U.S. RARE EARTHS, INC

FORM 10-Q
(Quarterly Report)

Filed 11/23/15 for the Period Ending 09/30/15

Address	5600 TENNYSON PARKWAY SUITE 240 PLANO, TX 75024
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Symbol	UREE
SIC Code	1000 - Metal Mining
Industry	Metal Mining
Sector	Basic Materials
Fiscal Year	12/31

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

FORM 10-Q

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

For the Quarter Ended September 30, 2015

☐ **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 000-36888

U.S. RARE EARTHS, INC.

(Exact name of registrant as specified in its charter)

Nevada	**87-0638338**
(State or other jurisdiction of incorporation)	(IRS Employer File Number)

5600 Tennyson Parkway, Suite 240, Plano, Texas	**75024**
(Address of principal executive offices)	(zip code)

(972) 294-7116
(Registrant's telephone number, including area code)

____
(Former name or former address, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☑ Yes ☐ No

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☑

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

As of November 18, 2015, we had 11,327,050 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

U.S. RARE EARTHS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AN EXPLORATION STAGE COMPANY

	September 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets		
Cash	$ 1,769	$ 142,540
Deposits	21,941	23,671
Prepaid expenses	179,033	149,086
Total current assets	202,743	315,297
Deferred financing costs	-	276,811
Property and equipment, net	87,654	109,290
Total Assets	**$ 290,397**	**$ 701,398**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	$ 2,846,043	$ 2,225,799
Accounts payable and accrued expenses-related party	1,042,865	286,982
Payroll tax liability	461,514	321,518
Accrued compensation-officers	82,000	82,000
Accrued interest	17,553	7,960
Accrued interest-related party	1,161	358
Share repurchase obligation	240,000	240,000
Short-term notes payable, less unamortized discount and debt issuance costs of $66,429 and $0 at September 30, 2015 and December 31, 2014, respectively	367,710	106,490
Legal settlement liabilities	385,000	367,000
Total current liabilities	5,443,846	3,638,107
Long-term note payable	25,000	-
Total liabilities	5,468,846	3,638,107
Stockholders' deficit		
Common stock, par value $0.00001, 100,000,000 shares authorized as of September 30, 2015 and December 31, 2014; 11,143,717 and 11,118,390 shares issued and outstanding as of September 30, 2015 and December 31, 2014	111	111
Additional paid-in capital	72,716,006	71,192,503
Accumulated deficit	(77,894,566)	(74,129,323)
Total stockholders' deficit	(5,178,449)	(2,936,709)
Total Liabilities and Stockholders' Deficit	**$ 290,397**	**$ 701,398**

See accompanying notes to condensed consolidated financial statements

U.S. RARE EARTHS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AN EXPLORATION STAGE COMPANY
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating costs and expenses:				
Selling, general and administrative expenses	$ 916,476	$ 1,383,571	$ 3,299,075	$ 4,592,163
Exploration expense	58,382	307,312	234,334	845,611
Total operating expenses	974,858	1,690,883	3,533,409	5,437,774
(Loss) from operations	(974,858)	(1,690,883)	(3,533,409)	(5,437,774)
Other expense/(income):				
Other income	(7,307)	-	(7,307)	-
Interest expense	53,850	4,693	81,145	7,017
Interest and penalties on payroll tax claim	3,695	-	139,996	-
Loss on legal settlement	-	18,000	18,000	349,000
Total other expense/(income)	50,238	22,693	231,834	356,017
(Loss) from continuing operations	(1,025,096)	(1,713,576)	(3,765,243)	(5,793,791)
Income (loss) from discontinued operations	-	-	-	1,230
Net loss	**$ (1,025,096)**	**$ (1,713,576)**	**$ (3,765,243)**	**$ (5,792,561)**
Per share data:				
Net loss per share before discontinued operations attributable to UREE common shareholders	$ (0.09)	$ (0.16)	$ (0.34)	$ (0.56)
Discontinued operations attributable to UREE common shareholders	$ -	$ -	$ -	$ -
Net loss per share attributable to UREE common shareholders applicable to common stockholders	$ (0.09)	$ (0.16)	$ (0.34)	$ (0.56)
Weighted average number of shares outstanding - Basic and diluted	11,143,717	10,473,681	11,139,130	10,389,703

See accompanying notes to condensed consolidated financial statements

U.S. RARE EARTHS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
AN EXPLORATION STAGE COMPANY
(Unaudited)

	For the Nine Months Ended September 30,	
	2015	**2014**
Cash flows from operating activities		
Net loss	$ (3,765,243)	$ (5,792,561)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	21,636	21,172
Common stock and warrants issued for services	-	129,500
Stock-based compensation	1,423,503	2,737,500
Deferred offering costs charged to expense	276,811	-
Loss on legal settlement	18,000	349,000
Accretion of debt discount and debt issuance costs	66,429	-
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Prepaid expenses	(29,947)	(203,621)
Deposits	1,730	(81,544)
Account payable and accrued expenses	620,244	426,082
Account payable and accrued expenses - related party	755,883	4,939
Payroll tax liability	139,996	-
Accrued compensation-officers	-	5,000
Accrued interest	9,593	476
Accrued interest - related party	803	-
Net cash used in discontinued operations	-	(69,181)
Net cash used in operating activities	**(460,562)**	**(2,473,238)**
Cash flows from investing activities		
Purchase of property and equipment	-	(22,294)
Net cash used in investing activities	**-**	**(22,294)**
Cash flows from financing activities		
Proceeds from the sale of common stock and warrants	100,000	1,492,500
Repurchase of common stock	-	(1,354,999)
Proceeds from note payable	356,520	190,251
Payment for debt issuance costs	(16,000)	-
Repayment of note payable	(120,729)	(20,821)
Payment of deferred financing costs	-	(27,050)
Net cash provided by financing activities	**319,791**	**279,881**
Net decrease in cash	**(140,771)**	**(2,215,651)**
Cash at beginning of period	**142,540**	**2,216,102**
Cash at end of period	**$ 1,769**	**$ 451**
Supplemental Cash Flow Disclosures:		
Non-cash investing and financing activities:		
Forgiveness of accrued compensation due to officers	$ -	$ 190,596
Share repurchase liability	$ -	$ 1,144,000
Cash paid for:		
Interest expense	$ -	$ 898
Income taxes	$ -	$ -

See accompanying notes to condensed consolidated financial statements

NOTE 1. ORGANIZATION

The Company and our Business

U.S. Rare Earths, Inc. (“UREE”, “U.S. Rare Earths” or the “Company”) is a rare earth elements exploration and claims acquisition company based in Plano, Texas that seeks to create a completely independent American based rare earth supply chain solution within the continental United States.

Formerly Colorado Rare Earths, Inc., the Company holds approximately 83 unpatented lode mining claims that cover approximately 1,600 acres of land in Colorado, Idaho and Montana. The claims held by the Company include properties along the Lemhi Pass trend including the Last Chance vein (one of the longest known, rare earth mineralized structures in the trend), part of the Rudolph Hill complex which has carbonatite related rare earth mineralization associated with the Colorado Iron Hill carbonatite, and parts of the largest identified rare earth mineralized carbonatite vein in the North Fork area of Idaho. In order to conserve cash resources, during the third quarter of 2015, the Company discontinued maintaining the rights to approximately 1,167 mining claims that it previously held.

The Company’s operations are exploratory in nature. The Company currently does not have any producing properties and further exploration will be required before a final evaluation as to the economic and practical feasibility of any of the Company’s claims is determined.

The Company is considered an exploration stage company under criteria of the Securities and Exchange Commission (the "SEC") because it has not demonstrated the existence of proven or probable reserves at its claims. Accordingly, as required under SEC guidelines and United States generally accepted accounting principles ("U.S. GAAP") for companies in the exploration stage, all of the Company's investments in mining properties to date have been expensed as incurred and therefore do not appear as assets on its balance sheet. The Company expects exploration expenditures will continue during 2015 and subsequent years. The Company expects to remain an exploration stage company for the foreseeable future. The Company will not exit the exploration stage until such time as the Company demonstrates the existence of proven or probable reserves that meet SEC guidelines. Likewise, unless mineralized material is classified as proven or probable reserves, all expenditures for mine exploration and construction will continue to be expensed as incurred.

The Company's principal source of liquidity for the next several years will be the continued raising of capital through the issuance of equity or debt securities and the exercise of warrants. The Company plans to raise funds for each step of a project and, as each step is successfully completed, raise the capital for the next phase of the project. The Company believes this will reduce the cost of capital as compared to trying to raise all of the anticipated capital at once up front. However, since the Company's ability to raise additional capital will be affected by many factors, most of which are not within the Company's control, no assurance can be given that the Company will in fact be able to raise the additional capital as needed.

On January 28, 2014, the Company entered into a binding letter of intent to sell the common stock of Media Depot, Inc., the Company’s media business subsidiary, and certain related media assets of the Company to Michael D. Parnell, the Company’s former Chief Executive Officer, National Accounts Director and a Director, or an affiliate of Mr. Parnell. On May 12, 2014, the Company completed the sale of the media business to an affiliate of Mr. Parnell effective January 1, 2014. See Note 4 and Note 11 for additional information regarding the sale of the media business.

On July 18, 2011, the Company entered into an agreement to acquire U.S. Rare Earths, Inc., a Delaware corporation, and the acquisition closed on August 22, 2011. In connection with the acquisition, the Company changed its corporate name to U.S. Rare Earths, Inc.

On December 15, 2010, the Company entered into an agreement to acquire certain mining claims located in Gunnison, Freemont and Saguache Counties, Colorado.

The Company was incorporated in the State of Delaware on July 27, 1999 and changed its domicile to the State of Nevada in December 2007. The Company’s principal executive offices are located at 5600 Tennyson Parkway, Suite 240, Plano, Texas 75024. The telephone number is 972-294-7116. The Company’s principal website address is located at *www.usrareearths.com* . The information contained on, or that can be accessed through, its website is not incorporated into and is not a part of this Quarterly Report on Form 10-Q. The Company has included its website address in this Quarterly Report on Form 10-Q solely as an inactive textual reference.

Liquidity and Going Concern

To date, the Company had no revenues from its rare-earth elements claims.

At September 30, 2015, the Company had cash of $1,769 and a working capital deficit of approximately $5.2 million. At December 31, 2014, the Company had cash of $142,540 and a working capital deficit of approximately $3.3 million. This decrease in cash was due primarily to operating losses during the nine months ended September 30, 2015. During the nine months ended September 30, 2015 the Company raised $325,000 through the sale of its common stock and warrants and the issuance of a convertible note. During the nine months ended September 30, 2014, the Company raised approximately $1.6 million through the sale of its common stock and warrants.

The Company's business plan calls for significant expenses in connection with the exploration and development of the claims and the Company has budgeted expenditures for the next twelve months of approximately $1.4 million. To date, the Company has principally financed its operations through the sale of its common stock and the issuance of debt. The Company does not currently have sufficient funds to conduct continued exploration on its claims and requires additional financing in order to determine whether the claims contain economically viable quantities of reserves of rare-earth elements. The Company will also require additional financing if the costs of the exploration of the claims are greater than anticipated. The Company will also require additional financing to sustain its business operations if it is not successful in earning revenues once exploration is complete. Obtaining additional financing would be subject to a number of factors, including the market prices for rare-earth elements, investor acceptance of its properties and general market conditions. These factors may make the timing, amount, terms or conditions of additional financing unavailable to the Company.

Financing transactions may include the issuance of equity or debt securities of the Company, obtaining credit facilities, or other financing mechanisms. However the Company cannot assure that additional financing will be available when needed on favorable terms, or at all. Even if the Company is able to raise the funds required, it is possible that the Company could incur unexpected costs and expenses or experience unexpected cash requirements that would force the Company to seek alternative financing. Furthermore, if the Company issues additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of its common stock. The inability to obtain additional capital will restrict the Company's ability to grow and will impact its ability to continue to conduct business operations. If the Company is unable to obtain additional financing, it will have to curtail its plans and possibly cease operations.

If reserves of rare-earth elements are identified in economically-viable quantities, additional capital will be needed to actually develop and mine those reserves. Even if economic reserves are found, the Company will not be able to develop its mining operations should it be unable to obtain the necessary financing.

Going Concern

The Company's accountants have expressed doubt about its ability to continue as a going concern as a result of the Company's history of net losses. The Company's ability to achieve and maintain profitability and positive cash flow is dependent upon its ability to successfully execute the above plans. The outcome of these matters cannot be predicted at this time. These condensed consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue its business.

Unaudited Financial Statements

The accompanying unaudited financial statements of the Company have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Articles 8-03 and 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The financial statements for the periods ended September 30, 2015 and 2014 are unaudited and include all adjustments necessary to present a fair statement of the results of operations for the periods then ended. All such adjustments are of normal, recurring nature. The results of the Company's operations for any interim period are not necessarily indicative of the results of the Company's operations for a full fiscal year. For further information, refer to the financial statements and footnotes thereto included in these condensed consolidated financial statements and the Company's Amendment No. 1 to Annual Report on Form 10-K/A for the year ended December 31, 2014 as filed with the SEC on March 6, 2015.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's condensed consolidated financial statements. The condensed consolidated financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States, and have been consistently applied in the preparation of the condensed consolidated financial statements.

Accounting Method

The Company's condensed consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Principles of Consolidation

These condensed consolidated financial statements include the Company's consolidated financial position, results of operations, and cash flows. All material intercompany balances and transactions have been eliminated in the accompanying condensed consolidated financial statements.

Cash and Cash Equivalents

The Company classifies highly liquid temporary investments with an original maturity of three months or less when purchased as cash equivalents. The Company maintains cash balances at various financial institutions. Balances at U.S. banks are insured by the Federal Deposit Insurance Corporation up to $250,000. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk for cash on deposit. As of September 30, 2015 and December 31, 2014, the Company had no uninsured cash amounts.

Deferred Financing Costs

Deferred financing costs consist of specific, incremental capitalized costs directly attributable to a proposed offering of securities. In the event of a successful public offering, these deferred costs will be charged against the gross proceeds of the offering in additional paid-in capital. In the event the offering is abandoned, any capitalized costs will be charged to expense in the period in which the offering is abandoned. As of December 31, 2014, the Company had recognized deferred offering costs totaling approximately $277,000. During the nine months ended September 30, 2015, the Company charged these costs to general and administrative expenses in the accompanying Statements of Operations.

Property and Equipment

Equipment consists of machinery, furniture, fixtures and software, which are stated at cost less accumulated depreciation and amortization. Depreciation is computed by the straight-line method over the estimated useful lives or lease period of the relevant asset, generally five to seven years.

Mineral Rights

Costs of acquiring mineral rights are capitalized by project area upon purchase of the associated claims. Costs to maintain the mineral rights and leases are expensed as incurred. When a property reaches the production stage, the related capitalized costs will be amortized, using the units of production method on the basis of periodic estimates of ore reserves.

Long-Lived Assets

The Company reviews its long-lived assets for impairment annually or when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets under certain circumstances are reported at the lower of carrying amount or fair value. Assets held for disposal and assets not expected to provide any future service potential to the Company are recorded at the lower of carrying amount or fair value (less the projected costs associated with selling the asset). To the extent carrying values exceed fair values, an impairment loss is recognized in operating results.

Value Measurements and Financial Instruments

ASC Topic 820, *Fair Value Measurement and Disclosures* , defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy, which requires classification based on observable and unobservable inputs when measuring fair value. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 – Quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than level one inputs that are either directly or indirectly observable; and

Level 3 – Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

The risk-free rate of return reflects the interest rate for the United States Treasury Note with similar time-to-maturity to that of the related financial instrument.

The recorded value of other financial assets and liabilities, which consist primarily of cash and cash equivalents, deposits, deferred financing costs, other current assets, and accounts payable and accrued expenses, approximate the fair value of the respective assets and liabilities at September 30, 2015 and December 31, 2014 based upon the short-term nature of the assets and liabilities.

Mineral Exploration and Development Costs

All exploration expenditures are expensed as incurred. Exploration expenditures include direct exploration costs, as well as certain indirect costs allocated to exploration expense. Significant acquisition payments for active exploration rights are capitalized. If no minable ore body is discovered, previously capitalized costs are expensed in the period the exploration right is abandoned.

Should a property be abandoned, its capitalized costs are charged to operations. The Company charges to operations the allocable portion of capitalized costs attributable to exploration rights abandoned. Capitalized costs are allocated to rights sold based on the proportion of claims sold to the claims remaining within the project area.

Stock-Based Compensation

The Company has share-based compensation plans under which non-employees, consultants and suppliers may be granted restricted stock, as well as options to purchase shares of Company common stock at the fair market value at the time of grant. Stock-based compensation cost is measured by the Company at the grant date, based on the fair value of the award over the requisite service period. For options issued to employees, the Company recognizes stock compensation costs utilizing the fair value methodology over the related period of benefit. Grants of stock options and stock to non-employees and other parties are accounted for in accordance with ASC 505. The Company recorded equity-based costs for non-employees, consultants and suppliers of $0 and $129,500 during the nine months ended September 30, 2015 and 2014, respectively.

The Company applies ASC 718 for options, common stock and other equity-based grants to its employees and directors. ASC 718 requires measurement of all employee equity-based payment awards using a fair-value method and recording of such expense in the consolidated financial statements over the requisite service period. The fair value concepts have not changed significantly in ASC 718; however, in adopting this standard, companies must choose among alternative valuation models and amortization assumptions. After assessing alternative valuation models and amortization assumptions, the Company will continue using both the Black-Scholes valuation model and straight-line amortization of compensation expense over the requisite service period for each separately vesting portion of the grant. The Company recorded equity-based compensation for employees and directors of $1.4 million and $2.7 million for the nine months ended September 30, 2015 and 2014, respectively.

Provision for Income Taxes

Income taxes are provided based upon the liability method of accounting. Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the “more likely than not” standard.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for income tax purposes.

Net Loss Per Share

Basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock outstanding for the periods presented. Diluted net loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the income of the Company, subject to anti-dilution limitations. As of September 30, 2015 and 2014, the Company had outstanding warrants for the purchase of 1,179,234 and 1,154,234 common shares, respectively, and an option to purchase 1,000,000 shares that were not included in the computation of loss per share at September 30, 2015 and 2014 because they would have been anti-dilutive.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent 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.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation. At December 31, 2014, $321,518 was reclassified to payroll tax liability comprised of $271,602 from accounts payable and accrued expenses, $22,756 from accrued interest, and $21,160 from other current liabilities. For the nine months ended September 30, 2014, $380,559 was reclassified to exploration expense from general and administrative expense. These reclassifications have no impact on net income, earnings per share, accumulated deficit, or results of continuing operations.

Reverse Stock Split

On December 16, 2014, the Company amended its articles of incorporation to effect a 1-for-3 reverse stock split. All the relevant information relating to numbers of shares and per share information contained in these condensed consolidated financial statements has been retrospectively adjusted to reflect the reverse stock split for all periods presented.

Recent Accounting Pronouncements

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to its consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* , which amends Accounting Standards Codification (“ASC”) Topic 205 – Presentation of Financial Statements and Topic 360 – Property, Plant, and Equipment. Under ASU 2014-08, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization’s operations and financial results. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. ASU 2014-08 is effective for fiscal and interim periods beginning on or after December 15, 2014, which is effective for the Company’s first quarter of 2015. The impact of the adoption of this ASU on the Company’s results of operation, financial position, cash flows and disclosures will be based on any future disposal activity of the Company.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* , which amended ASC Topic 205 – Presentation of Financial Statements. The amendment provides guidance about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. Specifically, in connection with the preparation of annual and interim financial statements, an entity’s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity’s ability to continue as a going concern within one year after the date the financial statements are issued, or within one year after the date that the financial statements are available to be issued, when applicable. ASU 2014-15 is effective for annual reporting periods ending after December 15, 2016, which is effective for the Company’s first quarter of fiscal year 2016. The opinion of the Company’s independent registered public accounting firm on the Company’s audited financial statements as of and for the year ended December 31, 2014 contains an explanatory paragraph regarding substantial doubt about the Company’s ability to continue as a going concern. The Company will continue to assess any potential impact on its financial statements from the adoption of ASU 2014-15.

In January 2015, the FASB issued ASU 2015-01, *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items,* which amends ASC Topic 225 – Income Statement. The amendment eliminates the concept of extraordinary items and the financial statement and disclosure requirements relating to them. ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, which is effective for the Company’s first quarter of fiscal year 2016. Early adoption in interim and annual periods is permitted. The impact of the adoption of this ASU on the Company’s results of operation, financial position, cash flows and disclosures will depend on the Company’s future activity.

In February 2015, the FASB issued ASU 2015-02, *Amendments to Consolidation Analysis),* which amends ASC Topic 810 – Consolidations. The amendment changes the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. Specifically, the amendments 1) modify the evaluation of whether certain entities are variable interest entities (VIEs), 2) eliminate the presumption that a general partner should consolidate a limited partnership, 3) affect the consolidation analysis of reporting entities that are involved with VIEs, and 4) provide a scope exception from consolidation guidance for reporting entities with interests in certain legal entities. ASU 2015-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, which is effective for the Company's first quarter of fiscal year 2016. Early adoption in interim and annual periods is permitted. The Company does not believe the adoption of ASU 2015-02 will have a material effect on the Company's consolidated financial statements. The Company will continue to assess any potential impact on its financial statements from the adoption of ASU 2015-02.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* , which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. ASU No. 2015-03 is effective for the interim and annual periods ending after December 15, 2015, but early adoption is permitted. As of September 30, 2015, the Company adopted ASU No. 2015-03. Adoption resulted in debt issuance costs being presented net in short-term notes payable. Adoption did not impact the Company's results of operations, financial position, or cash flows for any periods presented.

NOTE 3. ACQUISITIONS

Idaho and Montana Assets – Part of the UREE (Delaware Merger)

On July 18, 2011, the Company entered into an Agreement of Plan and Merger (the "Merger Agreement") to acquire U.S. Rare Earths, Inc., a Delaware corporation, and the acquisition closed on August 22, 2011. As part of the acquisition, the Company acquired rights to 583 unpatented lode mining claims located in Lemhi County, Idaho and 56 unpatented lode mining claims located in Beaverhead and Ravalli Counties, Montana. The mineral claims cover approximately 9,600 acres that are believed to be on, near or adjacent to anomalous values of rare earth elements.

Pursuant to the terms of the Merger Agreement, stockholders of the Delaware entity exchanged 100% of their outstanding common stock for 1,666,667 unregistered shares of the Company's common stock valued at $8.55 per share. As part of the acquisition price, the Company also assumed a note payable in the amount of $1,418,719 and certain other accounts payable totaling $16,817. At closing, the Company paid $500,000 related to the notes payable.

The Company was not able to obtain a valuation of the properties, assigned a fair value to the claims of $0, and recorded an impairment expense of $15,678,000 for the year ended December 31, 2011.

Colorado Assets - Part of the Seaglass Holding Corp Merger

On December 15, 2010, the Company entered into an Agreement of Plan and Merger with Seaglass Holding Corp (the "Seaglass Merger Agreement"). As part of the acquisition of Seaglass, the Company acquired rights to 611 unpatented lode mining claims that cover approximately 12,200 acres of land in Fremont, Gunnison and Saguache Counties, Colorado. The Company believes the mineral claims are on, near or adjacent to anomalous values of rare-earth elements. Pursuant to the terms of the Seaglass Merger Agreement, the stockholders of Seaglass exchanged 100% of the outstanding common stock of Seaglass for 1,966,667 unregistered shares of the Company's common stock valued at $1.50 per share, or $2,950,000. An independent evaluation was performed by a licensed professional engineer to estimate the fair market value of the claims on the date of acquisition. Based on this report, the Company assigned a fair value to the claims of $326,000 and recorded an impairment expense of $2,624,000 for the year ended December 31, 2010. An impairment expense of $326,000 was recorded for the year ended December 31, 2013.

The Company has no reported mineral reserves and all activities are exploratory in nature. Any mineral reserves will only come from extensive additional exploration, engineering, and evaluation of existing or future mineral claims. All costs have been recorded as exploration expenses.

NOTE 4. DISCONTINUED OEPRATIONS

On January 28, 2014, the Company entered into a binding letter of intent to sell the common stock of Media Depot, Inc., the Company's media business subsidiary, and certain related media assets of the Company to Michael D. Parnell, the Company's former Chief Executive Officer, National Accounts Director and a Director of the Company. On May 12, 2014, the Company completed the sale of the media business to an affiliate of Mr. Parnell effective January 1, 2014. See Note 11 for additional information regarding the sale of the media business. As of September 30, 2015 and December 31, 2014, the Company had no assets or liabilities recorded on the balance sheet related to the media business. The Company recognized a gain on disposal of discontinued operations of $1,230 for the three months ended March 31, 2014.

The Company does not believe there is an effect of income taxes on discontinued operations. Due to ongoing operating losses, the uncertainty of future profitability and limitations on the utilization of net operating loss carry-forwards under Internal Revenue Code Section 382, a valuation allowance has been recorded to fully offset the Company's deferred tax asset.

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	Estimated Life	September 30, 2015	December 31, 2014
Office equipment	5 years	$ 50,496	$ 50,496
Mining and other equipment	5 - 7 years	131,218	131,218
Accumulated depreciation		(94,060)	(72,424)
Total		$ 87,654	$ 109,290

Depreciation expense for the nine months ended September 30, 2015 and 2014 was $21,636 and $21,172, respectively, of which $18,009 and $18,011, respectively, is recorded in exploration expense and $3,627 and $3,161, respectively, is recorded in general and administrative expenses in the Statements of Operations.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts Payable

Accounts payable were approximately $2.8 million and $2.2 million as of September 30, 2015 and December 31, 2014, respectively. Such liabilities consisted of amounts due to vendors for consulting expenses, legal expenses, mining expenditures, external audit and other expenses incurred by the Company.

Related Party Accounts Payable and Accrued Expenses

Related party accounts payable and accrued expenses as of September 30, 2015 and December 31, 2014 reflected the following:

	September 30, 2015	December 31, 2014
Related party payables due to Logic International Consulting Group, LLC for services on behalf of UREE	$ 662,000	$ 208,601
Related party payables due to Lattimore Properties, Inc. for amounts paid on behalf of UREE	133,858	74,230
Related party payables due to Diane Cassidy for services on behalf of UREE	34,000	-
Related party payables due to CRE Cloud Solutions for services	5,413	3,248
Related party payables due to Kevin Cassidy for amounts paid on behalf of UREE	44,743	903
	$ 880,013	$ 286,982

Advances from related parties as of September 30, 2015 and December 31, 2014 reflected the following:

	September 30, 2015	December 31, 2014
Advance from Lattimore Properties, Inc.	$ 147,852	$ -
Advance from Kevin Cassidy	15,000	-
	$ 162,852	$ -

NOTE 7. PAYROLL TAX LIABILITY

Underpayment of FICA

During the years ended December 31, 2011 and 2012, the Company did not report stock-based compensation on Form 1099 or W-2, which amounted to $8,654,149 and $713,594 respectively. During the year ended December 31, 2013, the Company processed compensation to its chief executive officer as an independent contractor under Form 1099 instead of processing it as payroll under Form W-2. All stock-based compensation to officers, employees and independent contractors was recorded at the grant date fair market value in the financial statements for the years ended December 31, 2013, 2012, and 2011. As a result, on December 31, 2013, the Company recorded an estimate of $250,000 for past due amounts related to the Company's portion of FICA ("FICA Underpayment"). In August 2014, the Company filed its amended Form 941 for 2011 and 2012 and increased the accrual for FICA Underpayment an additional $21,602 to a total of $271,602 and is recorded in general and administrative expenses in the Statements of Operations.

Penalties and Interest on Underpayment of FICA

In December 2014, the Company was notified by the IRS that penalties would apply to the FICA Underpayment. Based on the notice received from the IRS, which calculated penalties and interest through December 1, 2014, the Company accrued $27,160 in penalties and $22,757 in interest through December 31, 2014.

In April 2015, the Company was notified by the IRS that they intend to assess a Trust Fund Recovery Penalty of $38,001 in addition to previously assessed penalties. This additional penalty was accrued as of March 31, 2015. At September 30, 2015, the Company accrued an additional $90,625 for potential unasserted Trust Fund Recovery Penalty claims.

For the three and nine months ended September 30, 2015, the Company has recorded penalties and interest related to the FICA Underpayment and the Trust Fund Recovery Penalty of $3,695 and $139,996, respectively. There were no penalties and interest incurred in the three and nine months ended September 30, 2014.

NOTE 8. NOTES PAYABLE

Short-Term Notes Payable

On May 26, 2015, the Company entered into a promissory note (the "May 2015 Note") with an accredited investor in the principal amount of $285,000 for a purchase price of $200,000. The May 2015 Note matures six months from the date of issuance and shall not bear interest other than in the event of default. The May 2015 Note may be converted into shares of the Company's common stock at any time following an event of default at a conversion price equal to a 20% discount of the average of the three lowest closing bid prices in the twenty trading days immediately preceding the conversion except that an additional discount of up to 15% shall apply in the case of certain defaults. The May 2015 Note may be prepaid at premiums to the outstanding principal during the term of the note.

The May 2015 Note includes default provisions related to payment of principal and interest and bankruptcy or creditor assignment. In addition, it shall constitute an event of default under the May 2015 Note if the Company is delinquent in its filings with the Securities and Exchange Commission, the Company ceases to be quoted on the OTCQB, the Company's common stock is not DWAC eligible, or the Company fails to maintain a share reserve as required under the May 2015 Note. In an event of default, the May 2015 Note may become immediately due and payable at premiums to the outstanding principal and shall bear interest at the rate of 22% per annum. The May 2015 Note also provides that if shares issuable upon conversion of the note are not timely delivered in accordance with the note's terms then the Company shall be subject to certain cash penalties that increase proportionally to the duration of the delinquency up to a certain capped amount.

The May 2015 Note was analyzed in accordance with ASC 470-20 and determined that it does not contain a beneficial conversion feature or contingent beneficial conversion feature. The May 2015 Note is convertible only upon an event of default, as defined, and upon an event of default, the May 2015 Note becomes share-settled debt that is subject to ASC 480. As a result, the Company recorded the May 2015 Note as a zero-interest-bearing note and will accrete the debt discount and debt issuance costs over the six-month term of the Note.

In addition to the May 2015 Note, the Company has a short -term note payable of $117,281 as of September 30, 2015. T he original loan amount of $131,520 was obtained for working capital purposes and is to be repaid in monthly installments starting in September 2015 through May 2016 at an annual interest rate of 7.77%.

The short-term notes payable balance of $106,490 at December 31, 2014 consisted of a note payable. The original loan amount of $190,251 was obtained for working capital purposes, and was to be repaid in monthly installments starting in September 2014 through May 2015 at an annual interest rate of 4.49%. As of September 30, 2015, the note has been paid in full.

Long-Term Notes Payable

On September 22, 2015, the Company entered into a secured convertible promissory note (the "September 2015 Note") in the principal amount of $25,000. The September 2015 Note is due and payable, along with any accrued but unpaid interest, on January 28, 2017. At any time the outstanding principal balance of the September 2015 Note may be converted, in whole or in part, into shares of the Company's common stock at $0.75 per share at the option of the holder. The Company is required to pay interest to the holder on the aggregate unconverted and then outstanding principal amount of the September 2015 Note at a rate of 6% per annum, payable annually in arrears on each anniversary of the issue date, on each conversion date (as to that principal amount then being converted), and on the maturity date in cash or, at the holder's option, in shares of the Company's common stock at the conversion price, or a combination thereof.

NOTE 9. RELATED PARTY TRANSACTIONS

Properties

The Company's principal executive offices were located at 5600 Tennyson Parkway, Suite 190, Plano, Texas 75024 during 2013. This office was shared with John Victor Lattimore, Jr., former Chairman of the Company's board of directors, and entities affiliated with Mr. Lattimore on a rent-free basis. On January 20, 2014, the Company leased 5600 Tennyson Parkway, Suite 240, Plano, Texas 75024 and no longer shares offices with Mr. Lattimore or his affiliates.

The Company maintained an office at 12 Gunnebo Drive, Lonoke, Arkansas 72086 for the Company's former media business, which consisted of 4,000 sq. ft. of office space. The office was leased for $916 per month, and the Company leased the office on a month-to-month basis. The facilities were owned by the J.S. Parnell Trust, of which Mr. Parnell, the former Chief Executive Officer, National Account Director and a Director of the Company, was trustee. The Company also maintained an office at 12 North Washington Street, Montoursville, Pennsylvania 17754 for the former media business which consisted of 4,000 sq. ft. of office space. The office was leased from the Hoff Family Limited Partnership, which was controlled by the wife of Matthew Hoff, a stockholder and former employee of the Company. Lease payments were $2,000 per month, and the Company leased the office on a month-to-month basis. Both of these leases were assumed by an affiliate of Mr. Parnell in connection with the sale of the media business (see Note 4).

Since January 1, 2013, the Company has rented office space from Logic at 711 Fifth Avenue, 16 th Floor, New York, New York 10022, which since May 1, 2013 has been on a month-to-month basis. Since June 1, 2013, the Company has paid rent of $9,250 per month. Logic is controlled by Kevin Cassidy, the Company's Chief Executive Officer ("CEO").

Settlement Agreement

In August 2012 a dispute arose out of an attempt by a group of shareholders—H. Deworth Williams, Edward Cowle and an affiliated entity—to take control of the Company by a written consent by purportedly removing Daniel McGroarty, Greg Schifrin and Kevin Cassidy from the board of directors and purportedly re-electing John Victor Lattimore, Jr., H. Deworth Williams, Edward Cowle, Michael Parnell, and Harvey Kaye. At the time, Messrs. Williams and Cowle were members of the Company's board and were affiliates of the Company prior to the time that the Company began acquiring its rare earth mining claims in 2010.

On September 12, 2012, the Company filed an action in the Eighth Judicial District Court, Clark County, Nevada (the "Nevada Action") entitled *U.S. Rare Earths, Inc. v. Williams et al* ., Case No. A668230-B, challenging the validity and effectiveness of the written consent. On September 17, 2012, the Court in the Nevada Action issued a Temporary Restraining Order, or TRO, prohibiting any meetings of the Company's board of directors from taking place and prohibiting any persons from holding themselves out as members of its board of directors. On October 22, 2012, the Court in the Nevada Action issued a Preliminary Injunction mirroring the prohibitions of the TRO and appointing a Special Master to assist in (a) identifying those persons who are entitled to be considered stockholders, and (b) bringing about a stockholders meeting to address the composition of its board of directors. The Court further decreed that no person was entitled to take any action on the Company's behalf other than in the ordinary course of business pending a meeting of stockholders to be effectuated by the Special Master to be appointed by the Court for purposes of establishing a board of directors and the composition thereof.

On February 6, 2013, all of the parties in the Nevada Action entered into a Stipulation and Order to Modify the Preliminary Injunction, (the "Stipulation") to facilitate the interim operations of the Company. The Stipulation modified the Preliminary Injunction with respect to the Company's board of directors as follows: (a) the parties agreed that Kevin Cassidy, Daniel McGroarty, John Victor Lattimore, Jr., Winston Marshall, and Michael Parnell would comprise the members of its board of directors (the "Provisional Board"), pending the election of directors by the stockholders at a duly called and held stockholders' meeting; (b) Edward Cowle would be immediately reinstated as a member of the Provisional Board; (c) the Provisional Board would not ratify or approve any action of the purported board undertaken between August 23, 2012 and October 11, 2012; and (d) the Provisional Board would not issue any additional shares of its stock to any person without reasonable cash consideration unless all parties to the Nevada Action consented to such issuance.

In addition to the Nevada Action, a parallel action was filed by H. Deworth Williams and Edward F. Cowle against the Company (the "Utah Action"), entitled *Williams et al. v. U.S. Rare Earths, Inc.* (Case No. 2:12-cv-00905). The Utah Action sought a writ of mandamus directing the Company to immediately recognize the written consent.

On March 27, 2013, the parties in the Nevada Action and the Utah Action entered into a Settlement Agreement and General Release (the "Settlement Agreement"), which was approved on June 5, 2013 by the Eighth Judicial District Court, Clark County, Nevada, pursuant to which the parties agreed: (a) to dismiss the pending Nevada Action and Utah Action and to release all claims against one another in those actions; (b) to release any claims pertaining to its sale of 681,817 shares of Company common stock sold to Lattimore Properties, Inc. ("Lattimore Properties") on September 12, 2012 at a price of $0.81 per share for a total of $550,000; (c) to release any claims pertaining to the issuance of a convertible secured promissory note to Unique Materials, LLC on September 13, 2012 for $650,000 at 5% interest, convertible into Company common stock at not less than $1.00 per share; (d) to enter into a Stock Purchase Agreement pursuant to which H. Deworth Williams, Edward Cowle and Geoff Williams, or the Sellers, will sell 333,334 shares of Company common stock owned by the Sellers to John Victor Lattimore, Jr. or his affiliates for a total purchase price of $1,000,000; (e) to compensate Kevin Cassidy and his affiliated companies, including Logic International Consulting Group, LLC, known as Logic, with which the Company has an ongoing relationship, for their consulting services in connection with the settlement by issuing to them 1,000,000 shares of Company common stock plus a convertible unsecured promissory note for $650,000, convertible into common stock at a conversion price of $3.00 per share; (f) to grant to defendants H. Deworth Williams, Edward Cowle, Geoff Williams, Blue Cap Development Corp. and their affiliated entity, Thorium Energy, Inc., a right of first refusal—consistent with the terms and conditions put forth by a bona fide third-party commercial bidder to be determined by the parties—for a period of 10 years with respect to a contract for the disposition of thorium in connection with the Company's mining of rare earth elements on its Lemhi Pass claims; and (g) to issue to John Victor Lattimore, Jr. or one of his affiliated companies an option to purchase up to 1,000,000 shares of Company common stock at a price of $3.00 per share and upon such other terms as are determined by the Company's board of directors.

The Settlement Agreement also contained certain contingent agreements, which were conditioned upon the Company's completion of a stock offering and/or PIPE transaction of more than $6,000,000 in the aggregate by the end of 2015. If the Company successfully completes such a stock offering and/or PIPE transaction, it has agreed to: (a) assume and maintain the lease of certain offices of the Company located in Salt Lake City, Utah; (b) reimburse H. Deworth Williams for certain business costs and expenses incurred for the benefit of the Company in an amount not to exceed $145,000; (c) reimburse defendants H. Deworth Williams, Edward Cowle, Geoff Williams and Blue Cap Development Corp. for their costs and fees incurred in the Nevada Action and the Utah Action in an amount not to exceed $150,000; (d) to retrieve or "claw back" not less than 700,000 shares of Company common stock that were authorized for issuance to Michael Parnell, Matthew Hoff, H. Deworth Williams, Winston Marshall, Greg Schifrin, Geoff Williams and Edward Cowle for non-cash consideration and future services; and (e) to employ Edward Cowle as a senior level executive with the company. During 2013 and 2014, the Company raised more than $6,000,000 through private stock offerings and accrued legal settlement liabilities of $385,000 and $367,000 as of September 30, 2015 and December 31, 2014, respectively.

As part of the Settlement Agreement, the parties also agreed to enter into a Voting Shareholder Agreement pursuant to which the parties will vote their respective shares to ensure that the size of its board of directors will remain at seven members (unless increased pursuant to the Company's bylaws or by applicable Nevada law), with (a) five members to be nominated by the Lattimore Shareholder Group (consisting of John Victor Lattimore Jr., Unique Materials LLC, Michael Parnell, Matthew Hoff, Kevin Cassidy, Daniel McGroarty and Winston Marshall), two of whom shall be independent directors; and (b) two members to be nominated by the Blue Cap Shareholder Group (consisting of Edward Cowle, H. Deworth Williams, Geoff Williams, Blue Cap Development Corp., and Children's International Obesity Fund, Inc.).

Pursuant to the terms of the Settlement Agreement, the Company agreed to issue 1,000,000 shares of its common stock at a price of $3.00 per share to Kevin Cassidy, Logic, and James J. Cahill, the managing director and registered principal of Agincourt Capital, LLC, an affiliate of Logic, as compensation for the consulting services. On October 7, 2013, the Company issued 1,000,000 shares of common stock to Kevin Cassidy, controlling owner of Logic, as payment in full for the accrued liability associated with the consulting services. As a part of the audit of the Company's financial statements for the year ended December 31, 2013, management determined that the issuance of shares for payment of services should have been recorded June 5, 2013. As a result, the Company valued the 1,000,000 shares at the June 5, 2013 closing price of Company common stock of $5.82 per share and expensed an additional $2,820,000 for a total liability of $5,820,000 during the three months ended June 30, 2013. The Company also reclassified the original accrual of $3,000,000 related to the transaction by reducing the amount of loss on debt settlement (where the value of the transaction had been booked) by $3,000,000 (from $4,225,983 to $1,225,983) and recorded $5,820,000 to loss on legal settlement.

Lattimore Option

On March 8, 2013, the Company entered into an Option Purchase Agreement with Lattimore Properties, pursuant to which it granted Lattimore Properties a three-year option to purchase up to 1,000,000 shares of its common stock, at $3.00 per share, for a purchase price of $75,000. The effectiveness of the option was conditioned on approval of the Settlement Agreement. Subsequent to the approval of the Settlement Agreement, the option had not been exercised as of September 30, 2015.

Share Repurchase Obligations and Options

The Company entered into repurchase option agreements with existing stockholders, including Harvey Kaye, Edward Cowle, H. Deworth Williams, Daniel McGroarty, and an affiliate of Michael Parnell, under which it (i) acquired 33,334 shares of the Company's common stock at $3.00 per share during September 2013, (ii) acquired 317,334 shares of the Company's common stock at $3.00 per share during October 2013, and (iii) acquired 756,333 shares of the Company's common stock at $3.00 per share during December 31, 2013 with a portion of the payment in the amount of $1,344,999 made during the three months ended March 31, 2014 and the balance of $924,000 which was then due and payable. On December 31, 2014, the Company re-issued 301,334 shares of common stock in exchange for the extinguishment of $904,000 of the $924,000 that was due and payable. The Company also obtained the right from Mr. McGroarty, to acquire up to 266,667 shares of the Company's common stock at $3.00 per share until April 30, 2014. The foregoing option was not exercised and on September 15, 2014, the Company agreed with Mr. McGroarty to repurchase 16,667 shares of its common stock by September 22, 2014 at $3.30 per share and 50,000 shares of the Company's common stock by October 15, 2014 at $3.30 per share and were granted an option to repurchase 133,334 shares of the Company's common stock at $3.30 per share on or before January 1, 2015. Such option expired unexercised. As of September 30, 2015, the Company had not repurchased these shares and the balance of $220,000 is currently due and payable. In addition, the Company obtained the right from Matthew Hoff and his affiliate to acquire up to 266,667 shares of the Company's common stock at $3.30 per share until December 31, 2014 and the Company further obtained the right from an affiliate of Michael Parnell to acquire up to 266,667 shares of its common stock at $3.00 per share until December 31, 2014, both of which have expired. The Company intends to satisfy the remaining repurchase obligations of $240,000 from proceeds of future financings from time to time.

NOTE 10. COMMON STOCK

The Company had the following equity transactions during the nine months ended September 30, 2015:

On February 20, 2015, the Company issued 25,000 shares of its common stock and warrants to purchase 25,000 shares of common stock to an investor for $100,000. The warrant exercise price was $5.00 per share. The warrants expire on February 24, 2018.

The following represents a summary of the warrants outstanding at September 30, 2015 and changes during the period then ended:

	Warrants	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2014	1,154,234	$ 7.00	$ -
Granted	25,000	5.00	-
Outstanding at September 30, 2015	1,179,234	$ 6.96	$ -
Exercisable at September 30, 2015	1,179,234	$ 6.96	$ -

A summary of unvested common stock awards outstanding as of September 30, 2015 is presented below:

	Common Shares	Fair Market Value per Share on Grant Date
Outstanding at December 31, 2014	600,000	$ 8.76
No activity	-	-
Outstanding at September 30, 2015	600,000	$ 8.76

Stock-based compensation expense was approximately $1.4 million and $2.7 million for the nine months ended September 30, 2015 and 2014, respectively. The Company has estimated a forfeiture rate of 0% for stock awards issued as compensation. The total amount of expense remaining at September 30, 2015 that is expected to be recognized for these awards is $1,934,491. If all awards vest, this amount will be recognized during the remainder of 2015, 2016 and 2017. To the extent the Company estimates certain of these awards will not vest, the associated expense will be reversed in the period in which the Company estimates the awards will not vest.

2013 Stock Incentive Plan

On November 14, 2013, the board of directors and stockholders of the Company authorized the adoption and implementation of the Company's 2013 Stock Incentive Plan (the "2013 Plan"). The principal purpose of the 2013 Plan is to attract, retain and provide incentives to employees, directors, consultants, and independent contractors of the Company and its related companies by offering them the opportunity to acquire a proprietary interest in the Company and to promote their interests and efforts to the long-term interests of the Company's stockholders. Under the 2013 Plan, an aggregate of 5,000,000 shares of our common stock have initially been reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock awards, restricted stock, restricted stock units and other stock and cash-based awards provided that no more than one million (1,000,000) shares may be issued pursuant to awards that are not options, and (b) the maximum number of shares with respect to which an employee may be granted awards under the plan during a fiscal year is one million (1,000,000) shares. The exercise price for each option may not be less than fair market value of the common stock on the date of grant, and in the case of an incentive stock option granted to an employee who, on the date of grant is a ten-percent shareholder, the exercise price shall not be less than 110% of the fair market value of a share on the date of grant. Options shall vest as determined by the Company's board of directors but shall not exceed a ten-year period (five years in the case of an incentive stock option granted to an employee who on the date of grant is a ten-percent stockholder). No awards have been granted under the 2013 Plan.

NOTE 11. COMMITMENTS, CONTINGENCIES AND LEGAL PROCEEDINGS

Legal Proceedings

Except as set forth below, there are no pending legal proceedings against the Company that are expected to have a material adverse effect on cash flows, financial condition or results of operations.

On September 15, 2014, the Company entered into an agreement with Daniel McGroarty, the Company's former President, to, among other things, repurchase 16,667 shares of the Company's common stock by September 22, 2014 at $3.30 per share and 50,000 shares of the Company's common stock by October 15, 2014 at $3.30 per share and were granted an option to repurchase 133,334 shares of the Company's common stock at $3.30 per share on or before January 1, 2015. As of September 30, 2015, the Company had not purchased these shares and the balance of $220,000 is currently due and payable. On December 29, 2014, the Company was served with an AAA demand for arbitration by Mr. McGroarty, which alleged breach of contract. Mr. McGroarty is seeking specific performance, compensatory damages of $930,000 and reasonable attorney's fees and costs. On January 14, 2015, the Company submitted its answering statement denying the allegation of Mr. McGroarty. The Company intends to defend itself vigorously in this action.

Employment and Consulting Agreements

Logic International Consulting Group LLC

On March 11, 2011, the Company signed an exclusive Services Agreement with Logic. Under the Services Agreement, Logic agreed to provide certain advisory services to the Company. On December 31, 2011, the Services Agreement was automatically extended to December 11, 2013 and can be renewed for additional 12-month periods unless either party gives the other 45 days written notice of termination. The Services Agreement can be cancelled with 90 days written notice. The Services Agreement provides for a monthly payment of $50,000 to Logic. As of September 30, 2015, the Company owed Logic $650,000 for accrued but unpaid service fees.

In March and November 2011, the Company issued warrants to Logic for the purchase of an aggregate of 666,668 shares of the Company's common stock. On December 31, 2011, these warrants were cancelled and replaced with warrants to purchase an aggregate of 666,668 shares of the Company's common stock. The warrants are exercisable at $1.50 per share and warrants to purchase 433,334 shares expire on March 9, 2016 and warrants to purchase 233,334 shares expire on November 28, 2016. The warrants may be called by the Company if it has registered the sale of the underlying shares with the SEC and a closing price of $21.00 or more for the Company's common stock has been sustained for five trading days. The warrants contain certain piggyback registration rights.

On June 28, 2013, the Company converted a payable to Logic of $800,000 into 266,667 shares of the Company's common stock at $3.00 per share. The fair value of the stock on the date of conversion was $4.95 per share, and the Company recorded the difference between the conversion price and the fair value of $520,000 as loss on settlement of debt.

Since June 2013, the Company has also agreed to reimburse Logic for a portion of the compensation due to Mr. Cassidy's administrative assistant. For the nine months ended September 30, 2015 and 2014, the Company has recorded reimbursements of $36,000 and $22,500, respectively, of which $9,000 and $5,625, respectively, is recorded in exploration expense and $27,000 and $16,875, respectively, is recorded in general and administrative expenses in the Statements of Operations.

Diane Cassidy

Since June 2013, the Company retained Diane Cassidy, the sister of the Company's Chief Executive Officer and Director, Kevin Cassidy, as a consultant to perform certain management services. From June 2013 to October 2013, Ms. Cassidy was paid at the rate of $5,000 per month, increasing to $10,000 per month in November 2013 and December 2013. From February 2014 through May 2014, she was paid at the rate of $16,667 per month. On May 19, 2014, the Company entered into a Consulting Agreement with Ms. Cassidy whereby Ms. Cassidy will provide certain management services. Under the agreement, Ms. Cassidy is entitled to $17,000 per month. The agreement has an initial term of one year, with automatic renewal for one year periods unless terminated by either party on 90 days' prior written notice. After the initial term, and during any additional term, either party can terminate the agreement as of the end of a calendar month on 60 days' prior written notice. On August 11, 2015, the Company provided written notice to terminate the agreement. As of September 30, 2015, the Company owed Diane Cassidy $34,000 for accrued but unpaid service fees.

Lattimore Properties

As of July 1, 2012, Lattimore Properties, an affiliate of John Victor Lattimore, Jr., the Company's former Chairman of the Board, entered into a Consulting Agreement with Logic pursuant to which Lattimore Properties is to provide executive management, strategic planning and general office administration to Logic for a fee of $25,000 per month. The agreement has a term of one year commencing on July 1, 2013, unless sooner terminated on 30 days' prior written notice. The term of the agreement may be extended upon the mutual written agreement of the parties. The agreement was not extended.

Mark Scott

On December 19, 2011, the Company entered into a Consulting Agreement with Mark Scott in connection with his service as the Company's Chief Financial Officer. Under the agreement Mr. Scott was entitled to $4,000 per month plus $3,000 of shares of the Company's common stock per month based on an $8.55 per share price. On August 31, 2012, the Company's board of directors approved the issuance of 24,000 shares of common stock to Mr. Scott. The term of the Consulting Agreement expired on December 31, 2012, and the Company paid Mr. Scott $5,000 per month on a month-to-month basis during 2013 and $10,000 per month during 2014. On April 30, 2014, Mr. Scott was removed as Chief Financial Officer and between June 1, 2014 and August 13, 2014, the Company retained Mr. Scott as a consultant at a rate of $5,000 per month. As of September 30, 2015, the Company owed Mark Scott $17,500 for accrued but unpaid service fees.

Michael Parnell

On December 10, 2010, the Company entered into a Revised Employment Agreement with Michael Parnell, its former Chief Executive Officer, Chief Operating Officer and a Director. Under the terms of the employment agreement, Mr. Parnell's annual salary was $125,000 in year one, $137,500 in year two and $151,000 in year three. Mr. Parnell was awarded 100,000 shares of restricted common stock. In the event that the Company was sold or merged or there was a change in control, Mr. Parnell was entitled to receive at his discretion, severance of $500,000 in cash or restricted common stock at $1.50 per share. Mr. Parnell was eligible for vacation of six weeks, benefit programs and incentive bonuses as approved by the Company's board of directors. The employment agreement had a three-year term and was automatically renewable for additional one-year periods unless 90 days' notice is provided by either party.

On July 26, 2011, the Company entered into an Addendum to the Revised Employment Agreement with Mr. Parnell. The addendum extended the term of employment until December 10, 2015, subject to additional one-year renewal periods unless 90 days' notice is provided by either party. The addendum provided, that Mr. Parnell's annual salary for year four was $166,100 and $182,710 for year five. The Company also agreed to issue to Mr. Parnell 41,667 restricted shares of its common stock in years four and five. In the event of a change in control by merger, acquisition, takeover or otherwise, the share amounts due in years four and five would become immediately due and payable.

On June 26, 2013, Mr. Parnell resigned as the Chief Operating Officer and a Director of the Company and accepted the position of National Accounts Director for the media business.

On January 28, 2014, the Company entered into a binding letter of intent to sell the common stock of Media Depot, Inc., the then media subsidiary of the Company, and certain related media assets held by the Company to Mr. Parnell or a designated affiliate of Mr. Parnell. On May 12, 2014, the Company and an affiliate of Mr. Parnell entered into a Master Sale Agreement, and related Share Purchase Agreement and Asset Purchase Agreement, and completed the sale of the media business to an affiliate of Mr. Parnell effective January 1, 2014. In connection with this transaction, Mr. Parnell resigned as National Accounts Director on May 12, 2014 and the Revised Employment Agreement and addendum thereto were terminated immediately.

On May 12, 2014, the Company and Mach One Media Group, Inc. ("Mach One") entered into a Master Sale Agreement, and related Share Purchase Agreement and Asset Purchase Agreement, pursuant to which Mach One acquired all of the outstanding stock of Media Depot, Inc., a wholly-owned subsidiary of the Company, and acquired the assets and assumed the liabilities of the Company related to the media business effective January 1, 2014. Mach One is an affiliate of Michael D. Parnell, the Company's former Chief Executive Officer, National Accounts Director and Director. In addition, the Company and the Michael D. Parnell Living Trust (the "Parnell Trust") entered into an amendment to the Repurchase Option Agreement dated January 28, 2014, whereby the Company has the option to repurchase up to 266,667 shares of its common stock from the trust at $3.00 per share. The amendment extended the date on which the Company may exercise the right to repurchase the first 66,667 shares from March 15, 2014 to June 15, 2014 such that the Company may, at its option, repurchase 133,334 shares on or before June 15, 2014 and a further 66,667 shares on each of September 15, 2014 and December 15, 2014. As of December 31, 2014, the Company's option to repurchase the 266,667 shares on or before December 15, 2014 had expired. The Company and Mr. Parnell also entered into a Termination and Release Agreement whereby Mr. Parnell resigned as National Accounts Director of the Company effective immediately, his employment agreement was terminated, and all compensation due to Mr. Parnell was extinguished. The agreement also provides for a mutual release of claims by the parties, and an indemnification by the Company of Mr. Parnell in certain circumstances.

Daniel McGroarty

On November 29, 2011, Daniel McGroarty was appointed the Company's President. On January 1, 2012, the Company entered into an Executive Employment Agreement with Mr. McGroarty employing Mr. McGroarty as its President. Under the terms of the employment agreement, Mr. McGroarty's salary was $120,000 in year one and was to be negotiated in years two and three. The employment agreement also provided for the grant to Mr. McGroarty of 216,667 shares of restricted Company common stock and further provided that 33,334 shares of common stock that were previously granted to Mr. McGroarty were fully vested as of November 30, 2011. The employment agreement had a three-year term and was automatically renewable for additional one-year periods unless 90 days' notice is provided by either party.

On August 14, 2013, the Company accepted the resignation of Daniel McGroarty effective July 31, 2013 as President of the Company and its subsidiaries. The parties entered into a Stock Repurchase Option and Severance Agreement whereby: (i) the parties agreed to settle all back pay and compensation claims with a payment of $60,000; (ii) the Company agreed to repurchase 33,334 of shares of its common stock from Mr. McGroarty on or before September 30, 2013 for $100,000 or $3.00 per share, which was subsequently paid; and (iii) the Company paid $40,000 for an option to acquire up to 266,667 shares of the Company's common stock from Mr. McGroarty for $3.00 per share on or before April 30, 2014. The foregoing option was not exercised and on September 15, 2014, the Company entered into a further agreement with Mr. McGroarty pursuant to which the Company agreed, among other things, to repurchase 16,667 shares of its common stock by September 22, 2014 at $3.30 per share and 50,000 shares of its common stock by October 15, 2014 at $3.30 per share and were granted an option to repurchase 133,334 shares of its common stock at $3.30 per share on or before January 1, 2015. Such option expired unexercised. As of September 30, 2015, the Company had not repurchased these shares and the balance of $220,000 is currently due and payable.

Leases

The Company is obligated under various non-cancelable operating leases for their various facilities.

The Company leases its principal executive offices at 5600 Tennyson Parkway, Suite 240, Plano, Texas 75024-3818. The lease of this 1,588 square foot space is for a term expiring on November 30, 2016, and provides for monthly rental payments of $3,441. On July 29, 2015 the Company entered into a sublease agreement in which the Company sublet the lease property to the subtenant. This sublease will begin on August 1, 2015 and will continue for the remainder of the term expiring on November 30, 2016. Subtenant shall pay landlord sublease payments of $3,441 per month and subtenant is not responsible for finding a replacement upon the termination of tenancy.

The Company leases a corporate apartment at 5721 Henry Cook Boulevard, Plano, Texas 75024. The lease of this 1,024 square foot space is for a term which expired on February 10, 2015, and provided for monthly rental payments of $1,730. When the lease agreement expired, the Company continued leasing the apartment on a month-to-month basis at $1,730 per month. On April 13, 2015, the Company provided notice to the owner and ended the lease arrangement on May 13, 2015.

The Company also leases 5,000 square feet of office and storage space at 120 Vandervoort Street, Salmon, Idaho. The Salmon facility is used by Company contractors when they are involved in exploration or other activities relating to our Idaho or Montana claims and is also used to store tools and materials used in our exploratory activities and samples collected from the claim sites. This lease provides for monthly rentals of $1,200 and expired December 4, 2014. The lease includes an option to renew for two terms of two years at a rent to be negotiated. As of September 30, 2015, the lease has not been renewed and the Company is paying on a month-to-month basis.

Aggregate future minimum lease payments are $50,538 and $6,881 for the twelve-month periods ending September 30, 2016 and September 30, 2017, respectively.

Rent expense for the nine months ended September 30, 2015 and 2014 was $133,228 and $139,922, respectively, of which $32,165 and $31,791, respectively, is recorded in exploration expense and $101,063 and $108,131, respectively, is recorded in general and administrative expenses in the Condensed Statements of Operations.

License Agreement

On July 23, 2015, the Company entered into an exclusive commercial patent license agreement to utilize the Membrane Assisted Solvent Extraction for Rare Earths Technology ("MSX Technology"), which results in the recovery and separation of Neodymium, Dysprosium and Praseodymium from electronic E-waste. The Company was also granted a non-exclusive commercial patent license agreement for use of MSX Technology for mining Neodymium, Dysprosium and Praseodymium. Under the agreement, the Company paid the Licensor a $35,000 execution fee, which was recognized in selling, general and administrative expenses in the three and nine months ended September 30, 2015. The Company is required to pay the Licensor royalties of 3% of net sales subject to minimum royalty payments of $15,000 for the year ending December 31, 2017 and $25,000 for years thereafter. In the event the Company earns sublicensing revenue from the MSX Technology, it is required to pay 35% of such revenue to the Licensor. The Company is responsible for all patent costs incurred to support the MSX Technology in excess of $20,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with our financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

The statements contained in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. Statements using words such as "may," "could," "should," "expect," "plan," "project," "strategy," "forecast," "intend," "anticipate," "believe," "estimate," "predict," "potential," "pursue," "target," "continue," or similar expressions help identify forward-looking statements. Additionally, statements concerning future matters such as revenue projections, projected profitability, growth strategies, possible changes in legislation and other statements regarding matters that are not historical are forward-looking statements.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are largely based on the expectations of management, which reflect estimates and assumptions made by management. These estimates and assumptions reflect management's best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management's assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this Quarterly Report are not guarantees of future performance, and management cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will in fact occur. Our actual results may differ materially from those anticipated, estimated, projected or expected by management. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report.

Current Assets and Operations

U.S. Rare Earths, Inc. ("we", "us", "our" or the "Company") is a rare-earth elements exploration company seeking to identify and ultimately mine commercially-viable sources of domestic rare-earth elements.

We hold approximately 83 unpatented lode mining claims that cover approximately 1,600 acres of land in Colorado, Idaho and Montana. The claims held by us include properties along the Lemhi Pass trend including the Last Chance vein (one of the longest known, rare earth mineralized structures in the trend), part of the Rudolph Hill complex which has carbonatite related rare earth mineralization associated with the Colorado Iron Hill carbonatite, and parts of the largest identified rare earth mineralized carbonatite vein in the North Fork area of Idaho. In order to conserve cash resources, during the third quarter of 2015, we discontinued maintaining the rights to approximately 1,167 mining claims that it previously held.

Our operations are exploratory in nature. We currently do not have any producing properties and further exploration will be required before a final evaluation as to the economic and practical feasibility of any of our properties is determined. As a result, we are considered an exploration stage company under SEC criteria because we have not demonstrated the existence of proven or probable reserves at our properties. Accordingly, as required under SEC guidelines and U.S. GAAP for companies in the exploration stage, all of our investment in mining properties to date has been expensed as incurred and therefore does not appear as assets on our balance sheet. We expect exploration expenditures will continue during 2015 and subsequent years provided that sufficient working capital is available from financing sources. We expect to remain an exploration stage company for the foreseeable future. We will not exit the exploration stage until such time as we demonstrate the existence of proven or probable reserves that meet SEC guidelines. In addition, unless rare-earth elements mineralized material is classified as proven or probable reserves, all expenditures for exploration and development will continue to be expensed as incurred.

Our principal source of liquidity for the next several years will be the continued raising of capital through the issuance of equity or debt securities. We plan to raise funds for each step of our projects and as each step is successfully completed, raise the capital for the next phase. We believe this approach will reduce the cost of capital as compared to trying to raise all of the capital for our anticipated funding needs at once. However, since our ability to raise additional capital will be affected by many factors, most of which are not within our control, no assurance can be given that we will in fact be able to raise the additional capital as needed.

Sale of Media Business

On January 28, 2014, we entered into a binding letter of intent to sell the common stock of Media Depot, Inc., our media business subsidiary, and certain related media assets of ours to Michael D. Parnell, our former Chief Executive Officer, National Accounts Director and Director, or an affiliate of Mr. Parnell. On May 12, 2014, we completed the sale of the media business to an affiliate of Mr. Parnell effective January 1, 2014.

Results of Operations

The following table presents certain consolidated statement of operations information and presentation of that data as a percentage of change from year-to-year.

Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014

	For the Three Months Ended September 30,		Dollar	Percentage
	2015	2014	Change	Change
Statement of Operations Data:				
Operating costs and expenses:				
Selling, general and administrative expenses	$ 916,476	$ 1,383,571	$ (467,095)	(34%)
Exploration expense	58,382	307,312	(248,930)	(81%)
Total operating expenses	974,858	1,690,883	(716,025)	(42%)
(Loss) from operations	(974,858)	(1,690,883)	716,025	(42%)
Other expense/(income):				
Other income	(7,307)	-	(7,307)	-
Interest expense	53,850	4,693	49,157	1,047%
Interest and penalties on payroll tax claim	3,695	-	3,695	-
Loss on legal settlement	-	18,000	(18,000)	(100%)
Total other expense/(income)	50,238	22,693	34,852	154%
Net Loss	**$ (1,025,096)**	**$ (1,713,576)**	**$ 681,173**	(40%)

Operating Expenses

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended September 30, 2015 and 2014 consisted primarily of expenses related to employees, equity awards, rent, audit, overhead, depreciation, professional and consulting fees, investor relations, legal, printing costs, and other general and administrative costs. Selling, general and administrative expenses for the three months ended September 30, 2015 decreased approximately $467,000 or 34% to approximately $916,000 as compared to approximately $1,384,000 for the three months ended September 30, 2014. The decrease was mostly related to decreased stock-based compensation expense of approximately $438,000.

Exploration expenses

For the three months ended September 30, 2015, exploration expenses consisted primarily of payments for exploration consulting fees. Exploration expenses for the three months ended September 30, 2014 consisted of payments to our independent geologist, geoanalysis, claim permit expenses and staking of claims in the North Fork Project in Idaho and the Last Chance Project in Montana. Exploration expenses for the three months ended September 30, 2015 decreased approximately $249,000, or 81% to approximately $58,000 as compared to approximately $307,000 for the three months ended September 30, 2014. The decrease is primarily attributable to decreases in drilling and exploration activities and reclassification of expense from selling, general and administrative expenses to exploration expenses in September 30, 2014.

Other Expenses

Other income of approximately $7,000 for the three months ended September 30, 2015 consisted of rental income from sublease office space. There was no other income in the 2014 period.

Interest expense for the three months ended September 30, 2015 consisted primarily of interest on short term notes payable. Interest expense for the three months ended September 30, 2014 is related primarily to the financing of our directors and officers' insurance and consulting services. Interest expense for the three months ended September 30, 2015 increased approximately $49,000 to approximately $54,000 as compared to approximately $5,000 for the three months ended September 30, 2014. The increase is primarily attributable to interest expense on our short term note payable.

During the three months ended September 30, 2015, we incurred interest and penalties expense of approximately $4,000 related to payroll taxes owed to the Internal Revenue Service ("IRS"). We had no interest and penalties on payroll tax claim for the three months ended September 30, 2014.

We had no loss on legal settlement, for the three months ended September 30, 2015 as the estimated costs had been accrued. Loss on legal settlement for the three months ended September 30, 2014 was $18,000.

Net Loss

Mostly as a result of the decrease in exploration expense and selling, general and administrative expenses, the net loss for the three months ended September 30, 2015, was approximately $1.0 million as compared to a net loss of $1.7 million for the three months ended September 30, 2014.

Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014

	For the Nine Months Ended September 30,		Dollar	Percentage
	2015	2014	Change	Change
Statement of Operations Data:				
Operating costs and expenses:				
Selling, general and administrative expenses	$ 3,299,075	$ 4,592,163	$ (1,293,088)	(28%)
Exploration expense	234,334	845,611	(611,277)	(72%)
Total operating expenses	3,533,409	5,437,774	(1,904,365)	(35%)
(Loss) from operations	(3,533,409)	(5,437,774)	1,904,365	(35%)
Other expense/(income):				
Other income	(7,307)	-	(7,307)	-
Interest expense	81,145	7,017	74,128	1,056%
Interest and penalties on payroll tax claim	139,996	-	139,996	-
Loss on legal settlement	18,000	349,000	(331,000)	(95%)
Total other expense/(income)	231,834	356,017	(116,876)	(33%)
(Loss) from continuing operations	(3,765,243)	(5,793,791)	2,021,240	(35%)
Income (loss) from discontinued operations	-	1,230	(1,230)	(100%)
Net loss	**$ (3,765,243)**	**$ (5,792,561)**	**$ 2,020,010**	(35%)

Operating Expenses

Selling, general and administrative expenses

Selling, general and administrative expenses for the nine months ended September 30, 2015 and 2014 consisted primarily of expenses related to employees, equity awards, rent, audit, overhead, depreciation, professional and consulting fees, investor relations, legal, printing costs, and other general and administrative costs. Selling, general and administrative expenses for the nine months ended September 30, 2015 decreased approximately $1,293,000, or 28% to approximately $3,299,000 as compared to approximately $4,592,000 for the nine months ended September 30, 2014. The decrease related to decreased stock-based compensation expense of approximately $1.3 million.

Exploration expenses

For the nine months ended September 30, 2015, exploration expenses consisted primarily of payments for exploration consulting fees. Exploration expenses for the nine months ended September 30, 2014 consisted of payments to our independent geologist, geoanalysis, claim permit expenses and staking of claims in the North Fork Project in Idaho and the Last Chance Project in Montana. Exploration expenses for the nine months ended September 30, 2015 decreased approximately $611,000, or 72% to approximately $234,000 as compared to approximately $846,000 for the nine months ended September 30, 2014. The decrease is primarily attributable to decreases in drilling and exploration activities.

Other Expenses

Other income of approximately $7,000 for the nine months ended September 30, 2015 consisted of rental income from sublease office space. There was no other income in the 2014 period.

Interest expense for the nine months ended September 30, 2015 consisted primarily of interest on short term notes payable. Interest expense for the nine months ended September 30, 2014 is primarily related to the financing of our directors and officers insurance. Interest expense for the nine months ended September 30, 2015 increased approximately $74,000 to approximately $81,000 as compared to approximately $7,000 for the nine months ended September 30, 2014. The increase is primarily attributable to interest expense on our short term notes payable.

During the nine months ended September 30, 2015, we incurred interest and penalties expense of approximately $140,000 related to payroll taxes owed to the IRS. We had no interest and penalties on payroll tax claim for the nine months ended September 30, 2014.

In addition, during the nine months ended September 30, 2015, we incurred an expense of approximately $18,000 in non-cash items related to loss on legal settlement. During the nine months ended September 30, 2014, we incurred a loss on legal settlement of approximately $349,000.

Net Loss

Mostly as a result of the decreases in selling, general and administrative expenses and exploration expense the net loss for the nine months ended September 30, 2015, was approximately $3.8 million as compared to a net loss of approximately $5.8 million for the nine months ended September 30, 2014.

Liquidity and Capital Resources

Sources of Liquidity

Liquidity is the ability of a company to generate funds to support our current and future operations, satisfy our obligations, and otherwise operate on an ongoing basis. Significant factors in the management of liquidity are funds generated by operations, levels of accounts receivable and accounts payable, and capital expenditures.

At September 30, 2015, we had cash of $1,769 and a working capital deficit of approximately $5.3 million. At December 31, 2014, we had cash of $142,540 and a working capital deficit of approximately $3.3 million. This decrease in cash was due primarily to operating losses during the nine months ended September 30, 2015. During the nine months ended September 30, 2015, we raised $325,000 through the sale of our common stock and warrants and a convertible promissory note.

The opinion of our independent registered public accounting firm on our audited financial statements as of and for the year ended December 31, 2014 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon raising capital from financing transactions.

Cash Flow

The following table sets forth the significant sources and uses for the periods set forth below:

	For the Nine Months Ended September 30,	
	2015	**2014**
Net cash provided by (used in):		
Operating activities	$ (460,562)	$ (2,473,238)
Investing activities	-	(22,294)
Financing activities	319,791	279,881
Net decrease in cash	**$ (140,771)**	**$ (2,215,651)**

Operating Activities.

Net cash used in operating activities for the nine months ended September 30, 2015 was approximately $461,000. This amount was primarily related to a net loss of approximately $3.8 million, partially offset by (i) non-cash expense related to stock-based compensation of approximately $1.4 million; (ii) deferred offering costs charged to expense of approximately $277,000; and (iii) increases in cash related to changes in other operating assets and liabilities of approximately $1.5 million primarily attributable to prepaid expenses, account payable and accrued expenses, and the payroll tax liability. Net cash used in operating activities for the nine months ended September 30, 2014 was approximately $2.5 million. This amount was primarily related to a net loss of approximately $5.8 million offset by approximately $3.2 million in non-cash expenses related to: (i) stock-based compensation and shares issued to directors and consultants for services of $2.9 million; and (ii) a loss on legal settlement of $349,000.

Investing Activities.

We had no investing activities for the nine months ended September 30, 2015. Net cash used in investing activities for the nine months ended September 30, 2014 was approximately $22,000, related to the purchase of fixed assets.

Financing Activities .

Net cash provided by financing activities for the nine months ended September 30, 2015 was approximately $320,000. This amount resulted from proceeds received from the sale of common stock and warrants of $100,000 and of net proceeds received from the issuance of notes payable of approximately $351,000, partially offset by the repayment of approximately $121,000 in notes payable. Net cash provided by financing activities for the nine months ended September 30, 2014 was approximately $280,000. This amount was primarily related to proceeds received from the sale of common stock and warrants of $1.5 million and proceeds received from the issuance of notes payable of approximately $190,000, partially offset by cash paid for common stock repurchases of approximately $1.4 million pursuant to shares of common stock acquired during December 31, 2013, repayment of approximately $21,000 of notes payable, and cash paid for deferred financing costs of approximately $27,000 related to our proposed offering of securities.

Future Funding Requirements

Our business plan calls for significant expenses in connection with the exploration of our prospects. To date, we have principally financed our operations through the sale of shares of our common stock and the issuance of debt. We do not currently have sufficient funds to conduct continued exploration on our claims and require additional financing in order to determine whether the claims contain economic rare-earth elements mineralization. We will need additional financing if the costs of the exploration of the claims are greater than anticipated. We will also require additional financing to sustain our business operations if we are not successful in earning revenues once exploration is complete. Our recent efforts to generate additional liquidity, including through sales of our common stock and the issuance of secured convertible debentures, are described in more detail in the financial statement notes. Obtaining additional financing would be subject to a number of factors, including the market prices for rare-earth elements, investor acceptance of our properties and general market conditions. These factors may make the timing, amount, terms or conditions of additional financing unavailable to us.

Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, we cannot assure you that additional financing will be available when needed on favorable terms, or at all. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders will experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. The inability to obtain additional capital may restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will have to curtail our plans and possibly cease our operations.

If commercially viable rare-earth element reserves are proven, additional capital will be needed to actually develop and mine those reserves. Even if such reserves are found, we will not be able to develop our mining operations should we be unable to obtain the necessary financing.

Contractual Obligations and Commitments

Employment and Consulting Agreements

Logic International Consulting Group LLC

On March 11, 2011, we signed an exclusive Services Agreement with Logic. Under the Services Agreement, Logic agreed to provide certain advisory services to us. On December 31, 2011, the Services Agreement was automatically extended to December 11, 2013 and can be renewed for additional 12-month periods unless either party gives the other 45 days written notice of termination. The Services Agreement can be cancelled with 90 days written notice. The Services Agreement provides for a monthly payment of $50,000 to Logic. As of September 30, 2015, we owed Logic $650,000 for accrued but unpaid service fees.

In March and November 2011, we issued warrants to Logic for the purchase of 666,668 shares of our common stock. On December 31, 2011, these warrants were cancelled and replaced with warrants to purchase 666,668 shares of our common stock. The warrants are exercisable at $1.50 per share and expire on March 9, 2016 and November 28, 2016 (approximately 65% of the warrants expire on March 9, 2016, with the remainder of the warrants expiring on November 28, 2016). The warrants may be called by us if it has registered the sale of the underlying shares with the SEC and a closing price of $21.00 or more for our common stock has been sustained for five trading days.

On June 28, 2013, we converted a payable to Logic of $800,000 into 266,667 shares of our common stock at $3.00 per share. The fair value of the stock on the date of conversion was $4.95 per share, and we recorded the difference between the conversion price and the fair value of $520,000 as loss on settlement of debt.

Since June 2013, we have also agreed to reimburse Logic for a portion of the compensation due to Mr. Cassidy's administrative assistant. For the nine months ended September 30, 2015 and 2014, we has recorded reimbursements of $36,000 and $22,500, respectively, of which $9,000 and $5,625, respectively, is recorded in exploration expense and $27,000 and $16,875, respectively, is recorded in general and administrative expenses in the Statements of Operations.

Diane Cassidy

Since June 2013, we retained Diane Cassidy, the sister of our Chief Executive Officer and Director, Kevin Cassidy, as a consultant to perform certain management services. From June 2013 to October 2013, Ms. Cassidy was paid at the rate of $5,000 per month, increasing to $10,000 per month in November 2013 and December 2013. From February 2014 through May 2014, she was paid at the rate of $16,667 per month. On May 19, 2014, we entered into a Consulting Agreement with Ms. Cassidy whereby Ms. Cassidy will provide certain management services. Under the agreement, Ms. Cassidy is entitled to $17,000 per month. The agreement has an initial term of one year, with automatic renewal for one year periods unless terminated by either party on 90 days' prior written notice. After the initial term, and during any additional term, either party can terminate the agreement as of the end of a calendar month on 60 days' prior written notice. On August 11, 2015, we provided written notice to terminate the agreement. As of September 30, 2015, we owed Diane Cassidy $34,000 for accrued but unpaid service fees.

Lattimore Properties

As of July 1, 2012, Lattimore Properties, an affiliate of John Victor Lattimore, Jr., our former Chairman of the Board, entered into a Consulting Agreement with Logic pursuant to which Lattimore Properties is to provide executive management, strategic planning and general office administration to Logic for a fee of $25,000 per month. The agreement has a term of one year commencing on July 1, 2013, unless sooner terminated on 30 days' prior written notice. The term of the agreement may be extended upon the mutual written agreement of the parties. The agreement was not extended.

Mark Scott

On December 19, 2011, we entered into a Consulting Agreement with Mark Scott in connection with his service as our Chief Financial Officer. Under the agreement Mr. Scott was entitled to $4,000 per month plus $3,000 of shares of our common stock per month based on an $8.55 per share price. On August 31, 2012, our board of directors approved the issuance of 24,000 shares of common stock to Mr. Scott. The term of the Consulting Agreement expired on December 31, 2012, and we paid Mr. Scott $5,000 per month on a month-to-month basis during 2013 and $10,000 per month during 2014. On April 30, 2014, Mr. Scott was removed as Chief Financial Officer and between June 1, 2014 and August 13, 2014, we retained Mr. Scott as a consultant at a rate of $5,000 per month. As of September 30, 2015, we owed Mark Scott $17,500 for accrued but unpaid service fees.

Michael Parnell

On December 10, 2010, we entered into a Revised Employment Agreement with Michael Parnell, our former Chief Executive Officer, Chief Operating Officer and a Director. Under the terms of the employment agreement, Mr. Parnell's annual salary was $125,000 in year one, $137,500 in year two and $151,000 in year three. Mr. Parnell was awarded 100,000 shares of restricted common stock. In the event that we were sold or merged or there was a change in control, Mr. Parnell was entitled to receive at his discretion, severance of $500,000 in cash or restricted common stock at $1.50 per share. Mr. Parnell was eligible for vacation of six weeks, benefit programs and incentive bonuses as approved by our board of directors. The employment agreement had a three-year term and was automatically renewable for additional one-year periods unless 90 days' notice is provided by either party.

On July 26, 2011, we entered into an Addendum to the Revised Employment Agreement with Mr. Parnell. The addendum extended the term of employment until December 10, 2015, subject to additional one-year renewal periods unless 90 days' notice is provided by either party. The addendum provided that Mr. Parnell's annual salary for year four was $166,100 and $182,710 for year five. We also agreed to issue to Mr. Parnell 41,667 restricted shares of our common stock in years four and five. In the event of a change in control by merger, acquisition, takeover or otherwise, the share amounts due in years four and five would become immediately due and payable.

On June 26, 2013, Mr. Parnell resigned as our Chief Operating Officer and a Director and accepted the position of National Accounts Director for the media business.

On January 28, 2014, we entered into a binding letter of intent to sell the common stock of Media Depot, Inc., the then media subsidiary of the Company, and certain related media assets held by us to Mr. Parnell or a designated affiliate of Mr. Parnell. On May 12, 2014, we and an affiliate of Mr. Parnell entered into a Master Sale Agreement, and related Share Purchase Agreement and Asset Purchase Agreement, and completed the sale of the media business to an affiliate of Mr. Parnell effective January 1, 2014. In connection with this transaction, Mr. Parnell resigned as National Accounts Director on May 12, 2014 and the Revised Employment Agreement and addendum thereto were terminated immediately.

On May 12, 2014, we and Mach One Media Group, Inc. ("Mach One") entered into a Master Sale Agreement, and related Share Purchase Agreement and Asset Purchase Agreement, pursuant to which Mach One acquired all of the outstanding stock of Media Depot, Inc., a wholly-owned subsidiary of the Company, and acquired the assets and assumed the liabilities of the Company related to the media business effective January 1, 2014. Mach One is an affiliate of Michael D. Parnell, our former Chief Executive Officer, National Accounts Director and Director. In addition, the Company and the Michael D. Parnell Living Trust (the "Parnell Trust") entered into an amendment to the Repurchase Option Agreement dated January 28, 2014, whereby we has the option to repurchase up to 266,667 shares of our common stock from the trust at $3.00 per share. The amendment extended the date on which we may exercise the right to repurchase the first 66,667 shares from March 15, 2014 to June 15, 2014 such that we may, at our option, repurchase 133,334 shares on or before June 15, 2014 and a further 66,667 shares on each of September 15, 2014 and December 15, 2014. As of December 31, 2014, our option to repurchase the 266,667 shares on or before December 15, 2014 had expired. We and Mr. Parnell also entered into a Termination and Release Agreement whereby Mr. Parnell resigned as our National Accounts Director effective immediately, his employment agreement was terminated, and all compensation due to Mr. Parnell was extinguished. The agreement also provides for a mutual release of claims by the parties, and an indemnification by us of Mr. Parnell in certain circumstances.

Daniel McGroarty

On November 29, 2011, Daniel McGroarty was appointed our President. On January 1, 2012, we entered into an Executive Employment Agreement with Mr. McGroarty employing Mr. McGroarty as our President. Under the terms of the employment agreement, Mr. McGroarty's salary was $120,000 in year one and was to be negotiated in years two and three. The employment agreement also provided for the grant to Mr. McGroarty of 216,667 shares of restricted common stock and further provided that 33,334 shares of common stock that were previously granted to Mr. McGroarty were fully vested as of November 30, 2011. The employment agreement had a three-year term and was automatically renewable for additional one-year periods unless 90 days' notice is provided by either party.

On August 14, 2013, we accepted the resignation of Daniel McGroarty effective July 31, 2013 as our President. The parties entered into a Stock Repurchase Option and Severance Agreement whereby: (i) the parties agreed to settle all back pay and compensation claims with a payment of $60,000; (ii) we agreed to repurchase 33,334 of shares of our common stock from Mr. McGroarty on or before September 30, 2013 for $100,000 or $3.00 per share, which was subsequently paid; and (iii) we paid $40,000 for an option to acquire up to 266,667 shares of our common stock from Mr. McGroarty for $3.00 per share on or before April 30, 2014. The foregoing option was not exercised and on September 15, 2014, we entered into a further agreement with Mr. McGroarty pursuant to which we agreed, among other things, to repurchase 16,667 shares of our common stock by September 22, 2014 at $3.30 per share and 50,000 shares of our common stock by October 15, 2014 at $3.30 per share and were granted an option to repurchase 133,334 shares of our common stock at $3.30 per share on or before January 1, 2015. Such option expired unexercised. As of September 30, 2015, we had not repurchased these shares and the balance of $220,000 is currently due and payable.

Operating Lease Agreements

We are obligated under various non-cancelable operating leases for our various facilities.

We lease our principal executive offices at 5600 Tennyson Parkway, Suite 240, Plano, Texas 75024-3818. The lease of this 1,588 square foot space is for a term expiring on November 30, 2016, and provides for monthly rental payments of $3,441. On July 29, 2015 we entered into a sublease agreement in which the Company sublet the lease property to the subtenant. This sublease will begin on August 1, 2015 and will continue for the remainder of the term expiring on November 30, 2016. Subtenant shall pay landlord sublease payments of $3,441 per month and subtenant is not responsible for finding a replacement upon the termination of tenancy.

We lease a corporate apartment at 5721 Henry Cook Boulevard, Plano, Texas 75024. The lease of this 1,024 square foot space is for a term which expired on February 10, 2015, and provided for monthly rental payments of $1,730. When the lease agreement expired, we continued leasing the apartment on a month-to-month basis at $1,730 per month. On April 13, 2015, we provided notice to the owner and ended the lease arrangement on May 13, 2015.

We also lease 5,000 square feet of office and storage space at 120 Vandervoort Street, Salmon, Idaho. The Salmon facility was used by our contractors when they are involved in exploration or other activities relating to our Idaho or Montana claims and is also used to store tools and materials used in our exploratory activities and samples collected from the claim sites. This lease provides for monthly rentals of $1,200 and expired December 4, 2014. The lease includes an option to renew for two terms of two years at a rent to be negotiated. As of September 30, 2015, the lease has not been renewed and we are paying on a month-to-month basis.

Since January 1, 2013, we have rented office space from Logic at 711 Fifth Avenue, 16th Floor, New York, New York 10022, which since May 1, 2013 has been on a month-to-month basis. Since June 1, 2013, we have paid rent of $9,250 per month. Logic is controlled by Kevin Cassidy, our Chief Executive Officer ("CEO").

Short-term Note Payable

On May 26, 2015, we entered into a promissory note (the "May 2015 Note") with an accredited investor in the principal amount of $285,000 for a purchase price of $200,000. The May 2015 Note matures six months from the date of issuance and shall not bear interest other than in the event of default. The May 2015 Note may be converted into shares of our common stock at any time following an event of default at a conversion price equal to a 20% discount of the average of the three lowest closing bid prices in the twenty trading days immediately preceding the conversion except that an additional discount of up to 15% shall apply in the case of certain defaults. The May 2015 Note may be prepaid at premiums to the outstanding principal during the term of the May 2015 Note.

The May 2015 Note includes default provisions related to payment of principal and interest and bankruptcy or creditor assignment. In addition, it shall constitute an event of default under the May 2015 Note if we are delinquent in our filings with the Securities and Exchange Commission, we cease to be quoted on the OTCQB, our common stock is not DWAC eligible, or we fail to maintain a share reserve as required under the May 2015 Note. In an event of default, the May 2015 Note may become immediately due and payable at premiums to the outstanding principal and shall bear interest at the rate of 22% per annum. The May 2015 Note also provides that if shares issuable upon conversion of the May 2015 Note are not timely delivered in accordance with the terms of the May 2015 Note then we shall be subject to certain cash penalties that increase proportionally to the duration of the delinquency up to a certain capped amount.

Long-term Note Payable

On September 22, 2015, we entered into a convertible secured promissory note (the "September 2015 Note") in the principal amount of $25,000. The September 2015 Note is due and payable, along with any accrued but unpaid interest, on January 28, 2017. At any time the outstanding principal balance of the September 2015 Note may be converted, in whole or in part, into shares of our common stock at $0.75 per share at the option of the holder. We are required to pay interest to the holder on the aggregate unconverted and then outstanding principal amount of the September 2015 Note at a rate of 6% per annum, payable annually in arrears on each anniversary of the issue date, on each conversion date (as to that principal amount then being converted), and on the maturity date in cash or, at the holder's option, in shares of our common stock at the conversion price, or a combination thereof.

Share Repurchase Obligation

We entered into repurchase option agreements with existing stockholders, including Harvey Kaye, Edward Cowle, H. Deworth Williams, Daniel McGroarty, and an affiliate of Michael Parnell, under which it (i) acquired 33,334 shares of our common stock at $3.00 per share during September 2013, (ii) acquired 317,334 shares of our common stock at $3.00 per share during October 2013, and (iii) acquired 756,333 shares of our common stock at $3.00 per share during December 31, 2013 with a portion of the payment in the amount of $1,344,999 made during the three months ended March 31, 2014 and the balance of $924,000 which was then due and payable. On December 31, 2014, we re-issued 301,334 shares of common stock in exchange for the extinguishment of $904,000 of the $924,000 that was due and payable. We also obtained the right from Mr. McGroarty, to acquire up to 266,667 shares of our common stock at $3.00 per share until April 30, 2014. The foregoing option was not exercised and on September 15, 2014, we agreed with Mr. McGroarty to repurchase 16,667 shares of our common stock by September 22, 2014 at $3.30 per share and 50,000 shares of our common stock by October 15, 2014 at $3.30 per share and were granted an option to repurchase 133,334 shares of our common stock at $3.30 per share on or before January 1, 2015. Such option expired unexercised. As of September 30, 2015, we had not repurchased these shares and the balance of $220,000 is currently due and payable. In addition, we obtained the right from Matthew Hoff and his affiliate to acquire up to 266,667 shares of our common stock at $3.30 per share until December 31, 2014 and we further obtained the right from an affiliate of Michael Parnell to acquire up to 266,667 shares of our common stock at $3.00 per share until December 31, 2014, both of which have expired. We intend to satisfy the remaining repurchase obligations of $240,000 from proceeds of future financings from time to time.

Patent License Agreement

On July 23, 2015, we entered into an exclusive commercial patent license agreement to utilize the Membrane Assisted Solvent Extraction for Rare Earths Technology ("MSX Technology"), which results in the recovery and separation of Neodymium, Dysprosium and Praseodymium from electronic E-waste. We were also granted a non-exclusive commercial patent license for use of MSX Technology for mining Neodymium, Dysprosium and Praseodymium.

Under the agreement, we are required to pay the Licensor a $35,000 execution fee within 30 days. We are required to pay the Licensor royalties of 3% of net sales subject to minimum royalty payments of $15,000 for the year ending December 31, 2017 and $25,000 for years thereafter. In the event we earn sublicensing revenue from the MSX Technology, we are required to pay 35% of such revenue to the Licensor. We are responsible for all patent costs incurred to support the MSX Technology in excess of $20,000.

Off-Balance Sheet Arrangements

Through September 30, 2015, we do not have any off-balance sheet arrangements, as defined by applicable SEC regulations.

Critical Accounting Policies and Estimates

The application of U.S. GAAP involves the exercise of varying degrees of judgment. On an ongoing basis, we evaluate our estimates and judgments based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe that we have no significant changes in our critical accounting policies as described in our Form 10K/A for the year ended December 31, 2014, filed March 6, 2015.

Recently Issued Accounting Pronouncements

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to our consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* , which amends Accounting Standards Codification ("ASC") Topic 205 – Presentation of Financial Statements and Topic 360 – Property, Plant, and Equipment. Under ASU 2014-08, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. ASU 2014-08 is effective for fiscal and interim periods beginning on or after December 15, 2014, which is effective for our first quarter of 2015. The impact of the adoption of this ASU on our results of operation, financial position, cash flows and disclosures will be based on any of our future disposal activity.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* , which amended ASC Topic 205 – Presentation of Financial Statements. The amendment provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, in connection with the preparation of annual and interim financial statements, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued, or within one year after the date that the financial statements are available to be issued, when applicable. ASU 2014-15 is effective for annual reporting periods ending after December 15, 2016, which is effective for our first quarter of fiscal year 2016. The opinion of our independent registered public accounting firm on our audited financial statements as of and for the year ended December 31, 2014 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. We will continue to assess any potential impact on our financial statements from the adoption of ASU 2014-15.

In January 2015, the FASB issued ASU 2015-01, *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items,* which amends ASC Topic 225 – Income Statement. The amendment eliminates the concept of extraordinary items and the financial statement and disclosure requirements relating to them. ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, which is effective for the our first quarter of fiscal year 2016. Early adoption in interim and annual periods is permitted. The impact of the adoption of this ASU on our results of operation, financial position, cash flows and disclosures will depend on our future activity.

In February 2015, the FASB issued ASU 2015-02, *Amendments to Consolidation Analysis),* which amends ASC Topic 810 – Consolidations. The amendment changes the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. Specifically, the amendments 1) modify the evaluation of whether certain entities are variable interest entities (VIEs), 2) eliminate the presumption that a general partner should consolidate a limited partnership, 3) affect the consolidation analysis of reporting entities that are involved with VIEs, and 4) provide a scope exception from consolidation guidance for reporting entities with interests in certain legal entities. ASU 2015-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, which is effective for our first quarter of fiscal year 2016. Early adoption in interim and annual periods is permitted. We do not believe the adoption of ASU 2015-02 will have a material effect on our consolidated financial statements. We will continue to assess any potential impact on our financial statements from the adoption of ASU 2015-02.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* , which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. ASU No. 2015-03 is effective for the interim and annual periods ending after December 15, 2015, but early adoption is permitted. As of September 30, 2015, we adopted ASU No. 2015-03. Adoption resulted in debt issuance costs being presented net in short-term notes payable. Adoption did not impact our results of operations, financial position, or cash flows for any periods presented.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a "smaller reporting company," as defined by Item 10 of Regulation S-K, we are not required to provide the information in Item 3.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2015, our management conducted an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e). Based on this evaluation, management concluded that our disclosure controls and procedures were not effective at September 30, 2015.

Changes in Internal Controls

There were no changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls over financial reporting that occurred during the three months ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On September 15, 2014, we entered into an agreement with Daniel McGroarty, our former President, to, among other things, repurchase 16,667 shares of our common stock by September 22, 2014 at $3.30 per share and 50,000 shares of our common stock by October 15, 2014 at $3.30 per share and were granted an option to repurchase 133,334 shares of our common stock at $3.30 per share on or before January 1, 2015. As of September 30, 2015, we had not purchased these shares and the balance of $220,000 is currently due and payable. On December 29, 2014, we were served with an AAA demand for arbitration by Mr. McGroarty, which alleged breach of contract. Mr. McGroarty is seeking specific performance, compensatory damages of $930,000 and reasonable attorney's fees and costs. On January 14, 2015, we submitted our answering statement denying the allegation of Mr. McGroarty. We intend to defend itself vigorously in this action.

ITEM 1A. RISK FACTORS.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On September 22, 2015, we entered into a convertible secured promissory note (the "September 2015 Note") in the principal amount of $25,000. The September 2015 Note is due and payable, along with any accrued but unpaid interest, on January 28, 2017. At any time the outstanding principal balance of the September 2015 Note may be converted, in whole or in part, into shares of our common stock at $0.75 per share at the option of the holder. We are required to pay interest to the holder on the aggregate unconverted and then outstanding principal amount of the September 2015 Note at a rate of 6% per annum, payable annually in arrears on each anniversary of the issue date, on each conversion date (as to that principal amount then being converted), and on the maturity date in cash or, at the holder's option, in shares of our common stock at the conversion price, or a combination thereof.

The foregoing is a summary of certain terms set forth in the September 2015 Note. This summary does not purport to be complete and is qualified in its entirety by reference to the full text of the September 2015 Note, which is filed as Exhibit 10.1 hereto.

The securities above were offered and sold pursuant to an exemption from the registration requirements under Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder since, among other things, the transactions did not involve a public offering and the securities were acquired for investment purposes only and not with a view to or for sale in connection with any distribution thereof.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURE.

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities from the Federal Mine Safety and Health Administration, or MSHA, under the Federal Mine Safety and Health Act of 1977, or the Mine Act. During the quarter ended September 30, 2015, we did not have any projects that were in production and as such, were not subject to regulation by MSHA under the Mine Act.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The following documents are filed as a part of this report or are incorporated by reference to previous filings, if so indicated:

Exhibit No.	Description
10.1	Secured Convertible Promissory Note dated September 22, 2015
31	Certification by Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a).
32	Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from U.S. Rare Earth's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 are formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flow, and (iv) Notes to Consolidated Financial Statements.

SIGNATURES

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

U.S. RARE EARTHS, INC.

Date: November 23, 2015

By: /s/ Kevin M. Cassidy
Kevin M. Cassidy
Chief Executive Officer, Chief Financial Officer and Director
(Principal Executive Officer and Principal Accounting Officer)

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY.

Principal Amount: $25,000
Issue Date: September 22, 2015

SECURED CONVERTIBLE PROMISSORY NOTE

THIS SECURED CONVERTIBLE PROMISSORY NOTE is one of a series of duly authorized and validly issued Convertible Promissory Notes of U.S. Rare Earths, Inc., a Nevada corporation, (the " Company "), having its principal place of business at 5600 Tennyson Parkway, Suite 240, Plano, Texas 75024 designated as its Secured Convertible Promissory Note (this " Note ", or the " Note " and collectively with the other Notes of such series, the " Notes ").

FOR VALUE RECEIVED, the Company promises to pay to the order of Brian Summers or its assigns (the "Holder"), or shall have paid pursuant to the terms hereunder, the sum of $25,000 on January 28, 2017 (the "Maturity Date") or such earlier date as provided in accordance with the provisions hereof.

This Note is subject to the following additional provisions:

Section 1 . Definitions . For the purposes hereof, the following terms shall have the following meanings:

" Bankruptcy Event " means any of the following events: (a) the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Significant Subsidiary thereof, (b) there is commenced against the Company or any Significant Subsidiary thereof any such case or proceeding that is not dismissed within sixty days after commencement, (c) the Company or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered, (d) the Company or any Significant Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within sixty calendar days after such appointment, (e) the Company or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors, (f) the Company or any Significant Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts or (g) the Company or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

" Business Day " means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

" Common Stock " means the Company's common stock, par value $0.00001 per share.

" Common Stock Equivalents " means any securities of the Company which would entitle the holder thereof to acquire at any time Common Stock, including without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

" Conversion Date " shall bear such meaning ascribed to such term in Section 4(a).

" Conversion Price " means $0.75 per share.

" Exempt Issuance " means (i) an issuance of Common Stock, Common Stock Equivalents or options to purchase Common Stock or Common Stock Equivalents to employees, consultants, officers or directors of the Company pursuant to any stock or option plan duly adopted for such purpose, (ii) an issuance of any shares of Common Stock or Common Stock Equivalents upon the conversion,, exercise or exchange of any securities issued hereunder, (c) an issuance of any shares of the Company's Common Stock or Common Stock Equivalents issued upon the conversion, exercise or exchange of any Common Stock Equivalents issued and outstanding on the Issue Date, (d) an issuance of securities pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, or (e) an issuance of securities to vendors, consultants or service providers for services unrelated to capital raising transactions.

" Issue Date " means the date of the first issuance of the Note set forth on the cover page of this Note, regardless of any transfers of the Note and regardless of the number of instruments which may be issued to evidence such Note.

" Person " means an individual, corporation, partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

“ Securities Act ” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“ Subscription Agreement ” means the Subscription Agreement, dated as of September 30, 2015, by and between the Company and the original Holder signatory thereto, as amended, modified or supplemented from time to time in accordance with its terms.

Section 2 . Interest .

a) Payment of Interest in Cash or Kind . The Company shall pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Note at the rate of 6% per annum, payable annually in arrears on each anniversary of the Issue Date, on each Conversion Date (as to that principal amount then being converted), and on the Maturity Date in cash or, at the Holder’s option, in shares of the Company’s Common Stock at the Conversion Price, or a combination thereof.

b) Interest Calculations . Interest shall be calculated on the basis of a 360-day year, consisting of twelve 30 calendar day periods, and shall accrue daily commencing on the Issue Date until payment in full of the outstanding principal. Interest shall cease to accrue with respect to any principal amount converted.

Section 3 . Registration of Transfers and Exchanges .

a) Different Denominations . This Note is exchangeable for an equal aggregate principal amount of Notes of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be payable for such registration of transfer or exchange.

b) Investment Representations . This Note has been issued subject to certain investment representations of the original Holder set forth in the Subscription Agreement and may be transferred or exchanged only in compliance with the Subscription Agreement and applicable federal and state securities laws and regulations.

c) Reliance on Note Register . Prior to due presentment for transfer to the Company of this Note, the Company and any agent of the Company may treat the Person in whose name this Note is duly registered on the records of the Company regarding registration and transfers of this Note (the “Note Register”) as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

Section 4. Conversion .

a) Voluntary Conversion . At any time the outstanding principal balance of this Note shall be convertible, in whole or in part, into shares of Company’s Common Stock at the option of the Holder at the Conversion Price. The Holder shall effect conversions by delivering to the

Company a Notice of Conversion, the form of which is attached hereto as Annex A (each, a "Notice of Conversion"), specifying therein the principal amount of this Note to be converted and the date on which such conversion shall be effected (such date, the "Conversion Date"). If no conversion date is specified in a Notice of Conversion, the conversion date shall be the date that such Notice of Conversion is deemed delivered hereunder. To effect voluntary conversions hereunder, the Holder shall not be required to physically surrender this Note to the Company unless the entire principal amount of this Note has been so converted or paid. Voluntary conversions hereunder shall have the effect of lowering the outstanding principal amount of this Note in an amount equal to the applicable conversion. The Company shall maintain records showing the principal amount(s) converted and the date of such conversion(s). **The Holder, and any assignee by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note may be less than the amount stated on the face hereof.**

b) Mechanics of Conversion .

i. Conversion Shares Issuable Upon Conversion . The number of shares of the Company's Common Stock issuable upon conversion hereunder shall be determined by the quotient obtained by dividing (x) the outstanding principal amount of this Note being converted, if any, plus, at the Option of the Holder, any accrued and unpaid interest to be converted by (y) the Conversion Price.

ii. Delivery of Certificate . Not later than ten Business Days after each date of conversion, the Company shall deliver, or cause to be delivered, to the Holder a certificate or certificates representing the number of shares of the Company's Common Stock being acquired upon the conversion of this Note. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and non-assessable.

iii. Fractional Shares . No fractional shares or scrip representing fractional shares shall be issued upon the conversion of this Note. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

iv. Transfer Taxes and Expenses . The issuance of certificates for shares of the Common Stock on conversion of this Note shall be made without charge to the Holder hereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that, the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of this Note so converted and the Company shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid. The Company shall pay all transfer agent fees required for same-day processing of any Notice of Conversion.

Section 5. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Company, at any time while this Note is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any Common Stock Equivalents, (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Reorganization, Reclassification, Consolidation, Merger, Sale; Company Not Survivor. If any capital reorganization, reclassification of the capital stock of the Company, combination, continuation, consolidation or merger of the Company with another corporation in which the Company is not the survivor, or sale, transfer or other disposition (i.e. license, lease or contractual arrangement) of all or substantially all of the assets to another corporation shall be effected by the Company, then, as a condition of such reorganization, reclassification, combination, continuation, consolidation, merger, sale, transfer or other disposition, lawful and adequate provision shall be made whereby the Holder shall thereafter have the right to purchase and receive upon the basis and upon the terms and conditions herein specified and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion of the Note, such shares of stock, securities or assets as would have been issuable or payable with respect to or in exchange for a number of shares of Common Stock equal to the number of shares of Common Stock immediately theretofore issuable upon conversion of the Note, had such reorganization, reclassification, combination, continuation, consolidation, merger, sale, transfer or other disposition not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of Holder to the end that the provisions hereof (including, without limitation, provision for adjustment of the Conversion Price) shall thereafter be applicable, as nearly equivalent as may be practicable in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof. The provisions of this paragraph 5(b) shall similarly apply to successive reorganizations, reclassifications, combinations, continuations, consolidations, mergers, sales, transfers or other dispositions.

c) Calculations. All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 5, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Company) issued and outstanding.

d) Notice to the Holder.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 5, the Company shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, or (D) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of this Note, and shall cause to be delivered to the Holder at its last address as it shall appear upon the Note Register, at least twenty calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or (y) if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice.

Section 6. Events of Default.

a) "Event of Default" means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. a default in the payment of the principal amount of this Note as and when the same shall become due and payable which default is not cured within five Business Days following such due date;

ii. the Company shall fail to observe or perform any other covenant or agreement contained in this Note which failure is not cured, if possible to cure, within twenty Business Days after notice of such failure sent by the Holder or by any other Holder to the Company; or

iii. the Company shall be subject to a Bankruptcy Event.

b) Remedies Upon Event of Default . Upon the occurrence of an Event of Default referred to in Section 6(a)(i) and (ii), the Holder, by ten Business Days' notice in writing given to the Company (during which time, the Company may cure such Event of Default), may declare the entire principal amount then outstanding of this Note to be due and payable immediately, and upon any such declaration the same shall become and be due and payable immediately, without presentation, demand, protest, or other formalities of any kind, all of which are expressly waived by the Borrower. Upon the occurrence of an Event of Default referred to in Section 6(a)(iii), the principal amount then outstanding of this Note shall automatically become immediately due and payable without presentment, demand, protest, or other formalities of any kind, all of which are hereby expressly waived by the Borrower.

Section 7 . Security . This Note is secured by a continuing security interest in certain assets of the Company to the extent and in the manner set forth in the Security Agreement dated as of the date hereof between the Company and Holder.

Section 8 . Miscellaneous .

a) Notices . Any and all notices or other communications or deliveries to be provided by the Holder hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth in the Subscription Agreement, or such other facsimile number or address as the Company may specify for such purposes by notice to the Holder delivered in accordance with this Section 8(a). Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of the Holder appearing on the books of the Company, or if no such facsimile number or address appears on the books of the Company, at the principal place of business of such Holder, as set forth in the Subscription Agreement. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on any date, (ii) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Business Day or later than 5:30 p.m. (New York City time) on any Business Day, (iii) the second Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Lost or Mutilated Note . If this Note shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Note, or in lieu of or in substitution for a lost, stolen or destroyed Note, a new Note for the principal amount of this Note so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Note, and of the ownership hereof, reasonably satisfactory to the Company.

c) Governing Law . All questions concerning the construction, validity, enforcement and interpretation of this Note shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of this Note (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Note or the transactions contemplated hereby.

d) Waiver and Amendments. Any waiver by the Company or the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of the Company or the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Note on any other occasion. Any waiver by the Company or the Holder must be in writing. This Note may be modified or amended or the provisions hereof waived with the written consent of the Company and Holders of a majority in principal amount of the then outstanding Notes.

e) Severability. If any provision of this Note is invalid, illegal or unenforceable, the balance of this Note shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on this Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Note, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

f) Entire Agreement. This Note sets forth the entire agreement and understanding between the parties as to the subject matter hereof and merges and supersedes all prior discussions, agreements and understandings of any and every nature among them.

g) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

h) Headings. The headings contained herein are for convenience only, do not constitute a part of this Note and shall not be deemed to limit or affect any of the provisions hereof.

[Intentionally Blank]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed by a duly authorized officer as of the date first above indicated.

U.S. RARE EARTHS, INC.

By:____
Name: Kevin Cassidy
Title: Chief Executive Officer

By:____
Name: Brian Summers

ANNEX A

NOTICE OF CONVERSION

The undersigned hereby elects to convert principal and/or accrued and unpaid interest under the Secured Convertible Promissory Note of U.S. Rare Earths, Inc., a Nevada corporation (the “Company”), into shares of common stock (the “Common Stock”), of the Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

Conversion calculations:

Date to Effect Conversion:

Principal Amount of Note to be Converted:

Interest Amount of Note to be Converted:

Number of shares of Common Stock to be issued:

Signature:

Name:

Address for Delivery of Common Stock Certificates:

EXHIBIT 31

SECTION 302 CERTIFICATIONS

I, Kevin M. Cassidy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Rare Earths, Inc.;

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(a) 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 23, 2015

/s/ Kevin M. Cassidy
Kevin M. Cassidy,
Chief Executive Officer and Chief Financial Officer

EXHIBIT 32

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 Quarterly Report of U.S. Rare Earths, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin M. Cassidy, Chief Executive Officer and 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, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive Officer of the Company with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be disclosed, distributed or used by any person or for any reason other than as specifically required by law.

/s/ Kevin M. Cassidy
Kevin M. Cassidy
Chief Executive Officer and Chief Financial Officer

November 23, 2015