute a waiver of Lessor's sovereign immunity.

15.05. No provision of this Lease shall be construed in such a way as to constitute Lessor and Lessee joint ventures or partners or to make Lessee the agent of Lessor or make Lessor liable for the debts of Lessee.

15.06. In all instances where Lessee is required hereunder to pay any sum or do any act at a particular indicated time or within an indicated period, it is understood that time is of the essence.

15.07. Under no circumstances whatsoever shall Lessor or Lessee ever be liable hereunder for consequential damages or special damages. The terms of this Lease shall only be binding on Lessor during the period of its ownership of the Premises, and in the event of the transfer of such ownership interest, Lessor shall thereupon be released and discharged from all covenants and obligations thereafter accruing, but such covenants and obligations shall be binding during the Lease term upon each new owner for the duration of such owner's ownership.

15.08. All monetary obligations of Lessor and Lessee (including, without limitation, any monetary obligation for damages for any breach of the respective covenants, duties or obligation of either party hereunder) are performable exclusively in Austin, Travis County, Texas. This Lease shall be construed and interpreted in accordance with the laws of the State of Texas.

15.09. Lessee's obligations to pay Consideration and to perform Lessee's other covenants and duties under this Lease constitute independent, unconditional obligations. Lessee waives and relinquishes all rights which Lessee might have to claim any nature of lien against Lessor and the Premises, or withhold or deduct from or offset against any Consideration or other sums provided hereunder to be paid to Lessor by Lessee. Lessee waives and relinquishes any right to assert, either as a claim or as a defense, that Lessor is bound to perform or is liable for the nonperformance of any implied covenant or implied duty of the Lessor not expressly set forth in this Lease. Lessor waives and relinquishes any right to assert, either as a claim or as a defense, that Lessee is bound to perform or is liable for the nonperformance of any implied covenant or implied duty of the Lessee not expressly set forth in this Lease.

15.10 This Lease, including any exhibits to the same, constitutes the entire agreement between Lessor and Lessee, no prior or contemporaneous written or oral promises or representations shall be binding. Every term and provision of this Lease is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such term or provision will be enforced to the maximum extent permitted by law and, in any event, such illegality or invalidity shall not affect the validity of the remainder of this Lease.

ARTICLE XVI. FILING

16.01. Lessee shall, at its sole cost and expense, record a Memorandum of Lease in the Official Public Records of the county or counties in which the Premises are located and provide a file marked copy of same to Lessor within sixty (60) days after this Lease is executed by all parties.

ARTICLE XVI. ENTIRE AGREEMENT

16.01. This Lease, including any exhibits to the same, constitutes the entire agreement between Lessor and Lessee, no prior or contemporaneous written or oral promises or representations shall be binding. The submission of this Lease for examination by Lessee or Lessor and/or execution thereof by the Lessee or Lessor does not constitute a reservation of or option for the Premises and this Lease shall become effective only upon execution by all parties hereto and delivery of a fully executed counterpart thereof by Lessor to the Lessee. This Lease shall not be amended, changed or extended except by written instrument signed by both parties thereto.

IN TESTIMONY WHEREOF, witness my hand and the Seal of Office.

LESSOR:

THE STATE OF TEXAS

By: /s/ Jerry E. Patterson
JERRY E. PATTERSON
Commissioner, General Land Office

Date: 9/18/2014

APPROVED:

Contents:	<input type="text"/>
Legal:	<input type="text"/>
Deputy:	<input type="text"/>
Executive:	<input type="text"/>

LESSEE:

TEXAS RARE EARTH RESOURCES CORP.

By: /s/ Dan Gorski
Dan Gorski, its President

Date: 9 September 2014

ACKNOWLEDGMENT OF LESSEE

STATE OF TEXAS §
 §
COUNTY OF ARANSAS §

This instrument was acknowledged before me on the 8th day of September, 2014, by Dan Gorski, President of Texas Rare Earth Resources Corp., on behalf of said corporation.

/s/ Gloria H. Vela

Notary Public, State of Texas

My commission expires: 7/31/2016

Information collected by electronic mail and by web form is subject to the Public Information Act, Chapter 552, Government Code.

Summary of Verbal Employment Arrangement

The Company pays Dan Gorski, our chief executive officer, a salary of \$120,000 per year.

Summary of Verbal Employment Arrangement

The Company pays Wm. Chris Mathers, our chief financial officer, a salary of \$60,000 per year.

VARIATION OF OPTION AGREEMENT

We refer to the Option Agreement between Texas Mineral Resources Corp. (a Delaware corporation) (**Texas Mineral Resources**) and Morzev Pty Ltd (ACN 604 624 535) (**Morzev**) (together, the **Parties**) dated 28 August 2018 and varied on 20 September 2018 (**Agreement**). Capitalised terms used in this variation agreement have the same meanings as under the Agreement unless the context requires otherwise. The purpose of this variation agreement is to record the Parties’ agreement, in accordance with clause 11.03 of the Agreement, to give effect to the variation set out below.

The Parties hereby agree to further vary the Agreement by deleting the words:

- (a) “to enter into a Definitive Agreement” in Recital B of the Agreement;
- (b) “in the form of that annexed to the Definitive Agreement” in Section 3.03(d) of the Agreement; and
- (c) “in the form of that annexed to the Definitive Agreement” in Section 3.03(d) of the Agreement.

Further, the Parties hereby acknowledge and agree that the Option has been exercised by Morzev in accordance with Article 3 of the Agreement.

Other than as agreed in accordance with the terms of this variation agreement, the terms and conditions of the Agreement remain in full force and effect. Any inconsistency between the Agreement and this variation agreement will be interpreted in such a manner as to give effect to this variation agreement. This variation agreement is governed by the laws in force from time to time in the State of Delaware.

By execution of this variation agreement, the Parties agree to the variation of the Agreement on the terms and conditions set out above. This variation agreement may be executed in any number of counterparts and all counterparts taken together constitute one variation agreement.

DATED: October 9, 2018

EXECUTED by MORZEV PTY LTD)
ACN 604 624 535)
in accordance with section 127 of the)
Corporations Act 2001 (Cth):)

/s/ Mordechai Gutnick

Signature of sole director/company secretary

Signature of sole director/company secretary

MORDECHAI GUTNICK

Signature of sole director/company secretary

Signature of sole director/company secretary

DATED: October 9, 2018

EXECUTED BY)
TEXAS MINERAL RESOURCES CORP)
in accordance with its constituent)
documents and place of incorporation:)

/s/ Daniel E. Gorski
Signature

Daniel E. Gorski, CEO
Name and title

AMENDED AND RESTATED OPTION AGREEMENT

BETWEEN

TEXAS MINERAL RESOURCES CORP.,

AND

USA RARE EARTH, LLC

DATED: AUGUST-23, 2019

THIS AMENDED AND RESTATED OPTION AGREEMENT (this “**Agreement**”) made effective as of the 23 day of August 2019 between Texas Mineral Resources Corp., a Delaware corporation (the “**Texas Mineral Resources**”), and USA Rare Earth, LLC, a Delaware limited liability company (“**USA Rare Earth**”).

RECITALS:

- A. Texas Mineral Resources is the sole holder of Round Top Rare Earth project in Hudspeth County, Texas, as more fully set forth in Exhibit A attached hereto (the “**Concession**”).
- B. Texas Mineral Resources and Morzev Pty Ltd (“**Morzev**”) entered into that certain Option Agreement dated August 28, 2018, as modified by that certain Variation of Option Agreement between Texas Mineral Resources and Morzev dated October 9, 2018 (the “**Variation**”), and amended by that certain First Amendment to Option Agreement among Texas Mineral Resources, Morzev, and USA Rare Earth dated July 31, 2019 (as modified and amended, the “**Original Option Agreement**”).
- C. Under the Original Option Agreement, Texas Mineral Resources granted Morzev an exclusive option to earn a seventy percent (70%) interest, increasable to an eighty percent (80%) interest, in the Round Top Rare Earth project from Texas Mineral Resources (the “**Option**”), and as evidenced in the Variation, Morzev exercised its option.
- D. Pursuant to the terms of the Original Option Agreement, Morzev nominated USA Rare Earth as the optionee under the Original Option Agreement as evidenced by that certain letter executed by Pini Althaus dated July 16, 2019, and USA Rare Earth became a party to Original Option Agreement as a result thereof.
- E. Texas Mineral Resources and USA Rare Earth desire to amend and restate the terms of the Original Option Agreement, among other reasons, to modify certain terms related to the Option and to serve as a definitive agreement governing the rights and obligations of the parties.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which *are* hereby acknowledged, Texas Mineral Resources and USA Rare Earth agree as follows:

Article 1
Definitions

1.01 **Definitions.** In this Agreement unless the context otherwise requires, the following words and terms set forth in this Article 1 shall have the meanings respectively assigned to them:

(a) “\$” or “**dollar**” means the currency of the United States of America.

(b) “**Affiliate**” means, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For the purposes of this definition, the term “controls,” “**is controlled by**” or “**under common control with**” means (i) the direct or indirect ownership of in excess of fifty percent (50%) of the equity interests (or interests convertible into or otherwise exchangeable for equity interests) in a Person, or (ii) possession of the direct or indirect right to vote in excess of fifty percent (50%) of the voting securities or elect in excess of fifty percent (50%) of the board of directors or other governing body of a Person.

(c) **“Agreement”** means this agreement and all amendments made hereto in accordance with the provisions hereof

(d) **“Area of Interest”** means the area within a distance of two (2) miles from the external perimeter of the property that is subject to the Concession, as the property subject to the Concession existed at the Effective Date.

(e) [Reserved].

(f) **“Business Day”** means any day other than Saturday, Sunday or other day on which commercial banks in Wilmington, Delaware and New York, New York are authorized or required by law to remain closed.

(g) **“Concession”** means, as reflected on Exhibit A I, the area enclosed by Texas Mineral Resources option to purchase the surface from the Texas General Land office and the area enclosed by the Water Lease purchased from the Texas General Land Office. All Surface acreage owned by Texas Minerals Resources and surface leases owned by Texas Mineral Resources within this area are included in the Concession.

(h) **“Effective Date”** means August 28th, 2018 (being, the date of execution of the Original Option Agreement).

(i) **“Encumbrance”** means any mortgage, pledge, assessment, security interest, deed of trust, lease, lien, adverse claim, levy, charge or other encumbrance of any kind, or any conditional sale or title retention agreement or other agreement to give any of the foregoing in the future.

(j) **“Environment”** means soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters, streams, ponds, drainage basins, and wetlands), groundwater, drinking water supply, stream sediment, ambient air (including indoor air), plant and animal life, and any other environmental medium or natural resource.

(k) **“Environmental Laws”** means any law that requires or relates to:

(i) advising appropriate authorities, employees, and the public of intended or actual releases of pollutants, hazardous substances or hazardous materials, violations of discharge limits, or other prohibitions and of the commencements of activities, such as resource extraction or construction, that could have significant impact on the Environment;

(ii) preventing or reducing to acceptable levels the release of pollutants, hazardous substances or hazardous materials into the Environment;

(iii) reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes or hazardous materials that are generated;

(iv) assuring that products are designed, formulated, packaged, and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of

(v) protecting resources, species, or ecological amenities;

(vi) reducing to acceptable levels the risks inherent in the transportation of hazardous substances or hazardous materials, pollutants, oil, or other potentially harmful substances;

(vii) cleaning up pollutants or hazardous materials that have been released, preventing the threat of release, or paying the costs of such clean up or prevention; or

(viii) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment. or permitting self- appointed representatives of the public interest to recover for injuries done to public assets.

(l) **“Expenditures”** means all costs, expenses and charges, direct or indirect, of, or incidental to, the Mining Operations.

(m) **“Force Majeure Event”** means any act, event or cause (other than lack of funds) which is beyond the reasonable control of the Party concerned, including:

(i) acts of God, including storms or cyclones, action of the elements, fire, epidemics, landslides, earthquakes, floods, road closures due to washouts or impassability and natural disaster;

(ii) strikes, stoppages, restraints of labour, or other industrial disturbances;

(iii) acts of the public enemy, including wars which are either declared or undeclared, blockades, invasions and insurrections;

- (iv) acts or threats of terrorism, rebellion, riots or civil commotion;
 - (v) riots, malicious damage, sabotage and civil disturbance;
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- (vi) accident (including accidental emissions of pollutants or hazardous substances), fire, explosion, radioactive contamination and toxic or dangerous chemical contamination;
- (vii) the adverse application of any laws or enforcement actions of any court or government agency not resulting from any wrongful act or omission of the affected Party;
- (viii) the refusal of or delay in obtaining any necessary consents from any government agency, provided that the affected Party has acted in a timely manner in endeavoring to secure them;
- (ix) the catastrophic failure of: or the breakdown of or accident to, plant or machinery;
- (x) the breach by any third party supplier of its obligations to supply goods or services to the affected Party, provided that the affected Party has acted in a timely manner in endeavoring to secure such supply, and provided that the affected Party itself is not in breach of any relevant obligation; and
- (xi) any production shutdown or interruption which is validly required or directed by any government agency which is not due to the act or default of the affected Party, and which the affected Party is not reasonably able to prevent or overcome, or the effects of which the affected Party is not reasonably able to predict and take measures to avoid, by the exercise of reasonable technical and commercial diligence and prudence.

(n) **“Investment”** means an amount of \$140,000 funded by Morzev on November 13, 2018 (the **“Investment Date”**), for 646,054 common shares of Texas Mineral Resources as contemplated under Section 3.03 of the Original Option Agreement.

(o) **“Mineral Lease”** means, as reflected on Exhibit A2, the mineral lease granted to Texas Mineral Resources by the Texas General Land Office.

(p) **“Mining Operations”** means every kind of work financed by USA Rare Earth during the Option Period from the Effective Date, in the conduct of exploration and development activities for the benefit of the Concession, including, without limitation the work of de-risking the project (including specifically optimizing the leaching cycle and determining final leach pad design, undertaking the Pilot Plant, and developing the process and procedure to separate and purify other economically important elements from the primary leach solution including but not limited to lithium, aluminum sulfate, hafnium and other fertilizer and industrial products); property maintenance; process development solar evaporation; chemical processing; baseline studies; engineering; assessment, geophysical, geochemical and geological surveys; studies and mapping; investigating, drilling, assaying, prospecting, designing, examining, equipping, improving, surveying, shaft-sinking, raising, cross-cutting and drifting, searching for, digging, trucking, sampling, working and procuring minerals, ores and metals; surveying and bringing any mining claims to lease or patent; reclaiming and all other work usually considered to be prospecting, exploration, development, mining and reclamation work; in paying wages and salaries of workers engaged in the work and in supplying food, lodging, transportation and other reasonable needs of the workers; in paying assessments or premiums for workers’ compensation insurance, contributions for unemployment insurance or other pay allowances or benefits customarily paid in the district to those workers; in paying rentals, license renewal fees, taxes and other governmental charges required to keep the mineral interests comprising the Concession in good standing; in purchasing or renting plant, buildings, machinery, tools, appliances, equipment or supplies and in installing, erecting, detaching and removing them; mining, milling, concentrating, rehabilitation, reclamation, and environmental protections and in the management of any work which may be done on the property subject to the Concession or in any other respect necessary for the due carrying out of the prospecting, exploration and development work or any other expenditure approved the Operating Committee.

(q) **“Option Period”** means that period of time commencing on the Effective Date and terminating on the date upon which this Agreement is terminated by the provisions of Article 6.

(r) **“Party”** means Texas Mineral Resources or USA Rare Earth and each of their respective successors and permitted assigns.

(s) **“Person”** includes a natural person, firm, corporation, company, association, partnership, joint venture, unincorporated syndicate, unincorporated organization, trust, trustee, executive, administrator or other legal representative, governmental instrumentality or any group or combination thereof.

(t) **“Pilot Plant”** means a pilot plant demonstration of the CIX/CIC processing of REE, Uranium and Thorium.

1.02 **Morzev and USA, Rare Earth.** Within the context of and subject to the terms of this Agreement, USA Rare Earth shall be responsible for and receive the benefit of any actions undertaken by Morzev prior to the nomination of USA Rare Earth as optionee under the Original Option Agreement. By way of example and not limitation, phrases such as “work financed by USA Rare Earth during the Option Period” shall include work financed by Morzev under the Original Option Agreement, and any Expenditures made by Morzev would be attributed to and counted as Expenditures by USA Rare Earth.

Article 2 Representations and Warranties

2.01 Representations and Warranties and Covenants.

(a)

Texas Mineral Resources, represents, warrants and covenants to USA Rare Earth as of the date of this Agreement and at all times during the Option Period that:

- (i) Texas Mineral Resources is an entity duly organized, validly existing and, where applicable, in good standing under the laws of its respective jurisdiction of organization.
 - (ii) Texas Mineral Resources has full power and authority to carry on its business to enter into this Agreement and any agreement or instrument referred to or contemplated by this Agreement.
 - (iii) This Agreement has been duly authorized, executed and delivered by Texas Mineral Resources and constitutes a valid and binding obligation of it enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought.
 - (iv) No proceedings are pending for, and Texas Mineral Resources has no Knowledge (defined below) of any basis for the institution of any proceeding leading to, Texas Mineral Resources' dissolution or winding up or being placed into bankruptcy or subject to any other laws governing the affairs of insolvent corporations.
 - (v) There is no contract, option or any other right binding upon Texas Mineral Resources to option, sell, transfer, assign, pledge, charge, mortgage, explore or in any other way option, dispose of or encumber all or part of the mineral interests comprising the Concession other than pursuant to the provisions of this Agreement
 - (vi) The execution, delivery and performance of this Agreement by Texas Mineral Resources and the consummation of the transactions herein contemplated will not (i) violate or conflict with any term or provision of any of the articles, by laws or other constating documents of Texas Mineral Resources; (ii) violate or conflict with any term or provision of any order of any court, government or regulatory authority or any law or regulation of any jurisdiction in which Texas Mineral Resources' business is carried on; or (iii) conflict with, accelerate the performance required by or result in the breach of any agreement to which it is a party.
 - (vii) Texas Mineral Resources is the sole record and beneficial owner of a 100% undivided interest in the Concession.
 - (viii) The Concession and Mineral Lease are each accurately described in Exhibits A1 and A2 respectively attached hereto.
 - (ix) All taxes, assessments, deposits, rentals, levies or other payments relating to the mineral interests comprising the Mineral Lease, and required to be made to any federal, provincial or municipal governmental instrumentality have been made.
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- (x) The mineral interests comprising the Mineral Lease are free and clear of any and all Encumbrances, agreements, obligations, adverse claims (including, without limitation, any order or judgment relating to such claim or any legal proceedings in process, pending or threatened which might result in any such order or judgment), royalties, profit interests or other payments in the nature of a rent or royalty, or other interests of whatsoever nature or kind, recorded or unrecorded.
 - (xi) There are no actions, suits or proceedings pending, or to Texas Mineral Resources' Knowledge, threatened, against or materially adversely affecting, or which could materially adversely affect, any or all of the mineral interests comprising the Mineral Lease before or by any federal, provincial, municipal or other governmental authority, department, court, commission, board, bureau, agency or instrumentality, domestic or foreign, whether or not insured, and which might involve the possibility of any Encumbrance or any other right of another against the mineral interests comprising the Mineral Lease,
 - (xii) To Texas Mineral Resources' Knowledge, conditions relating to the Concession respecting all past and current operations thereon are in compliance with all applicable federal, provincial and municipal laws including all Environmental Laws.
 - (xiii) The operation of the mineral interests within the the Concession are not subject to any written or verbal operating, management, maintenance or other agreements with any third party.
 - (xiv) All required consents from The Texas General Land Office for the sale and transfer the mineral and other interests by Texas Mineral Resources to USA Rare Earth is subject to approval by the Texas Land Commissioner, which shall not be unreasonable withheld.
 - (xv) To the best of Texas Mineral Resources' Knowledge and belief, there are no environmental liabilities relating to or affecting the mineral interests comprising the Concession, nor are there any circumstances relating to the mineral interests comprising the Concession which may reasonably be expected to give rise to future environmental liabilities.
 - (xvi) Any information known or which should be known to Texas Mineral Resources concerning the mineral and other interests comprising the Concession which might reasonably be regarded as material has been disclosed in writing to USA Rare Earth and accurate copies of any document evidencing such matter have been provided to USA Rare Earth, including but not limited to any contract, transaction, arrangement or liability to which Texas Mineral Resources is a

party that involves, or is likely to involve, obligations or liabilities that, by reason of their nature or magnitude ought reasonably be made known to an intending joint venture partner of the Concession.

(xvii) Texas Mineral Resources shall:

- (1) promptly provide USA Rare Earth with any and all notices and correspondence from government or regulatory authorities in respect of the Concession;
- (2) obtain any permits or licenses required by authorities in The State of Texas;
- (3) not do or permit or suffer to be done any act or thing which would or might in any way adversely affect the rights of USA Rare Earth hereunder;
- (4) use commercially reasonable efforts to comply with all reasonable requests for due diligence materials and provide USA Rare Earth with the requested materials as soon a practicable following the request; and
- (5) maintain its corporate existence.

(b)

USA Rare Earth represents, warrants and covenants to Texas Mineral Resources as of the date of this Agreement and at all times during the Option Period that:

- (i) It is a entity duly organized, validly existing and is in good standing under the laws of its jurisdiction of organization.
- (ii) It has full power and authority to carry on its business to enter into this Agreement and any agreement or instrument referred to or contemplated by this Agreement.
- (iii) This Agreement has been duly authorized, executed and delivered by it and constitutes a valid and binding obligation of it enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought.
- (iv) No proceedings are pending for, and USA Rare Earth has no Knowledge of any basis for the institution of any proceeding leading to, its dissolution or winding up or being placed into bankruptcy or subject to any other laws governing the affairs of insolvent corporations.

(v) The execution, delivery and performance of this Agreement by it, and the consummation of the transactions herein contemplated will not (i) violate or conflict with any term or provision of any of its articles, by laws or other constating documents of USA Rare Earth; (ii) violate or conflict with any term or provision of any order of any court, government or regulatory authority or any law or regulation of any jurisdiction in which its business is carried on; or (iii) conflict with, accelerate the performance required by or result in the breach of any agreement to which it is a party or by which it is currently bound.

(vi) USA Rare Earth shall:

- (1) promptly provide Texas Mineral Resources with any and all notices and correspondence from government or regulatory authorities in respect of the Concession;
- (2) co-operate with Texas Mineral Resources in obtaining any permits or licenses required by authorities in The State of Texas;
- (3) not do or permit or suffer to be done any act or thing which would or might in any way adversely affect the rights of Texas Mine.ml Resources hereunder; and
- (4) maintain its corporate existence.

(c)

The representations and warranties set forth above are conditions on which the Parties have relied in entering into this Agreement.

(d)

A Party (“**Indemnifying Party**”) shall indemnify and keep indemnified the other Party from and against all loss, damage and costs suffered by the other Party arising in consequence of any of the representatives and warranties and covenants by the Indemnifying Party set out in this Article 3 being false, misleading or incorrect but nothing in this clause is intended to require the Indemnifying Party to be liable for consequential loss, indirect loss or loss of profits of the other Party.

(e)

Where a representation or warranty is given “to the knowledge” of a Party, or “so far as it is aware” or with a similar qualification as to that Parties’ awareness or knowledge (in each case, “Knowledge”), the Party will be deemed to know or be aware of a particular fact, matter or circumstance if the Party:

- (i) is aware of that fact, matter or circumstance on the date the representation or warranty is given; or

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- (ii) would reasonably be expected to be aware of that fact, matter or circumstance if, on the date the representation or warranty is given or deemed to be given, the Party had made reasonable enquiries as to the accuracy of such representation or warranty, including enquiries of directors and officers of the Party or its professional advisers.

Article 3 Option to Acquire Interest

3.01 **Nature of Option.** Subject to USA Rare Earth satisfying the obligations described in Section 3.02, and based upon the representations, warranties and covenants herein contained, USA Rare Earth possesses the Option to earn and acquire a seventy percent (70%) interest, increasable to an eighty percent (80%) interest, in the Round Top Rare Earth project from Texas Mineral Resources by incurring the Expenditures described in Section 3.03 within the periods prescribed by that section (unless otherwise agreed between the parties).

3.02 **Consideration.**

Texas Mineral Resources and USA Rare Earth acknowledge and agree that good and valuable consideration was received and was sufficient to support the Option under the terms of the Original Option Agreement, as amended and restated in this Agreement.

3.03 **Earn In.**

- (a) During the Option Period, USA Rare Earth must (unless the Parties otherwise agree in writing):
 - (i) **Phase 1:** on or before the date which is the later of (A) the expiration of the 13th month following the Investment Date or (B) 90 days following the day on which the Operating Committee has authorized and directed at least \$2,360,000 of Expenditures (the "Phase 1 Deadline"), expend a total amount for the Investment and for Mining Operations on the Concession equal to an aggregate amount of \$2,500,000; for the avoidance of doubt, the \$140,000 paid by Morzev for the Investment and Expenditures for the Pilot Plant shall count toward the required amounts above;
 - (ii) **Phase 2:** expend a total amount for the Mining Operations on the Concession (including all amounts contemplated in Phase 1 above, including the Investment) equal to an aggregate amount of \$10,000,000.
- (b) Upon USA Rare Earth satisfying the minimum Expenditure in Section 3.03(a)(ii) above, each party shall be required to contribute to future Expenditures on the Concession in proportion to their interest in the Concession, and all budgets and timelines shall be determined and agreed by a management committee established between the parties, consisting of two appointees of USA Rare Earth and one appointee of TMRC (any such Expenditure being referred to herein as a "Joint Venture Expenditure") subject to each of the Parties having the right to elect to dilute its interest in the Concession when a call for funding is made.

(c) The Parties hereby acknowledge and agree that the seventy percent (70%) interest in the Concession will only be earned by USA Rare Earth if USA Rare Earth has expended the Expenditures described in Section 3.03(a), within the periods prescribed by Section 3.03(a) (unless otherwise agreed by the Parties), and at such time USA Rare Earth's beneficial interest in the Concession will immediately increase to 70% and Texas Mineral Resources' interest in the Concession will immediately reduce to 30% and the Parties agree to do everything reasonably necessary and within their respective powers to register and effect the change in the interest in the Concession.

(d) [Reserved].

(e) [Reserved].

(f) Where a party fails to contribute any Joint Venture Expenditure, its interest in the Concession shall be diluted on a proportional basis.

(g) USA Rare Earth will have the right to lodge a caveat or register a security over the Concession to protect its interests under this Agreement.

(h) [Reserved].

(i) USA Rare Earth shall have the option (the "**Additional Option**") at any time during the Option Period to acquire from Texas Mineral Resources an additional 10 percent interest (10%) in the Concession by:

- (i) providing written notice to Texas Mineral Resources within 180 days of the completion of a bankable feasibility study (the date of such notice shall be referred to as the "**Additional Option Notice Date**") of its intention to exercise the Additional Option; and
- (ii) paying to Texas Mineral Resources on the Additional Option Notice Date, a one-off payment of \$3,000,000 by wire transfer of immediately available funds.

(j) The Parties acknowledge that the Additional Option shall be null and void if USA Rare Earth failed to comply with any of the provisions of Sections 3.02, 3.03(a), and 3.03(b) hereof

(k)

Upon receipt of the \$3,000,000 by Texas Mineral Resources on the Additional Option Notice Date, USA Rare Earth will earn the right to acquire from Texas Mineral Resources an additional 10 percent (10%) interest in the Concession, increasing its beneficial ownership of the Concession to eighty percent (80%) and reducing Texas Mineral Resources beneficial ownership of the Concession to twenty percent (20%), and the Parties agree to do everything reasonably necessary and within their respective powers to register and effect the change in the interest in the Concession.

Article 4 Manager; Option Period Rights and Obligations

4.01 **Designation.** The Parties hereby designate, ratify and affirm USA Rare Earth as the project manager of the Concession to manage, supervise, direct, and control the Mining Operations with respect to the Concession and shall be the operator of the Concession under the laws of the State of Texas and shall have the responsibilities set forth in Section 4.03 hereof.

4.02 **USA Rare Earth's Obligations.** Subject to Section 4.03 hereof, USA Rare Earth is obligated during the Option Period:

(a)

to arrange for and carry out the Mining Operations with respect to the Concession;

(b)

(Reserved].

(c)

to keep the mining interests comprising the Concession in good standing by the doing all necessary work and by the doing of all other acts and things and making all other payments which may be necessary in that regard;

(d)

to keep the mining interests in the Concession free and clear of all Encumbrances arising from its operations hereunder (except liens for taxes not yet due);

(e)

to take all actions and incur such expenditures as are required to maintain the title and interest of the Parties in and to the mineral rights comprising the Concession in accordance with this Agreement including, without limitation, the payment of all taxes, royalties, rents, and other amounts required to be paid with respect to the mineral rights comprising the Concession and the performance of all duties required to maintain the interest of the Parties in and to the mineral rights comprising the Concession:

(f)

to permit Texas Mineral Resources and its employees, designated consultants and agents and persons or representatives at their own risk, access to the property subject to the Concession at all reasonable times;

(g)

to deliver copies of all assays and technical reports to Texas Mineral Resources as the same become available and shall permit Texas Mineral Resources or its agents to enter upon the property subject to the Concession at any reasonable time to inspect the workings thereon and all assays, plans, maps, diamond drill cores, records and other data in USA Rare Earth's possession relating to the work done by it in connection with the Concession; *provided* that such inspections shall not unreasonably interfere with the work being carried out thereon by USA Rare Earth and shall be at the sole risk of Texas Mineral Resources;

(h)

to submit to Texas Mineral Resources on or before thirty (30) days following the end of each calendar quarter (1) a report disclosing any significant technical data learned or obtained in connection with work in respect of the Concession; (2) a summary report on the Mining Operations completed by or on behalf of USA Rare Earth; and (3) a reasonably detailed statement of Expenditures incurred during such calendar quarter, together with a copy of any report prepared by or on behalf of USA Rare Earth during such period;

(i)

to maintain true and correct books, accounts and records of Expenditures and to make them fully and readily available to Texas Mineral Resources as requested from time to time;

(j)

to conduct all exploration and other operations in connection with the Concession in a good and workmanlike manner in accordance with good mining and engineering practices and in compliance with all applicable laws, regulations and orders; and

(k)

to maintain general liability insurance with respect to its operations in connection with the Concession in reasonable amounts in accordance with acceptable industry practices, but in: any event at the commencement of Mining Operations in amounts of no less than \$1,000,000 for personal injury, death or damage to property and provide proof of such insurance naming Texas Mineral Resources as an additional insured within ninety (90) days following the exercising of its Option.

4.03 **Texas Mineral Resources and USA Rare Earth's Obligations.**

(a)

Texas Mineral Resources is obligated during the Option Period to provide assistance as necessary to USA Rare Earth in the exploration and development of the Concession, dealing with any and all land right registration and transfer issues, to ensure this Agreement remains in good standing, and are carried out in accordance with its intent.

(b)

At all times following the date hereof, Texas Mineral Resources shall continue to have the sole and absolute responsibility to communicate, interact and deal with, including, without limitation, for the purposes of filing and obtaining all necessary permits or licenses, any federal, provincial, municipal or other governmental authority, department, court, commission, board, bureau or agency in the State of Texas until such time that USA Rare Earth cums its 70% interest in the Concession.

4.04 **Operating Committee.**

An Operating Committee will be formed by the Parties to oversee the work programs, budgets and technical aspects of the Concession, with USA Rare Earth appointing two members to the Operating Committee and Texas Mineral Resources appointing one member to the Operating Committee (the "Operating Committee").

4.05 **Resignation, Removal or Change of USA Rare Earth as Project Manager.**

- (a) USA Rare Earth shall be deemed to have resigned from its duties and obligations as project manager upon the occurrences of any of the following:
- (i) upon voluntary resignation;
 - (ii) USA Rare Earth defaults in any of its obligations pursuant to Sections 3.01, 3.02 and 4.02;
 - (iii) by voluntary or involuntary liquidation, insolvency or termination of USA Rare Earth's corporate existence and
 - (iv) by court order.

Upon USA Rare Earth's resignation as project manager of the Concession pursuant to this Section 4.04 hereof, Texas Mineral Resources shall automatically be appointed the project manager of the Concession to manage, supervise, direct, and control the Mining Operations with respect to the Concession effective as of the date of such resignation.

Article 5 Transfer or Encumbrance of Interest

5.01 **Prohibition and Right of Approval.** During the Option Period:

- (a) no Party may sell, assign, or transfer all or any part of their interest in this Agreement or the mineral rights comprising the Concession without the prior written consent of the other Party, which will not be unreasonably withheld: and
- (b) no Party shall be entitled to Encumber its interest in this Agreement and or the mineral rights comprising the Concession.

5.02 **Exceptions.** Section 5.01(a) shall not apply to the following:

- (a) a transfer by a Party of all or any part of its interest in this Agreement to the other Party, a subsidiary or related body corporate of that Party; or
- (b) a corporate merger, consolidation, amalgamation, plan of arrangement or reorganization of a Party by which the surviving entity shall be subject to all of the liabilities and obligations of the Party hereunder.

5.03 **Novation. Right of First Offer.** If a Party (in this Article 5, the "**Selling Party**"), wishes to sell any of its holding or its rights under this Agreement (in this Article 5, the ("**Holdings**") other than as contemplated under Section 5.02, then it must, prior to any such transfer, first offer to sell the Holdings to the other Party for a cash consideration and upon such other terms and conditions as the selling Party deems fit (in this Section 5.03, the "**Offer**"). If the other Party accepts the Offer within the 30-day period following its receipt, then the sale will be concluded no later than 30 days after such acceptance. If the other Party does not accept the Offer within such 30-day period, then the Selling Party will be free to sell the Holdings to a third party at any time after the expiry of such 30-day period and prior to the expiry of the succeeding 90-day period, but only for a cash consideration equal to or greater than the cash consideration stated in the Offer and upon other terms and conditions no less favorable to the Selling Party than those contained in the Offer. If the Selling Party's transfer of the Holdings to the other Party or to a third party is not concluded prior to the expiry of such 30-day or 90-day period as aforesaid, any subsequent sale by the Selling Party will be subject to the provisions of this Section 5.03.

5.04 **Conditions of Sale.** As a condition of any transfer other than to another Party, the buyer must covenant and agree to be bound by this Agreement, including this Article 5, and prior to the completion of any such sale, the Selling Party must deliver to the other Party evidence thereof in a form satisfactory to such other Party. Notwithstanding any such sale, the Selling Party will remain liable for all of its obligations hereunder, unless the Holdings have been sold to a third party pursuant to Section 5.03.

5.05 **Drag Along.** If USA Rare Earth receives a bona fide offer to purchase its interest or Option in the Concession from an unrelated third party, then USA Rare Earth must issue by written notice given to Texas Mineral Resources (a "Drag-Along Notice") requiring Texas Mineral Resources to sell all (but not part only) of Texas Mineral Resources' interest in the Concession to the same relevant third party on the same terms and conditions as those contained in the offer notice (provided that USA Rare Earth also sells all (but not part only) of its interest in the Concession to such third party on such same terms and conditions) and upon such Drag-Along Notice being given to Texas Mineral Resources, Texas Mineral Resources shall be obliged to sell its interest to such third party on the same terms and conditions as set out in the offer notice.

5.06 **Partial Transfers.**

(a) If the transferring Party transfers less than all of its interests under this Agreement, the transferring Party and its transferee shall act and be treated as one Party and, for such transfer to be effective, the transferring Party must first deliver to the other Party the agreement in writing of the transferring Party and its transferee in favor of the other Party in which:

- (i) as between the transferring Party and the transferee, the one of them who is authorized to act as the sole agent (in this section the "Agent") on behalf of both of them with respect to all matters pertaining to this Agreement is designated; and
- (ii) the transferring Party and its transferee agree between each other and jointly represent and warrant to other Party that:

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- (1) the Agent has the sole authority to act on behalf of, and to bind, the transferring Party and its transferee with respect to all matters pertaining to this Agreement;
 - (2) the other Party may rely on all decisions of, notices and other communications from, and failures to respond by, the Agent, as if given (or not given) by both the transferring Party and its transferee; and
 - (3) all decisions of, notices and other communications from, and failures to respond by, the other Party to the Agent shall be deemed to have been given (or not given) concurrently to the transferring Party and its transferee.

Article 6 Non-Exercise; Termination

6.01 **Non-Exercise.** The right to exercise the Option (that is, the right to acquire the percentage interest as contemplated herein) shall become null and void and this Agreement shall terminate if:

- (a) USA Rare Earth notifies Texas Mineral Resources in writing at any time of its intention not to exercise the Option;
- (b) USA Rare Earth fails to make the payments to Texas Mineral Resources described in Section 3.02 hereof as scheduled (unless as otherwise agreed between the Parties); or
- (c) USA Rare Earth fails to expend all of the Expenditures described in Section 3.03 hereof as scheduled (unless as otherwise agreed between the Parties) and shall have failed within thirty (30) days after the end of the period in which such Expenditures must be incurred in order to maintain the Option in force and effect either to:
 - (i) pay the amount of such deficiency to Texas Mineral Resources; or
 - (ii) commit to Texas Mineral Resources to be legally bound to incur Expenditures in the amount of the deficiency within thirty (30) days after the end of such period and thereafter incur such Expenditures within such thirty (30) day period.

6.02 **Termination.** On the termination of this Agreement in accordance with this Section 6.02:

- (a) the mineral rights comprising the Concession shall be free of all Encumbrances created by or through USA Rare Earth;

(b) all plant, machinery, equipment and supplies owned by USA Rare Earth and brought and placed upon the property subject to the Concession shall remain USA Rare Earth's exclusive property and, if this Agreement terminates without USA Rare Earth exercising any part of the Option, shall be removed by USA Rare Earth at any time or times within a period of one (1) month next following the termination of this Agreement; *provided* that if USA Rare Earth has not removed all such plant, machinery, equipment or supplies within the said one (1) month period, then such plant, machinery, equipment and supplies not so removed thereafter shall at the option of Texas Mineral Resources (i) become the property of Texas Mineral Resources or, (ii) within a further one (1) month be removed by Texas Mineral Resources at USA Rare Earth's expense. All plant, machinery, equipment and supplies, until it becomes Texas Mineral Resources' property or is removed from the Concession, shall be the sole responsibility of USA Rare Earth and Texas Mineral Resources shall have no liability with regard thereto;

(c) USA Rare Earth shall forthwith deliver to Texas Mineral Resources all data and factual and interpretative information generated by USA Rare Earth through its exploration activities with respect to the Concession;

(d) USA Rare Earth shall forthwith assign to Texas Mineral Resources its interest in any mineral dispositions, mining leases and other mineral interests lying within the Area of Interest and which then comprise part of the Concession, at no cost to Texas Mineral Resources, subject to all Encumbrances, agreements, obligations, royalties, profit interests or other payments in the nature of a rent or royalty, and other interests of whatsoever nature or kind which then exist other than those in favor of USA Rare Earth or any Affiliate;

(e) USA Rare Earth shall be solely liable for all costs and expenses accrued by USA Rare Earth to third parties as a result of its activities in connection with the Concession on and from the Effective Date, during the Option Period and up to the date of termination of this Agreement;

(f)

USA Rare Earth shall promptly as reasonably possible perform all remaining reclamation, rehabilitation and remediation work required by law, including Environmental Law associated with its activities in connection with Concession on and from the Effective Date, during the Option Period and up to the date of termination of this Agreement; and

(g)

The provisions of Articles 2, 6, 7 and 10 shall survive the termination of this Agreement.

Article 7 Confidentiality

7.01 **Covenant.** All matters concerning the execution, contents and performance of the Agreement and the Concession shall be treated as and kept confidential by the Parties and shall only be disclosed as provided in this Article 7.

7.02 **Disclosure to Satisfy Regulatory Requirements.** If any Party or an Affiliate, by reason of any legal requirement or requirement of any regulatory body having jurisdiction over a Party, must disclose any matter concerning the execution or content of this Agreement or the Concession, then the affected Party shall, prior to making any disclosure, forward the text of the disclosure to the other Party. The other Party shall be given the opportunity to make reasonable suggestions for changes therein. The disclosing Party shall consider said suggestions and, to the extent practicable, advise the other Party prior to the disclosure if said suggestions are not to be incorporated into the disclosure.

7.03 **Disclosure to other Parties.** Either Party or an Affiliate may disclose confidential information to:

(a)

public or private financing agencies or institutions;

(b)

consultants, contractors or subcontractors which the Parties may engage; or

(c)

third parties to which a Party contemplates the permitted transfer, assignment, sale, Encumbrance or other disposition of all or part of its interest herein and in the Concession;

provided that in any such case, only such confidential information as such recipient shall have a legitimate business need to know shall be disclosed and further provided that the recipient shall first enter into a written agreement with the Party disclosing the information to protect the confidentiality of such information.

7.04 **Free Utilization.** Notwithstanding the generality of the foregoing, each Party shall be free to utilize information or knowledge obtained pursuant to the Agreement in connection with the conduct by such Party for exploration or mining operations for its own benefit and account or for the benefit and account of any partnership, joint venture or corporation of which it is a partner or member.

Article 8 Area of Interest

8.01 **Area of Interest.** Subject to the provisions of this Agreement, both during the Option Period and subsequently, either Party may buy surface or mineral acreage, purchase prospecting permits from the Texas General Land Office, or lease surface or mineral acreage within the Area of Interest. The Party so purchasing or leasing such mineral or surface interest shall deliver notice to the other Party within thirty (30) days of such acquisition stating the its position, the reason for its purchase or lease and the costs of the acquisition. The Party receiving such notice may add such acquisition to the Concession by, within thirty (30) days of receipt of such notice, delivering to the other Party its own notice indicating that such acquisition is to be added to the Concession, together with a certified check for the Party's share of the costs of its purchase or lease (which for the avoidance of doubt, shall be proportionate to that Party's then interest in the Concession). If a Party fails to deliver such notice and check to the other Party within such thirty (30) day period, the acquisition which was the subject of the original notice under this Section 8.01 shall not form part of the Concession and shall no longer be subject to this Agreement. Each acquisition so purchased or leased within the Area of Interest will be independently subject to the right of the other Party to add to the Concession, even though more than one such acquisition may be purchased or leased within the Area of Interest at the same time.

Article 9 Force Majeure

9.01 **Suspension of obligations.**

(a)

Notwithstanding any other provision of this Agreement, a Party will not be liable for any failure to perform, or delay in the performance of its obligations, under this Agreement if the failure or delay is caused, whether directly or indirectly, by a Force Majeure Event for as long as the Force Majeure Event continues, and no liability or claim shall result on account of a failure of that Party to perform the obligations.

(b)

The Party unable to perform its obligations ("Affected Party") must:

(i)

notify the other Party immediately of the Force Majeure Event, including describing the impact or anticipated impact of the Force Majeure Event on the Affected Party's performance and its estimate of the likely duration of the Force Majeure Event;

(ii)

use its reasonable endeavours to continue or resume its performance in accordance with this Agreement as soon as possible, including:

- (1) using its reasonable endeavors to remedy or cause to be remedied any impact of the Force Majeure Event that is capable of remedy as quickly as possible; or
- (2) making alternative arrangements with a third party or parties to enable it to fulfil its obligations, provided those alternative arrangements are satisfactory to the other Party and do not involve any additional cost to the other Party (unless the other Party agrees otherwise); and
- (3) keep the other Party informed in relation to any change in its ability to continue or resume its performance.

(c)

An Affected Party is not obliged to undertake uneconomic measures so as to overcome a Force Majeure Event.

9.02 **Extended Force Majeure:** In the event that any Force Majeure Event cannot be removed, overcome or abated within 6 months (or such other period as the Parties shall mutually agree) from the date the Parties affected first became so affected, a meeting of the Parties will be convened for the purpose of considering the modification or termination of this Agreement.

Article 10 Indemnification

10.01 Indemnity.

(a)

USA Rare Earth shall and does hereby indemnify and save Texas Mineral Resources harmless from and against all losses, liabilities, claims, demands, damages, expenses, suits, injury or death in any way referable to Mining Operations conducted by or on behalf of USA Rare Earth during the Option Period; *provided*, that Texas Mineral Resources shall not be indemnified for any loss, liability, claim, demand, damage, expense, suit, injury or death resulting from the gross negligence or willful misconduct of Texas Mineral Resources or any of its employees, agents or contractors. For further clarity, the Parties intend that USA Rare Earth shall be responsible for all liabilities, known or unknown, contingent or otherwise, which were incurred or arose during the Option Period, relating to or arising out of:

- (i) the conduct of all Mining Operations; and
- (ii) the environmental protection, clean-up, remediation, and reclamation in connection with the Concession including, but not limited to, the obligations and liabilities arising out of or related to:
 - (1) the disturbance or contamination of land, water (above or below surface) or the environment by exploration, mining, processing or waste disposal activities;
 - (2) any failure to comply with all past, current or future governmental or regulatory authorizations, licenses,
 - (3) permits, and orders and all non-governmental prohibitions, covenants, contracts and indemnities;
 - (4) any act or omission causing or resulting in the spill, discharge, leak, emission, ejection, escape, dumping or release of hazardous or toxic substances, materials, or wastes as defined in any federal, provincial, or local law or regulation in connection with or emanating from the Concession; and
 - (5) the long-term reclamation and remediation of the property subject to the Concession and the care and monitoring of the property subject to the Concession, and the posting and maintaining of bonds or other financial assurances required in connection therewith.

(b)

Each Party shall indemnify and save harmless the other, as well as its officers, directors, employees, agents and shareholders, from and against any and all claims, losses, liabilities, damages, fees, fines, penalties, interests, deficiencies, costs and expenses, of any nature or kind whatsoever, arising by virtue or in respect of any breach of covenant contained herein or failure to comply with any provision herein, or any inaccuracy, misstatement, misrepresentation or omission made by such party in connection with any matter set out herein, and any and all actions, suits, proceedings, demands, claims, costs, legal and other expenses related or incidental thereto.

(c)

Notwithstanding any other provision of this Agreement and any termination of this Agreement, the indemnities provided herein shall remain in full force and effect until all possible liabilities of the persons indemnified thereby are extinguished by the operation of law and will not be limited to or affected by any other indemnity obtained by such indemnified persons from any other person.

Article 11 General Provisions

11.01 **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

11.02 **Dispute Resolution.** The Parties hereby irrevocably and unconditionally (a) submit to the jurisdiction of the federal and state courts located within the geographical boundaries of the United States District Court for the Southern District of New York for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other proceeding arising out of or based upon this Agreement except in the federal and state courts located within the geographical boundaries of the United States District Court for the Southern District of New York, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise,

in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution., that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court.

11.03 **Entire Agreement.** This Agreement supersedes all other prior oral or written agreements between the Parties, their affiliates and persons acting on their behalf with respect to the matters discussed herein, and this Agreement and the Exhibits and the instruments referenced herein and therein contain the entire understanding of the Parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, no Party makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be amended other than by an instrument in writing signed by the Parties, No provision hereof may be waived other than by an instrument in writing signed by the Party against whom enforcement is sought.

11.04 **Notices.**

(a)

Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending Party); or (iii) one (1) Business Day after deposit with an overnight courier service, in each case properly addressed to the Party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Texas Mineral Resources:

Texas Mineral Resources Corp.
516 South Spring Avenue
Tyler, Texas 75702
Attention: Dan Gorski
Tel: +1 915 539-5494
Email: bluemtn@sbcglobal.net

with a copy to:

Thomas C. Pritchard
Brewer & Pritchard PC
800 Bering Dr. Suite 20 I
Houston, Texas 77057
713-809-2911
pritchard@bplaw.com

If to USA Rare Earth:

85 Broad Street, I 6th Floor
New York, NY 10004 USA
Attention: Pini Althaus
Tel: 212-739-0468
Email: pini@usarareearth.com

with a copy to:

Barnes & Thornburg LLP
2121 North Pearl Street, Suite 700
Dallas, Texas 75201
Attention: John Willding
Tel: 214-258-41 39
Email: john.willding@btlaw.com

or to such other address and/or email address and/or to the attention of such other Person as the recipient Party has specified by written notice given to each other Party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by an overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from an overnight courier service in accordance with clause (i), (ii) or (iii) above, respectively.

11.05 **No Third Party Beneficiaries.** This Agreement is intended for the benefit of the Parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

11.06 **Further Assurances.** The Parties hereto shall from time to time at the request of any of the other Parties hereto and without further consideration, execute and deliver all such other additional assignments, transfers, instruments, notices, releases and other documents and shall do all such other acts and things as may be necessary or desirable to assure more fully the consummation of the transactions contemplated hereby.

11.07 **Counterparts.** This Agreement may be executed by facsimile and in as many counterparts as are necessary and shall be binding on each Party when each Party hereto has signed and delivered one such counterpart. When a counterpart of this Agreement has been executed by each Party, all counterparts together shall constitute one agreement.

Exhibit 31.1. Certification by Chief Executive Officer

I, Daniel E Gorski, certify that:

1. I have reviewed this Annual Report on Form 10-K of Texas Mineral Resources Corp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 27, 2019

/s/ Daniel E Gorski

Daniel E Gorski, Chief Executive Officer

Exhibit 31.2. Certification by Chief Financial Officer

I, Wm Chris Mathers, certify that:

1. I have reviewed this Annual Report on Form 10-K of Texas Mineral Resources Corp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 27, 2019

/s/ Wm Chris Mathers

Wm Chris Mathers, Chief Financial Officer

Exhibit 32.1. Section 1350 Certification by Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Texas Mineral Resources Corp (the “Company”) on Form 10-K for the period ended August 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Daniel E Gorski, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel E Gorski

Daniel E Gorski, Chief Executive Officer
November 27, 2019

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2. Section 1350 Certification by Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Texas Mineral Resources Corp (the “Company”) on Form 10-K for the period ended August 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Wm Chris Mathers, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Wm Chris Mathers

Wm Chris Mathers, Chief Financial Officer
November 27, 2019

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.