

**AUDIT COMMITTEE CHARTER  
OF  
TEXAS RARE EARTH RESOURCES CORP.**

**(as adopted by the Audit Committee and Board of Directors on September 16, 2011)**

**I. Composition of the Audit Committee**

The audit committee (the “Committee”) of Texas Rare Earth Resources Corp. (the “Company”) shall be comprised of at least three directors each of whom (i) is “independent” under Section 803A of the NYSE Amex LLC (“Exchange”) and Rule 10A-3 of the Securities Exchange Act of 1934 (“Exchange Act”), and all other applicable securities laws, rules, or requirements of the stock exchanges upon which the Company’s securities are listed, (ii) does not accept any consulting, advisory or other compensatory fee from the Company other than in his or her capacity as a member of the Board of Directors (the “Board”) or any committee of the Board, (iii) is not an “affiliate” of the Company or any subsidiary of the Company, as such term is defined in Rule 10A-3 under the Exchange Act, and (iv) must not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. Members of the Committee must be willing and able to function independent of management and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

All members of the Committee must be “financially literate”, meaning that such member is able to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and cash flow statement. At least one member of the Committee shall, in the judgment of the Board, be financially sophisticated pursuant to the NYSE Amex Company Guide and a financial expert as defined in Item 407(d)(5) of Regulation S-K, evidenced by past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the member’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The Board will determine, in its business judgment, whether a director meets the financial literacy requirement.

The Committee shall designate one member of the Committee as its chairperson. In the event of a tie vote on any issue, the chairperson’s vote shall decide the issue. Committee members shall be elected by the Board at the annual meeting of the Board of Directors; members shall serve until their successors shall be duly elected and qualified.

**II. Purposes of the Committee**

The purposes of the Committee are to:

1. oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company;
2. assist Board oversight of (i) the integrity of the Company’s financial statements, (ii) the independent auditors’ qualifications and independence, and (iii) the performance of the independent auditors and the Company’s internal audit function;

3. prepare the report required to be prepared by the Committee pursuant to the rules of the U.S. Securities and Exchange Commission (the "SEC") for inclusion in the Company's annual proxy statement;
4. provide an open avenue of communication between the independent auditors, the Company's financial and senior management, and the Board;
5. resolve disagreements, if any, between management and the independent auditors; and
6. assure compliance with applicable laws and regulations.

The function of the Committee is oversight. The management of the Company is responsible for the preparation, presentation, and integrity of the Company's financial statements. Management and the internal auditing department are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with generally accepted accounting principles ("GAAP"). The independent auditors are responsible for planning and carrying out a proper audit of the Company's annual financial statements, reviews of the Company's quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, and other procedures. In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not employees of the Company and are not, and do not represent themselves to be, performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards.

The independent auditors for the Company are accountable to the Committee, as representatives of the shareholders. The Committee is directly responsible for the appointment, retention, compensation and oversight of the work of the independent auditors (including resolving disagreements between management and the independent auditors regarding financial reporting). The independent auditors shall report directly to the Committee.

The independent auditors shall submit to the Committee annually a formal written statement of the fees billed in each of the last two fiscal years for each of the following categories of services rendered by the independent auditors: (i) the audit of the Company's annual financial statements and the reviews of the financial statements included in the Company's quarterly reports on Form 10-Q or services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements; (ii) assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements, in the aggregate and by each service; (iii) tax compliance, tax advice and tax planning services, in the aggregate and by each service; and (iv) all other products and services rendered by the independent auditors, in the aggregate and by each service.

### **III. Meetings of the Committee**

The Committee shall meet once every fiscal quarter, or more frequently if circumstances dictate, to discuss with management the annual audited financial statements and quarterly financial statements, as applicable. The Committee is to meet in separate executive sessions with the Company's chief financial officer, its independent auditors and its internal auditor at least once each year and at other times when considered appropriate. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall provide regular reports to the Board.

For the transaction of business at any meeting of the Committee, two members shall constitute a quorum. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.

#### **IV. Duties and Powers of the Committee**

To carry out its purposes, the Committee shall have the following duties and powers:

1. With respect to the independent auditors,
  - (i) to directly appoint, retain, compensate, evaluate, and terminate the independent auditors, including having the sole authority to approve all audit engagement fees and terms;
  - (ii) to pre-approve, or to adopt appropriate procedures to pre-approve, all audit and non-audit services to be provided by the independent auditors;
  - (iii) to review and discuss the written statements from the independent auditors delineating all of the independent auditors' relationships with the Company as required by applicable laws and regulations, and, based on such review, assesses the independence of the auditors;
  - (iv) to discuss with the independent auditors in connection with any audit all critical accounting policies and practices used, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and any material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences;
  - (v) to discuss with management the timing and process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner;
  - (vi) receive from the independent auditors a formal written statement delineating all relationships between the independent auditors and the Company and to instruct the independent auditors that the independent auditors are ultimately accountable to the Committee, as representatives of the shareholders; and
  - (vii) to take all appropriate action to oversee the independence of the independent auditors.
2. With respect to the internal auditing department, to review the appointment and replacement of the director of the internal auditing department;
3. with respect to financial reporting principles and policies and internal audit controls and procedures,
  - (i) to advise management, the internal auditing department, and the independent auditors that they are expected to provide to the Committee a timely analysis of significant financial reporting issues and practices;

(ii) to consider any reports or communications (and management's and/or the internal audit department's responses thereto) submitted to the Committee by the independent auditors required by or referred to in Statements of Auditing Standards 61, as it may be modified or supplemented, including reports and communications related to:

- deficiencies noted in the audit in the design or operation of internal controls;
- consideration of fraud in a financial statement audit;
- detection of illegal acts;
- any restriction on audit scope;
- significant accounting policies;
- management judgments and accounting estimates;
- any accounting adjustments arising from the audit that were noted or proposed by the auditors but were passed (as immaterial or otherwise);
- disagreements with management;
- difficulties encountered with management in performing the audit;
- the independent auditors' judgments about the quality of the entity's accounting principles;
- reviews of interim financial information conducted by the independent auditors; and
- the responsibilities, budget, and staffing of the Company's internal audit function.

(iii) to meet with management, the independent auditors and, if appropriate, the director of the internal auditing department:

- to discuss the annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations";
- to discuss any significant matters arising from any audit, including any audit problems or difficulties, whether raised by management, the internal auditing department or the independent auditors, relating to the Company's financial statements;
- to discuss any difficulties the independent auditors encountered in the course of the audit, including any restrictions on their activities or access to requested information and any significant disagreements with management;
- to review the form of opinion the independent auditors propose to render to the Board and to shareholders;

- to discuss, as appropriate: (a) any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company;

(iv) to inquire of the Company's chief executive officer and chief financial officer as to the existence of any significant deficiencies in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data, any material weaknesses in internal controls, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls;

(v) to discuss with the Company's general counsel (or such person or entity performing such function) any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the Company's business, financial statements or compliance policies, including material notices to or inquiries received from governmental agencies;

(vi) to discuss and review the type and presentation of information to be included in earnings press releases;

(vii) to establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters; and

(viii) to review and approve related party transactions of the Company where appropriate.

4. With respect to reporting and recommendations,

(i) to prepare any report or other disclosures, including any recommendation of the Committee, required by the rules of the SEC to be included in the Company's annual proxy statement;

(ii) to review and reassess the adequacy of this charter at least annually and recommend any changes to the full Board;

(iii) to report its activities to the full Board on a regular basis and to make such recommendations with respect to the above and other matters as the Committee may deem necessary or appropriate; and

(iv) perform such other functions consistent with this charter, the Company's articles of incorporation, and governing law as the Committee deems necessary or appropriate.

## **V. Resources and Authority of the Committee**

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and shall have direct access to the independent auditors as well as anyone in the Company. The Committee shall have the resources (including any needed funding, to be supplied by the Company) and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, accountants or other experts and advisors, as it deems necessary or appropriate. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee shall determine the extent of funding necessary for payment of compensation to the independent auditors for the purpose of rendering or issuing the annual audit report and to any independent legal, accounting and other consultants retained to advise the Committee.

The Committee shall be responsible for establishing procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company regarding questionable accounting or auditing matters.

## **VI. Public Disclosure and Website Publication**

This charter shall be included in the Company's website. The Company's annual report to stockholders will state that this charter is available on the Company's website and will be available upon request to the Company's Corporate Secretary.