



Operator: Greetings and welcome to the Texas Rare Earth Resources Corporation First Quarter Fiscal 2012 Update. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero, on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Ms. Nadine Wakely, Director of Investor Relations for Texas Rare Earth. Thank you, Ms. Wakely. You may begin.

Nadine Wakely: Thank you, Manny, and good afternoon to everyone. We appreciate your participation in our first quarter fiscal 2012 project review conference call. You should have a copy of today's news release, and if you do not have the release, you may obtain a copy from the Company's website at www.trer.com.

With me today on the call are the Company's CEO, Marc LeVier; Chief Financial Officer, Chris Mathers; and Senior Vice President of Project Development and Engineering, Anthony Garcia. We will provide some formal remarks, after which we will open up the call for questions.

And before we go in, we're going to go into my favorite part. I would like to remind everyone that the conference call will contain forward-looking statements, including such things as the potential development of a Round Top rare earth project, estimates of mineralized material, the potential ratio of heavy to total rare earth minerals present at the Round Top project, the number of metric tons of rhyolite contained at the Round Top project, details regarding our exploration and development plans, including current timelines and anticipated costs for those activities, and other similar matters. The actual results might differ materially from those projected in these forward-looking statements. Additional information concerning factors that could cause the results to differ materially from those forward-looking statements are contained in our press release that went out this morning, as well as from disclosures in our public filings with the SEC.

Also, the SEC limits disclosures for U.S. reporting purposes to mineral deposits that a company can economically and legally extract or produce. Our Round Top rare earth project currently does not contain any known, proven, or probable oil reserves under SEC reporting standards. Our reference to the metric tons of rhyolite contained at the project is a reference only to estimated in-place tonnage. You are urged to consider closely the disclosure in our latest (audio interference) with the SEC.

Finally, our discussion of financial results should be considered in conjunction with a review of our completed audited annual financial statements and the notes thereto, together with our Management's Discussion and Analysis as contained in our Annual Report on Form 10-K filed with the SEC. You can review and obtain copies of these filings at www.sec.gov.

With that, let me turn the call over to Chris Mathers, our Chief Financial Officer, to review the financials. Chris?



Chris Mathers: Thank you, Nadine. This morning we issued a press release highlighting our first quarter 2012 results, including financials, and filed our first quarter Form 10-Q with the SEC for the quarter ended November 30, 2011. We believe that we're in a solid cash position to pursue the objectives that Anthony and Marc will discuss shortly.

At the end of the first quarter, we had approximately \$14.9 million in cash and a working capital surplus of approximately \$14.1 million and no debt. As of January 9, we had approximately \$14.65 million in cash and cash equivalents.

Subsequent to our quarter end, investors from our 2009/2010 private placement exercised warrants into approximately 1.75 million shares of our common stock. Proceeds from the exercise of these warrants totaled a little over \$1 million. As of January 9th, we had approximately 36.5 million shares of our common stock outstanding.

We're currently trading on the OTCQB. We have recently applied for trading on the OTCQX. For those of you that are not familiar with the OTCQX, the OTCQX marketplace is the premier tier of the U.S. over-the-counter market, and many U.S. companies join the OTCQX as the final step towards the national exchange. And speaking of a national exchange, we have received contingent approval for listing on a national exchange. In order for us to be listed, however, we have to maintain a minimum sustainable share price, which we have not yet achieved.

On January 6th our Board of Directors unanimously approved an increase in our fiscal year budget from 10.6 million to 13.3 million. Our monthly burn rate for fiscal 2012 will vary based on the level of drilling and testing activity, but in general we expect to spend an average of about \$1.1 million a month.

Our exploration budget for fiscal 2012 was \$9.8 million. This amount includes drilling, sampling and testing activity, as well as our environmental baseline, geologic modeling, and a preliminary economic assessment report which will be 43-101 compliant. For the first quarter of fiscal 2012 we spent approximately \$1.6 million on our exploration efforts. Expenses charged to G&A were approximately \$1.22 million, of which approximately 604,000 was a charge for noncash stock-based compensation to officers.

Our net cash used in operating activities was approximately \$1.8 million, taking into consideration the noncash stock-based compensation charge. We currently have enough cash to take us through the calendar year 2012.

Now let me turn the call over to Anthony Garcia. Anthony?

Anthony Garcia: Thanks, Chris. I'd like to start with an update of our drilling status. Currently, we have two reverse circulation drill rigs onsite with the planned addition of a



coring rig in February. To date, we have completed approximately 61 holes, which corresponds to approximately 24,000 feet.

We have cut off our drilling data as of January 13th for the development of a geologic model, which will be the basis for the preliminary economic assessment. The PEA target completion date is late Q1 or early Q2 2012 calendar quarters. At this time, we are working with Gustafson and Klepfer Mining Services (KMS) to vet our geologic model of Round Top to make sure that we're 43-101 compliant.

We're continuing to add assay data to our database, and we have begun the geo-statistical evaluation process, which is being led by Gustafson. To date, we have completed approximately 27 complete drill assays, and they are loaded into our database.

In addition, we are in the process of having RFPs, requests for proposals, or awards for various studies associated with infrastructure and environmental baseline evaluations in support of either the PEA or the future PFS study.

And with that let me turn the call over to Marc.

Marc LeVier: Thank you, Anthony. First, I'd just like to say that as of December 31st, Dan Gorski, one of our cofounders and former CEO, has retired. And we'd like to make sure that we thank Dan properly for his years of dedication and hard work on behalf of Texas Rare Earth Resources. And Dan will continue as a member of the Board of Directors and will continue to be engaged in consulting services as we continue to develop strategies on growth opportunities within the Company.

As Anthony mentioned, the drill cutoff date of January 13th is quite a milestone and we're quite excited about the fact that we've achieved the drilling that will allow us to now enter into a technical report and a basis for a PEA resource model. That doesn't mean that the drills have stopped turning. The drills are still turning, but all the drill data going forward will allow us to advance our drill database information to the next milestone, which is a preliminary feasibility study.

With regards to metallurgical testing, we are in the second phase of that testing and we have completed testing to evaluate the opportunity for pre-concentration of the material. Because of the mineralogical nature of the material, the rare earth minerals that carry the rare earth elements are extremely fine grained and uniformly distributed through the rhyolite host rock. That, in itself, suggested to us that pre-concentration was probably not a viable opportunity. However, these are things that we wanted to test to verify if they were going to be successful or not. Pre-concentration at this time does not look to be a viable opportunity.

We continue to focus all of our efforts now on froth flotation, which is the conventional concentration method used in the industry for rare earths, as well as base metals and other mineral processes.



Our studies are pointed at reagent schemes and development of reagent schemes, evaluation of reagent schemes, and we've been able to narrow that focus on the collectors and frother combinations and we are now narrowing down to what we believe will give us the best results.

Once we achieve that, we will move forward with optimization of the various parameters, such as grind size, time, stages in the rougher, stages of cleaner, scavenger, to optimize the efficiency and the recoveries. After we complete that, we will be looking at later in the year operating a flotation pilot plant which will allow us to generate a large bulk sample of concentrate that will be used for all of the hydrometallurgical bench scale leach tests that will then focus on optimizing the extraction of rare earth elements and recovery of those rare earth elements in an oxide form and select a product that we can sell.

So far as the milestone review, we have a very aggressive development plan, the technical report on the drill results in late Q1, and probably will be timed very closely to the completion of the PEA in early Q2 of 2012. We continue on a track for a 43-101 compliant prefeasibility study in the first half of 2013, as well as a 43-101 compliant feasibility study in the first half of 2014. This aggressive schedule still allows us the optimistic approach to a commissioning and startup of a rare earth processing plant in late 2015, early 2016 timeframe.

We also are working toward a number of studies, as Anthony has stated, which will focus on our permitting activity. We believe that because of our location and the infrastructure, we have a really good opportunity to meet this aggressive schedule.

With that I'll turn the call back over to Manny for any questions that people in attendance may have for the team.

Operator: Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one, on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two, if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question is from the line of George Markelson with Dakota Holdings. Please go ahead.

George Markelson: Good afternoon. First I wanted to congratulate you on the press release today for the good news that I know a lot of people have been looking forward to and waiting for for some time. I have actually two questions. My first is... with regard to the news, is it a concern of the Company that with all the positive news that's been released that you're seeing your stock not acting particularly well? It was actually down today on low volume. And I know that you have internal IR in place, I



want to know what you're doing about outside IR to get your news out and potentially bring in new investors.

Nadine Wakely: This is Nadine Wakely speaking. We saw that our stock was down a little bit today, and we think that one of the big issues with that is we have very little liquidity, very little float in the stock right now. We don't have investors who want to sell at these prices. We have a little bit of buying and selling, but it's not sufficient to get true liquidity, so I hope that covers one area.

As far as external IR, we have engaged a company called O&M (Otis and Mandy) in New York City. They focus on natural resource companies, and they have taken us to meetings with primarily high-end retail brokers, independent money managers, and institutions. We went through Denver, Minneapolis, San Francisco, Boston, and New York and met with about 115 different investors. So that's something that we plan to continue as we get results in, and we're looking at other cities to go to.

We also have a focus on getting some south side coverage, and several of us are going to Toronto at the end of this month and meeting with all the key sell side analysts that cover the rare earth stocks. And, hopefully, we can get some coverage on the Company, because really, at this point, we have not had true sell side coverage on the Company. So that's one of our goals.

George Markelson: Aren't you a little bit disappointed in the firm that you're working with that they haven't brought in more investors into the Company? I mean, frankly, I've been in this business for 25 years and it just sounds as though you've got a great story to tell, and I respectfully disagree with your argument that there's little liquidity in the stock. There is liquidity; maybe not at these prices. It's a question of finding a higher ground where people are comfortable getting in and out of stock. There's certainly plenty of stock for sale, because it seems as though there's people always on the sell side; there's very little on the buy side. And it's just discouraging from that point of view, because I know what the Company's doing. I know what you have. And it would seem to the layman that there should be more interest, more eyes on what's going on with your Company.

Nadine Wakely: I would have to say that when we did all of these meetings across the country, one of the things that we did was a perception study and interviewed a lot of the people that we met with. We also did a separate perception study. Critically, the thing that people need to understand is that the valuation of these rare earth companies tends to go up when there's an actual resource defined. We also completed a valuation of all the companies in the rare earth space, and we're the only company without a PEA.

So that's one of the issues. And when we did the feedback reports, what we gleaned from that is that a lot of people are waiting to see what's coming out of the results of the MET studies, as well as the PEA.



George Markelson: And you're expecting that news to come out the end of the first quarter or beginning of the second quarter of this year?

Nadine Wakely: Exactly, yes. And if you look at other companies that specifically came out with a significant increase in their resource model that was rare earth elements... if their stock was at \$3.60 a couple weeks ago, it shot up to \$6.80 based on that increase in their resource. That's a big increase.

And the other thing you have to look at is the sector. The rare earth sector as a group started to go down significantly in July and particularly in December, and now they're tracking back up.

George Markelson: Yes, right. From what I gather, you're certainly more of a heavy rare earth than some of these other companies, which I would think would be a positive in your favor.

Nadine Wakely: Yes, and our job is to go out there and tell the story because all the analysis that we've done and the valuation analysis really indicates that the market is not differentiating heavy from light. And so it's an education process on our behalf, and that's why we have all these meetings scheduled with all the sell side analysts who cover specifically rare earth to educate them on what we have.

George Markelson: Right. I appreciate your answer. Just one follow-up question... Going forward, what is your strategy for financing in the future?

Nadine Wakely: Okay, I will turn that over to Chris Mathers, our CFO.

Chris Mathers: Hi, Mr. Markelson. It's Chris Mathers.

George Markelson: Hi, Chris.

Chris Mathers: As I had mentioned in my discussion, we are aggressively working towards producing a PEA. And the PEA will define our resource, given the market data that it needs to fairly value Round Top. The results of the PEA will be key to determining an effective financing strategy. When the financing decisions are made, they'll be based on sound technical work and an understanding of the market conditions.

And I just wanted to say that the equity market is not necessarily our only option. We have a range of ways to raise money, including equity markets, joint venture arrangements, and strategic agreements. So really, until the PEA comes out, it's difficult to determine exactly when and how much we'll go out for.

George Markelson: All right. Again, I appreciate your answers. Thank you for your time and good luck going forward.



Chris Mathers: Thank you.

Nadine Wakely: Thank you.

Operator: As a reminder, ladies and gentlemen, it is star, one, to ask a question.

There are no further questions in queue.

Nadine Wakely: Okay, are there any other questions that anyone would like to ask? This is an opportunity, because all of our management is here.

Marc LeVier: I might add to the previous question one point. Nadine, Anthony, Chris and myself have been working very diligently on this issue of getting our story out there. And yes, we feel very good about the high percentage of heavy rare earths that we have in our deposit. We're also very positive about the location, the state of Texas, the pro-natural resource development and the opportunity to permit in apparently a much more efficient timeline.

One of the things we are noticing, though, with the contracting with O&M is that we have gotten our story out and consistently we're hearing "great story, like the story, it's a little bit early for us yet". So there still is some hesitancy there. And we continue to work that. We continue to go back to those people and talk to them and let them ask questions. But we are starting to see traction. And these are the things we see that are not easy for us to convey to our investors, except through these conference calls. And we are seeing some traction in that analysts that were not necessarily interested in meeting with us in the past are now actually asking us to come see them, visit with them and they are interested in our story. And so I think we have made a significant breakthrough, although it was like the little Dutch boy plugging the dyke. It now appears that that is in a growth mode.

Operator: Thank you. We do have another question in queue. It comes from the line of Jim Kennedy with Marathon Capital Management. Please go ahead.

Jim Kennedy: Hi, a question for you on the use of funds and the timetable. Would additional funds allow you to move up the timetable, or is the timetable more linear and the amount of funds don't matter at any given time?

Anthony Garcia: A very good question. This is Anthony Garcia. The way we have it laid out right now, if we were to receive more funds, it really would not result in acceleration of the schedule.

Jim Kennedy: Okay. Great. Thanks, guys.

Anthony Garcia: Okay?



Marc LeVier: Well yes, let me add that, as far as drilling is concerned, the terrain is very, very difficult and there are safety concerns. The rock is very loose. And we have to make sure that the drilling that we have focused on and in terms of the area of the mountain that we're on will allow us to work that resource model. It's a very focused, very methodical approach. The advent of adding more rigs brings more problems with the delivery of water to the top of the mountain and other issues.

So Anthony is correct. We really wouldn't be able to super-advance the schedule - and we have to process the data. There's a large delay in the turnaround of assays because of the robust mining industry. And there's just no buying your way up in the queue. They won't even do it anymore, because they don't want to offend any of their customers. And so it's first-in, first-out.

Jim Kennedy: Right.

Anthony Garcia: This is Anthony again. One of the key things that we have to remember right now - one of the critical paths through this process - is the chemistry. Like Marc said, there's a lot of competition for the lab work. There's a lot of test work that has to go on. But that is right now the critical path.

Jim Kennedy: Okay, great. Thank you.

Operator: Our next question comes from the line of Michael Kahn with AR Schmeidler. Please go ahead.

Michael Kahn: Hi. Thanks for the update today. My question is really about the metallurgy, about the chemical testing. If you can go into some more detail about the findings that you had and what kind of impact that might be going forward, I would appreciate it.

Marc LeVier: Okay, this is Marc LeVier. The findings of the pre-concentration are just a natural step, so let me break them down in as simple terms as I can. I apologize if I start talking in acronyms or in terms you might not be familiar with.

When you start the development of a process to extract and concentrate valued minerals from a rock, you end up with two products, a throwaway product and a valued product. We call that gangue, on the one hand, the throwaway, and concentrate on the other. Any time we can reduce the amount of material that has to be processed in the mill, we save money. So if you can imagine a mine site - an open pit mine, for example - and then you have crushers, the ore feed is mined out and it's fed through crushers. And then it enters a plant and it goes through grinding mills, and then it goes through flotation. Along that course, the throwaway product would be a high percentage of the weight, or a percentage of the weight, with little to no rare earth value. That's great, because then we're saving money because we took that material off the crushers. That means it's not going through the grinding mill, so we're reducing the amount of energy consumed in order to produce the same quantity of product.

So pre-concentration could be by sizing. It could be by gravity. All of these things would happen before froth flotation or electrostatic separation, electromagnetic separation, okay, properties that exist of various minerals. These were things we wanted to look at.

And there were some announcements recently where Hazen Research had done some work for one of the other projects and there's some new technology out there that basically involves using fluorescent compounds. We refer to it as ore sorting. They were able to upgrade the feed to the plant by using this ore sorter and throwing away 20-30% of the material that didn't have it. So basically, in their open pit mine they're following a structure, they've got dilution, so the material going into the plant— it's the feed, it's the dilution from the mine. They're able to sort that dilution out and upgrade the feed grade to the plant. That saves you money, okay?

We're not following a structure. If you notice, one of the things we do is talk about the consistent nature of the grade, of the assays that we're receiving back. We all know that this is a massive potential project that's of low-grade nature - 500-600 ppm Total Rare Earth Oxide (TREO); 0.05, 0.06%. The occurrence of the rare earth minerals are very fine grain. And when I say fine grain, I'm talking about 10 micron to 20 micron. When we do a size distribution, a screening, and we assay those fractions, we see a uniform value. We don't see any high grades and throw this one away, because there's nothing there.

So this is a normal course that you go through. The implications are we don't have to put any more time and energy into spending money on looking at pre-concentration. We are now fully focused on froth flotation as our means of concentration and selective separation of the rare earth minerals, the valued minerals, from the gangue.

What we're now going to focus on, Jim, is the reagent schemes. Which group of collectors - or single collectors - is going to provide us with hydrocarbon chain lengths, and sometimes a frother gets involved, too. The good news is we don't see a lot of clays. We don't have a lot of alterations in this ore body. So, if you go out to Morenci or Cerra Rita or Porphyry Copper Deposit, they deal with clays day-in and day-out, with viscosity issues and not being able to get production through the plant. We don't see those clays. We don't see those interferences. So we're seeing a fairly clean mineral that we believe should process fairly well.

Our initial indications from this, and we have a consultant that we've retained to help us manage this program at Mountain States, is that it's more of a classical silica sand flotation, and we've had some successes, encouraging results, on selectivity.

Now, when you run these tests, some people will say well, why haven't you put out any recoveries? Well, when we're running these tests, these are screening tests, so we're not trying to optimize recovery. We're trying to evaluate one reagent versus another, one collector versus another, okay? And when we get into that collector scheme, we've



got to start looking at grind size. How fine are we going to grind it? The finer you go, the more energy. That's the implication. Now, if we've got to grind this to bug dust - and bug dust is really fine - that's more energy, okay? So, can we make separations in a slightly coarser size followed by a re-grind with cleaner flotation? That will allow us to minimize the amount of material we have to take to bug dust. All of this takes time.

Unfortunately, we have a slow turnaround in the assays and you can only run so many tests until you're just shooting blind. You can design your tests exponentially to look at an exponential factor-designed series of tests. And you can run the test, but you have to wait for the results, because at some point, you're just wasting material and you're wasting money.

So this is where we are at this point. And the implications for the future are we're encouraged by the results and we continue to drive forward as fast as we can.

Michael Kahn: Thank you.

Operator: We have no further questions in the queue at this time.

Nadine Wakely: Okay, well once again, we appreciate your interest in Texas Rare Earth Resources and we look forward to seeing you at our various investor events and over the next quarter and to updating you on our progress in the next quarter's conference call.

Manny, you can take over.

Operator: Thank you. Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation.