

TEXAS RARE EARTH RESOURCES CORP.

September 27, 2012

TO: All Employees, Officers and Directors

RE: Texas Rare Earth Resources Corp. Insider Trading Policy Statement

This Policy Statement applies to all officers, directors and employees of Texas Rare Earth Resources Corp. and its subsidiaries (collectively the “Company”) and supersedes all prior insider trading policies.

The Need For A Policy Statement

The purchase or sale of the Company’s securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in the Company's securities, is prohibited by the federal securities laws of the United States. Insider trading violations are pursued vigorously by the United States Securities and Exchange Commission (the “SEC”) and by U.S. Attorneys and are punished severely. The SEC and the Financial Industry Regulatory Authority, Inc. investigate and are effective at detecting insider trading. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, federal securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel.

The Company's Board of Directors has adopted this Insider Trading Policy Statement (the “**Policy Statement**”) both to satisfy the Company's obligation to prevent insider trading and to help Company personnel avoid the severe consequences associated with violations of insider trading laws. The Policy Statement is also intended to prevent even the appearance of improper conduct on the part of anyone employed by or associated with the Company (not just so-called “insiders”). The Company has worked hard over the years to establish a reputation for integrity and ethical conduct, and we can not afford to have that reputation damaged. It is your obligation to understand and comply with this Policy Statement.

Penalties for Noncompliance

The consequences of an insider trading violation can be severe:

Traders and Tippers. Company personnel (or their tippees) who trade on inside information are subject to the following penalties: (a) a civil penalty of up to three times the profit gained or loss avoided; (b) a criminal fine of up to \$5,000,000 (no matter how small the profit); and (c) a jail term of up to twenty years.

A director, officer or other employee who tips information to a person who then trades on such information is subject to the same penalties as the tippee, even if the director, officer or other employee did not trade and did not profit from the tippee's trading.

Controlling Persons. The Company and its supervisory personnel, if they fail to take appropriate steps to prevent illegal insider trading, are subject to the following penalties: (a) a civil penalty of

up to \$1,000,000 or, if greater, three times the profit gained or loss avoided as a result of the insider trading violation; and (b) a criminal penalty of up to \$2,500,000 dollars.

Company-Imposed Sanctions. A director, officer or other employee's failure to comply with this Policy Statement may subject such individual to Company-imposed sanctions, including dismissal for cause, regardless of whether or not the employee's failure to comply results in a violation of law. Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish one's reputation and irreparably damage a career.

Scope of Policy

Persons Covered. As a director, officer, employee or consultant of the Company, this Policy Statement applies to you. This Policy Statement also applies to your family members who reside with you, anyone else who lives in your household, and any family members who do not live in your household but whose transactions in the Company's securities are directed by you or are subject to your influence or control (such as parents or children who consult with you before they trade in the Company's securities). You are responsible for the transactions of these other persons and therefore should make them aware of the need to confer with you before they trade in the Company's securities.

Companies Covered. The prohibition on insider trading in this Policy Statement is not limited to trading in the Company's securities. It includes trading in the securities of other companies, such as customers or suppliers of the Company and those with which the Company may be negotiating major transactions, such as an acquisition, investment or sale. Information that is not material to the Company may nevertheless be material to such other companies.

Transactions Covered

Transactions Under Company Plans, Stock Option Exercises. This Policy Statement does not apply to the exercise of an employee stock option, or to the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares subject to an option to satisfy tax withholding requirements. The Policy Statement does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

401(k) Plan. This Policy Statement does not apply to purchases of Company stock in your 401(k) plan, currently in existence or hereafter established, resulting from your periodic contribution of money to the plan pursuant to your payroll deduction election. The Policy Statement does apply, however, to certain elections you may make under your 401(k) plan, including (a) an election to increase or decrease the percentage of your periodic contributions that will be allocated to the Company stock fund, (b) an election to make an intra-plan transfer of an existing account balance into or out of the Company stock fund, (c) an election to borrow money against your 401(k) plan account if the loan will result in a liquidation of some or all of your Company stock fund balance, and (d) your election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Company stock fund.

Employee Stock Purchase Plan. This Policy Statement does not apply to purchases of Company stock in the Company's employee stock purchase plan, currently in existence or hereafter established, resulting from your periodic contribution of money to the plan pursuant to the election you made at the time of your enrollment in the plan. The Policy Statement also does not apply to purchases of Company stock resulting from lump sum contributions to the plan, provided that you elected to participate by lump-sum payment at the beginning of the applicable enrollment period. The Policy Statement does apply, however, to your election to participate in the plan for any enrollment period, and to your sales of Company stock purchased pursuant to the plan.

Dividend Reinvestment Plan. This Policy Statement does not apply to purchases of Company stock under the Company's dividend reinvestment plan, currently in existence or hereafter established, resulting from your reinvestment of dividends paid on Company securities. The Policy Statement does apply, however, to voluntary purchases of Company stock resulting from additional contributions you choose to make to the plan, and to your election to participate in the plan or increase your level of participation in the plan. The Policy Statement also applies to your sale of any Company stock purchased pursuant to the plan.

Statement of Policy

No Trading on Inside Information. It is the policy of the Company that no director, officer or other employee of the Company who is aware of material nonpublic information relating to the Company may, directly or through family members, other persons or entities, (a) buy or sell securities of the Company (other than pursuant to a pre-approved trading plan that complies with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")), or engage in any other action to take personal advantage of that information, or (b) pass that information on to others outside the Company, including family and friends. In addition, it is the policy of the Company that no director, officer or other employee of the Company who, in the course of working for the Company, learns of material nonpublic information about a company with which the Company does business, including a customer or supplier of the Company, may trade in that company's securities until the information becomes public or is no longer material.

No Exception for Hardship. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are not excepted from this Policy Statement. Federal securities laws do not recognize such mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct.

Blackout and Pre-Clearance Procedures. To help prevent inadvertent violations of federal securities laws and to avoid even the appearance of trading on the basis of inside information, the Company's board of directors has adopted an Addendum to the Insider Trading Policy Statement (the "**Addendum**") that applies to directors and executive officers of the Company subject to Section 16 of the Exchange Act, and certain designated employees and consultants of the Company who have access to material nonpublic information about the Company. The Company will notify you if you are subject to the Addendum.

The Addendum generally prohibits persons covered by it from trading in the Company's securities during blackout periods (as described in the Addendum).

Definition of Material Information

Material information is any information that a reasonable investor would consider important in making a decision to buy, hold, or sell securities. Any information that could be expected to affect the Company's stock price, whether it is positive or negative, should be considered material. Some examples of information that ordinarily would be regarded as material are set forth on Exhibit A to this Policy Statement.

When Information is "Public". If you are aware of material nonpublic information, you may not trade until the information has been disclosed broadly to the marketplace (such as by press release or an SEC filing) and the investing public has had time to absorb the information fully. To avoid the appearance of impropriety, as a general rule, information should not be considered fully absorbed by the marketplace until after the end of the first full business day after the information is released. If, for example, the Company were to make an announcement on a Monday, you should not trade in the Company's securities until the open of business on Wednesday.

Twenty-Twenty Hindsight. Remember, anyone scrutinizing your transactions will be doing so after the fact, with the benefit of hindsight. As a practical matter, before engaging in any transaction, you should carefully consider how enforcement authorities and others might view the transaction in hindsight.

Additional Guidance

The Company considers it improper and inappropriate for any director, officer or other employee of the Company to engage in short-term or speculative transactions in the Company's securities. It is, therefore, the Company's policy that directors, officers and other employees may not engage in any of the following transactions:

Short-term Trading. An insider's short-term trading of the Company's securities may be distracting to the individual and may unduly focus the individual on the Company's short-term stock market performance instead of the Company's long-term business objectives. For these reasons, any director, officer or other employee of the Company who purchases Company securities in the open market may not sell any Company securities of the same class during the six months following the purchase. In addition, Section 16(b) of the Exchange Act prohibits officers and directors from engaging in transactions involving the purchase and sale or sale and purchase of the Company's securities within any six month period and requires officers and directors to return any profits made from such purchase and sale or sale and purchase of the Company's securities during any such six-month period.

Short Sales. Short sales of the Company's securities evidence an expectation on the part of the seller that the Company's securities will decline in value, and therefore signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. Section 16(c) of the Exchange Act prohibits officers and directors from engaging in short sales. For these reasons, short sales of the Company's securities are prohibited under this Policy Statement.

Publicly Traded Options. A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and therefore creates the appearance that the director, officer or other employee is trading based on inside information. Transactions in options also may focus the director's, officer's or other employee's attention on short-term performance at the expense of the

Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities, on an exchange or in any other organized market, are prohibited by this Policy Statement. (Option positions arising from certain types of hedging transactions are governed by the section below captioned "Hedging Transactions".)

Hedging Transactions. Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow an individual to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the director, officer or other employee to continue to own the covered securities, but without the full risks and rewards of ownership. When this occurs, the director, officer or other employee may no longer have the same objectives as the Company's other shareholders. Therefore, directors, officers and other employees are prohibited from engaging in any such transactions.

Margin Accounts and Pledges. Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Company securities, directors, officers and other employees are prohibited from holding Company securities in a margin account or pledging Company securities as collateral for a loan. An exception to this prohibition may be granted where a person wishes to pledge Company securities as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities. Any person who wishes to pledge Company securities as collateral for a loan must submit a request for approval to the Chief Operating Officer at least two weeks prior to the proposed execution of documents evidencing the proposed pledge.

Post-Termination Transactions. The Policy Statement continues to apply to your transactions in Company securities even after you have terminated employment. If you are in possession of material nonpublic information when your employment terminates, you may not trade in Company securities until that information has become public or is no longer material.

Unauthorized Disclosure of Information to Others

The Company is required under Regulation FD of U.S. federal securities laws to avoid the selective disclosure of material nonpublic information. The Company has established procedures for releasing material information in a manner that is designed to achieve broad public dissemination of the information immediately upon its release. You may not, therefore, disclose information to anyone outside the Company, including family members and friends, other than in accordance with those procedures. You also may not discuss the Company or its business in an internet "chat room" or similar internet-based forum. Please review the Company's "Corporate Disclosure and Confidentiality Policy" for more details.

Company Assistance

Any person who has a question about this Policy Statement or its application to any proposed transaction may obtain additional guidance from the Company's Chief Executive Officer, Chief Financial Officer, Chairman of the Audit Committee or outside legal counsel. Ultimately,

however, the responsibility for adhering to this Policy Statement and avoiding unlawful transactions rests with the individual director, officer, or other employee.

Certification

All directors, officers, and other employees must certify their understanding of, and intent to comply with, this Policy Statement. A copy of the certification that all employees (other than directors and executive officers) must sign is enclosed with this Policy Statement. Please return an executed copy of the attached certification immediately to the Company's Chief Executive Officer.

Directors and executive officers are subject to additional restrictions on their transactions in Company securities, which are described in the Addendum. Directors and executive officers should sign the certification attached to the Addendum instead of the one enclosed with this Policy Statement.

CERTIFICATION

I certify that:

1. I have read and understand the Company's Insider Trading Policy Statement. I understand that the Chief Executive Officer, Chief Financial Officer, Audit Committee Chairman, and outside legal counsel are available to answer to any questions I have regarding the Policy Statement.
2. Since I have been an employee of the Company, I have complied with the Policy Statement.
3. I will continue to comply with the Policy Statement for as long as I am subject to the Policy Statement.
4. I understand that my failure to comply in all respects with the Policy Statement is a basis for termination for cause of my employment or other service relationship with the Company.

Signature: _____

Print Name: _____

Date: _____

Exhibit A

Examples of Information That May Be Material

Changes in corporate structure

- changes in share ownership that may affect control of the Company
- changes in corporate structure such as reorganizations, amalgamations, or mergers
- take-over bids, issuer bids, or insider bids

Changes in capital structure

- the public or private sale of additional securities
- planned repurchases or redemptions of securities
- planned splits of common shares or offerings of warrants or rights to buy shares
- any share consolidation, share exchange, or stock dividend
- changes in the Company's dividend payments or policies
- the possible initiation of a proxy fight
- material modifications to the rights of security holders

Changes in financial results

- a significant increase or decrease in near-term earnings prospects
- unexpected changes in the financial results for any period
- shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- changes in the value or composition of the Company's assets
- any material change in the Company's accounting policies

Changes in business and operations

- any development that affects the Company's resources, technology, products or markets
- a significant change in capital investment plans or corporate objectives
- major labor disputes or disputes with major contractors or suppliers
- significant new contracts, products, patents, or services or significant losses of contracts or business
- significant discoveries by resource companies
- changes to the board of directors or executive management, including the departure of the Company's Chairman, CEO, CFO, COO or President (or persons in equivalent positions)
- the commencement of, or developments in, material legal proceedings or regulatory matters
- waivers of corporate ethics and conduct rules for officers, directors, and other key employees
- any notice that reliance on a prior audit is no longer permissible
- de-listing of the Company's securities or their movement from one quotation system or exchange to another

Acquisitions and dispositions

- significant acquisitions or dispositions of assets, property or joint venture interests
- acquisitions of other companies, including a take-over bid for, or merger with, another company

Changes in credit arrangements

- borrowing or lending of a significant amount of money
- any mortgaging or encumbering of the Company's assets
- defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors
- changes in rating agency decisions
- significant new credit arrangements