

Texas Rare Earth Resources Corporation
Second Quarter 2012 Quarterly Update Conference Call
April 16, 2012

Operator: Greetings and welcome to the Texas Rare Earth Resources Corporation Second Quarter 2012 Quarterly Update Conference Call. 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 Second Quarter Fiscal 2012 Project and Financial Update Conference Call. You should have a copy of today's news release. If you do not have the release, you may obtain a copy from the Company's website at www.trer.com.

With me here today on the call are the Company's CEO and President, Marc LeVier; Chief Financial Officer, Chris Mathers; and Stan Korzeb, VP of Exploration. We will provide some formal remarks, after which we will open the call up for questions.

Before I begin, I would like to remind everyone that the conference call will contain forward-looking statements, including such things as the potential development of the Round Top rare earth project; estimates of mineralized materials; 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; metallurgical test results; 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 some 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 ore 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 report filed with the SEC.

Finally, our discussion of financial results should be considered in conjunction with a review of our complete audited annual financial statements and the notes thereto, together with our Management Discussion and Analysis, as contained in our second quarter 10-Q filed with the SEC this morning. You can review and obtain copies of these filings at www.sec.gov.

With all that, let me turn the call over to Chris Mathers to review the financials. Chris?

Chris Mathers: Thank you, Nadine. This morning we issued a press release highlighting our second quarter and six-month 2012 results, including financials, and filed our second quarter Form 10-Q with the SEC for the quarter ended February 29, 2012.

We still believe that we are in a solid cash position through the objectives that Marc will discuss shortly. At the end of the second quarter, we had \$12.8 million in cash and a working capital surplus of 12.2 million and no debt. As of April 13th we had \$11.3 million in cash and cash equivalents.

During the six months, investors from our 2009/2010 private placement exercised warrants into 1.94 million shares of our common stock. Proceeds for the six months from the exercise of these warrants totaled \$1.1 million. As of April 13th, we had approximately 36.5 million shares of our common stock outstanding.

On February 13th, the Company was officially upgraded to the OTCQX. For those of you who are not familiar with the OTCQX, the OTCQX marketplace is the premier tier of the U.S. over-the-counter market. It provides enhanced broker visibility by providing Blue Sky exemption through our new membership with the S&P. Exemption in certain states allows brokers to market our stock to their investors. Many US companies join the OTCQX as a final step towards a listing on a national exchange.

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 metallurgical testing, but, in general, we expect to spend an average of \$1.1 million a month. Our exploration budget for fiscal 2012 is \$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 issued according to Canadian 43-101 standards. Marc will speak more about our current goals and the release of our PEA shortly.

Our G&A expenditures for fiscal 2012 are expected to be approximately \$2.6 million. For the second quarter of fiscal 2012, we spent \$2.1 million on our exploration efforts and \$3.8 million for the six months. Expenses charged to G&A

were approximately \$1.9 million for the quarter and \$3.2 million for the six months. Included in our G&A expenses were \$1.34 million for the quarter and \$2.08 million for the six months for non-cash, stock-based compensation to Directors and Officers. Our net cash used in operating activities for the six months was approximately \$4.77 million. We currently believe we have enough cash to take us through calendar year 2012.

Now, let me turn the call over to Marc LeVier. Marc?

Marc LeVier: Thanks, Chris. I'm very pleased with the progress we've made, and continue to make, as the team approaches an important milestone in our business plan. Let me start by letting you know that the project team has completed all the work for our Preliminary Economic Assessment study, which is being prepared in accordance with the Canadian National Instrument 43-101 standard, and we expect to release this PEA in early May.

Our project team has also completed the geologic and resource models from the drilling and assay data activity that's been occurring over the last few months. Gustavson Associates is in the final stages of completing the written report. To date, we have drilled 71 reverse circulation holes and approximately 31,800 linear feet of drilling. We currently have one RC, reverse circulation, rig continuing to drill on site, and in March we added a core-drill rig. We're using the core samples to confirm assays and to obtain samples for further engineering and metallurgical characterizations for a mine and process facility design. The assay results that we are receiving back from the commercial lab continue to demonstrate a good consistency and distribution of the critical rare earth elements throughout the mineral deposits. We are defining an intrusive body that potentially composes the bulk of Round Top Mountain. We plan to drill approximately 25 additional holes in this calendar year and this data from these holes to be drilled will be used in our pre-feasibility study.

As mentioned in our press release, the initial flotation results have been very positive and indicate that selective separation is possible to produce a rare earth mineral concentrate. We have been able to find some proprietary reagents which have assisted us in yielding that good selectivity in the samples tested to date and they've provided a high total rare earth oxide average recovery ranging from 75% to 85% in the rougher concentrate.

Additionally, we've conducted some diagnostic leach tests on whole rock samples, whole ore samples from the Round Top drilling—and, again, these are simply diagnostic tests. The leach tests have demonstrated a high overall rare earth element extraction of 70% to 75%. The tests confirm the favorable mineralogy with low acid consumption.

Unlocking the metallurgy is obviously very critical to the success of any rare earth project and we're highly encouraged and believe we'll be able to concentrate and

extract the rare earth elements with proven conventional technology. We believe the specialists that we have engaged, along with the expertise of Dr. Roshan Bhappu of Mountain States, comprise one of the finest teams in the industry that are working on rare earths, and are defining the most cost-effective recovery and extraction methods of rare earths at our project. We've also contracted a top-tier environmental law firm to assist us with our environmental permitting and land efforts in Texas. Once the PEA is finalized and released, we'll finally have the opportunity to discuss the merits of our project and present our story to the investors.

Currently, in terms of investor relation activity, later this week we will be presenting at the Byron Electric Metals Conference in Toronto, and we're also scheduled to make a presentation at the Asian Metals Conference in San Francisco on May 10th. We also have announced that we have hired FTI Consulting to assist us with our investor relation and public relation efforts, and have scheduled planned activities to meet with investors and analysts in a host of cities in the United States and Canada over the next several months.

The Company's near-term objective for Round Top is to complete the PEA study within the next four weeks. Longer term, the PFS, the Preliminary Feasibility Study, is targeted for completion in the spring of 2013, and if the results of the PFS are favorable, a Feasibility Study will be targeted for completion in late summer of 2014.

I believe we've made considerable progress in the first half of fiscal 2012 to de-risk our project. A major milestone for the Company, obviously, is the completion of the PEA. We've made significant strides in determining the metallurgical process and are fine-tuning the economic model for the PEA.

Most importantly, I think it's important to note that we continue to receive very strong support from officials in Texas and the Sierra Blanca community to advance this project. Based on our progress during this fiscal year, we believe the Company is now well positioned to become a competitive and secure U.S.-based source of critical rare earth elements.

At this point, I'd like to turn the call back over to the Operator for any questions that those on the conference call may have. Manny?

Operator: Thank you. Ladies and gentlemen, 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 key. One moment, please, while we poll for questions.

Thank you. Our first question is from the line of Luke Smith with Chapin Davis. Please go ahead.

Luke Smith: Hi, Marc.

Marc LeVier: How are you?

Luke Smith: I'm doing fine. I'm trying to learn more about mining and metallurgy and I read a guy, Gupta, who writes on chemical metallurgy, and he said that you need to know the concentration ratio; if you have a recovery percent, you need to have the concentration ratio to find out whether it's an important number or not.

Marc LeVier: I'm not sure I understand the question in terms of the concentration ratio being important or not. The goal here, the goal in the metallurgical testing is to, through froth flotation, create a concentrate that maximizes, in this particular instance, the rejection of as much gangue material—gangue material is non-value mineral—reject as much of that as possible without throwing away any, or very little, rare earth material.

Luke Smith: Right, but ... (cross talking).

Marc LeVier: Typically, you'll see concentration ratios in flotation—and we're still just talking about the rougher, we still have the cleaner work to do, it's in progress. The bottom line is you'll see a 4-6:1 ratio in a rougher type situation. It's not uncommon to see that, depending on the type of flotation you're doing. I would say right now we're targeting somewhere in the 15:1 ratio, would like to see that, and we believe that can be achievable for us. But, again, it's about the rejection of the gangue material, maximizing that, in simple terms, so that you're minimizing the amount of weight, the amount of mass that you're carrying on for treatment in your hydrometallurgical circuit.

Luke Smith: Right, but if you got 75% of your rare earths in your concentrate and you got—that's the same ratio as what you started with, then you haven't really concentrated it. I think that's what the guy, who's—I think he's one of the top metallurgists. He gave an example of you get 100% recovery if you don't process it at all.

Marc LeVier: That's right.

Luke Smith: Okay. That's what I meant. Like, how much have you really concentrated the 75% recovery?

Marc LeVier: Well, 75% recovery, we're looking at somewhere around—I want to say 60% to 70% weight reduction.

Luke Smith: Mm-hmm.

Marc LeVier: Okay. So, in other words, I'm looking at a weight recovery which is unrefined, we're still optimizing the grind and relationship to recovery, and reagent dosage, but right now, let's say that we're pulling somewhere between 30% and 40% of the weight and the rest is going to reject.

Luke Smith: Mm-hmm. Okay, but what a layman like me doesn't know is, is that good? You know, you have to know how much you reduce the mass.

Marc LeVier: The bottom line is in this particular industry, I mean, the lower you can get it—holding 98% recovery and getting it down to 5% of the weight would be outstanding, but we're not going to get there, okay.

Luke Smith: Mm-hmm.

Marc LeVier: So, the whole idea is to reject as much as you can and still remain economical.

Luke Smith: Right, okay.

Marc LeVier: In our PEA [Preliminary Economic Assessment], the base assumptions will be there in terms of weight recovery and the recovery of the rare earth elements, along with the ongoing economics that apply to it. So, when that comes out later, you'll be able to see that a little more clearly, there'll be more detail around it, okay.

Luke Smith: Okay. Can I ask you what else we're getting in the concentrate, good stuff, bad stuff, extra value, or we're in trouble?

Marc LeVier: Well, right now we're focused on analyzing the concentrate for rare earth elements and getting a TREO [Total Rare Earth Oxide] assay, and we've tried to speed that up a bit, because we've been encountering assay turnaround times of four to six weeks, and so we tried to turn that up a bit by shortening up some of the assays and then going back and doing a repeat test and doing a full scan of rare earths. So, no, I can't answer the question at this time, but that analysis is scheduled to happen once we finalize that process, the flotation process. I don't want to waste money on assaying concentrate when the concentrate is still changing.

Luke Smith: Okay, got it.

Marc LeVier: But that's scheduled and that will occur.

Luke Smith: Thank you.

Marc LeVier: Thank you.

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

Our next question is from the line of John Tumazos with Very Independent Research. Please go ahead.

Matthew Van Cleve: Hello. This is actually Matthew Van Cleve speaking for John here. I have a couple of questions. Please just let me know, you know, how many I'm allowed to ask. The first one is how much of the Round Top Mountain appears recoverable? That is, will it be one-quarter waste and three-quarters ore for a 0.3:1 strip ratio, for example?

Marc LeVier: Hi, Matthew. Thanks for calling and being on the call today. I can just tell you that the strip ratio is very low. That information will be coming out in the PEA, so I don't want to pre-empt that study at this time. We haven't really released that information yet, but I can tell you that the strip ratio, as you can imagine, based on the previous discussions and press releases we've had, remains low.

Matthew Van Cleve: All right. The second question is what is the difference between the red, pink and yellow rhyolites in terms of ore grades or recovery rates?

Marc LeVier: Zero.

Matthew Van Cleve: Zero?

Marc LeVier: It's very low. This is a unique setting. The geology is such that the rhyolite—the only way we can distinguish any differences is through color, okay, and what we've been able to see is that the red, pink and grey are the predominant rhyolites. Is that right, Stan?

Stan Korzeb: Yes, that's right. Actually, the red and pink color is caused by hematite replacing magnetite in it, and, basically, it's a form of alteration, but it doesn't have any influence on the rare earth grades at all. We found out that the three different rhyolites, red, pink and grey, are pretty much the same grade. It's spread uniformly throughout the rhyolite.

Marc LeVier: I would add to that, Matt, that when we started we looked at separate rhyolite colors, from a metallurgical viewpoint, and we saw no difference in their performance, so we basically now have one composite that we work with. We do know that the brown rhyolite tends to be lower grade and most of that brown rhyolite is near either black shale or the limestone contact, which means you're about out of the ore zone. Hopefully, that answers your question.

Matthew Van Cleve: Yes, most definitely. What are the five most important rare earth elements recovered, either by grams per ton or dollar value?

Marc LeVier: Well, we're working at the critical rare earths and that relates to what they call the CREO, the critical rare earths oxides, and those are the ones that tend to also provide us with the highest price per kilo of product to sell, and that focus would be on yttrium, terbium dysprosium, neodymium and europium. Now, europium is not overall—the overall average is not very high, but it will concentrate and it will leach when subjected to the acid leaching process.

Matthew Van Cleve: Okay. Thank you. If there's time for a couple more? Texas Rare Earth did extra metallurgical studies for a year or two. Are there any minerals with indeterminate recoveries or requiring extra phases or steps that may be recoverable, such as the gallium, tin, tantalum, uranium, or others?

Marc LeVier: Well, as I mentioned, our focus is on rare earths, and we're focusing the process development on the rare earths because they provide the highest economic return, and once we have reached some optimum conditions in our froth flotation testing we will examine the concentrate for mineral content of other particular minerals.

I'd like to correct the statement that you made in paraphrasing or pre-empting your question, and that is the metallurgical testing has been ongoing since about October, not years, okay. So, I think that we've made significant progress, being able to get this far along, but that's also a reflection on the quality of the team of people we have on the management staff and the team of consultants that we're engaging to assist us in the development of this process. So, thank you for that.

Matthew Van Cleve: Okay, thank you, and if I could have one more. How many samples are in the database for the resource estimation, including the 71 recent drill holes and the historic Cypress Minerals data that have been considered, samples or assays?

Marc LeVier: I'm going to defer that question to Stan, but what I am going to say is this—no, I'll let Stan answer the question and then I'll make a comment about the Cypress data.

Stan Korzeb: Well, in the database--including everything that we've done, we've drilled--there's over 1200 samples. I don't know the exact number, but I know it's over 1200 that we've considered and that we've looked at and have included in the model, and that includes the Cypress data. The Cypress data, if I remember, I think we did maybe 400 to 500 assays on that, and then on top of that, we did all our own drilling. So, yes, it comes up to about 1200, I think.

Marc LeVier: Some of the material that was assayed from Cypress, we couldn't use it in the database because of the chain of custody on the material. If we are able to locate the collar or the previous holes drilled by Cypress and then twin the

hole, in comparison of the geology and the assays, identify, in fact, that they align, that this data aligns, then we can use the data. Otherwise, we're not able to use the data, it's lost. Unfortunately, the reason for that is we don't have the drill logs from the Cypress drilling. But, it's an extensive database and the data, in addition to the resource model being developed, it's also got a QA/QC component to it which allows us to confirm and better prepare and plan our drilling in terms of spacing between drill holes, and that's been very favorable.

Matthew Van Cleve: Thank you. Is there time for one more?

Marc LeVier: Hang on for one second, Matt. No, go ahead. There's nobody else in the queue, so go ahead.

Matthew Van Cleve: Okay. For the most important minerals, in terms of grams per ton or dollar value, say the yttrium, dysprosium or terbium, what is the ore grade standard deviation and coefficient and variation, just to get an idea of the relative uniformity of the data?

Marc LeVier: That'll be coming out in the PEA with the geostatistical analysis of the data. I don't have that at my fingertips, but that'll all come out in the PEA.

Matthew Van Cleve: All right. Well, thank you very much. I appreciate the time.

Marc LeVier: All right. Thank you. Again, I'd like to just emphasize that the metallurgy that we're seeing to date, the results of the metallurgy have been very favorable and continue to show us that the mineralogy in this ore body continues to lend itself to straightforward metallurgy and we believe that'll allow us to be a low-cost producer of critical rare earths.

Are there any other questions in the queue, Manny?

Operator: Yes, we have another question from the line of Luke Smith. Please go ahead.

Luke Smith: Hi, Marc. This may be a pretty trivial, but I noticed Dr. Roshan Bhappu working for us and I remembered that that's the same last name as the Chairman of Molycorp. I'm wondering if there's a relationship there. I'm not related, by the way, to Marc Smith, who's the CEO of Molycorp.

Marc LeVier: You're not making any profits ... (cross talking).

Luke Smith: No, no. No, you're the only rare earth stock I own.

Marc LeVier: Okay. Yes, Roshan Bhappu is the father of Ross Bhappu.

Luke Smith: Oh, okay. I thought it was Ron.

Marc LeVier: Ross Bhappu, you know, if you're not familiar, Ross Bhappu is based here in Denver, Colorado. He works for Resource Capital Funds and has a PhD in Mineral Economics, I believe, from Penn State, and has done very well in that sector, in the mining industry. Roshan, his father, has owned and operated his lab for, I think, over 30 years, and former SME President, Society of Mining, Metallurgy and Exploration -- very well-known, world-class metallurgist in minerals beneficiation, as well as hydrometallurgy, and has a number of patents around the separation of various rare earth elements, a couple of different rare earth elements, for improvements in that area, from his work in the Molycorp plant over the years. So, yes, they're father and son.

Luke Smith: Okay. Thank you.

Marc LeVier: Yes.

Operator: Thank you. Our next question is from the line of Jim Kennedy with Marathon Capital Management. Please go ahead.

Jim Kennedy: Hi, Marc. It's Jim Kennedy. I just wanted to know, are the drill logs from Cypress not available because they don't exist or you just can't get your hands on them?

Marc LeVier: Jim, good question. We haven't been able to locate them and we have done extensive work to try and locate them. Just a little bit of history. Cypress, of course, was acquired in the late 90's by Phelps Dodge, which is now Freeport McMoRan, and at that time, when Cypress was acquired, the Sierra Blanca project, as it was called at that time, was on the back burner, it was not an active project. We retained a former project manager, geological exploration project manager from Cypress to assist us in trying to obtain the drill logs and information, and we were unsuccessful in being able to find that. I contacted my buddy Will Wilkerson at Freeport, who's a Senior Vice-President of Exploration on the African continent these days, and he tells me that most of that material is retained in some of their warehouses, I forget whereabouts, south of Tucson, and he had guys looking for the files. Basically, the information they were able to find was pretty much the information we already had in hand. We were never able to locate any of the drill logs.

Jim Kennedy: Gotcha. Okay. Thanks, Marc.

Marc LeVier: Thank you.

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

Marc LeVier: Okay.

Nadine Wakely: Okay. Well, thank you. I want to thank everyone once again for their interest in Texas Rare Earth Resources and we look forward to seeing you at our various investor events over the next quarter and to update you on our progress. I think probably the next conference call we have will be the release of the PEA. So, thank you very much.

Marc LeVier: Thanks, everybody, for attending.

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