



\$8.1 million Raised Through Successful Placement to Domestic and Global Institutional Investors

Highlights

- Firm commitments from institutional and sophisticated investors for a Placement to raise \$8.1 million (before costs).
- Strong support for the Placement from several high regarded new institutional investors based domestically and internationally.
- The Placement price of \$0.44 per share represents a 6% discount to the 15-day volume weighted average price (VWAP) of \$0.47.
- The Company has now strengthened its balance sheet to fund further work at the 100% owned flagship Koppamurra clay hosted rare earth project located in South Australia.

Australian Rare Earths Limited ('AR3' or the 'Company') ([ASX: AR3](#)) is pleased to announce that the Company has received \$8.1 million of firm commitments for a placement of new fully paid ordinary shares at an issue price of \$0.44 per share ("Placement" and "Placement Shares") to institutional and sophisticated investors. Support was shown from a range of high quality, domestic and international investors.

In addition to general working capital requirements, the proceeds of the Placement will be utilised for further resource definition drilling, metallurgical test work, community, and stakeholder engagement as well as evaluation of downstream processing options for Koppamurra.

Commenting on the outcome of the Placement, Don Hyma, managing director, said:

"The funds enable the Company to continue unlocking the potential of the Koppamurra deposit and its' associated value proposition. We thank our existing shareholders for their support in this placement and welcome several highly regarded international institutions as new shareholders of AR3. The placement strengthens the register and validates the intrinsic value in AR3s unique clay hosted rare earth deposit."

Details of the Placement

18.5 million Placement Shares will be issued at a price of \$0.44 per Placement Share to raise \$8.1 million, representing a 6% discount to the 15-day VWAP of \$0.47.

Placement participants will receive a free attaching unlisted option on a 1:2 basis, exercisable at \$0.57 per Placement Option with a 13 December 2023 expiry ("Placement Option"), thereby potentially raising a further \$5.2 million if exercised within the next 18 months. Key terms of the Placement Options are detailed in Annexure A.

The Placement Shares and Placement Options will be issued under the Company's existing capacity for new equity issuances under ASX Listing Rule 7.1 (7.4 million shares and 9.2 million options) and 7.1A (11.1 million shares).

Placement Shares and Placement Options are expected to be allotted on or around 8 June 2022.

Indicative Timetable

Event	Date (2022)
Trading Halt and Bookbuild	Monday, 30 May
Announcement of Completion of Placement	Wednesday, 1 June
Trading Halt Lifted	Wednesday, 1 June
Settlement of Placement Shares	Tuesday, 7 June
Allotment and commencement of trading of Placement Shares	Wednesday, 8 June
Allotment of Placement Options	Wednesday, 8 June

The above timetable is indicative only and remains subject to change at the Company's discretion, subject to compliance with applicable laws and the ASX Listing Rules. An Appendix 3B form detailing the proposed issue of Placement Shares and Placement Options has been lodged in parallel with this announcement.

Taylor Collison Limited and Sprott Capital Partners acted as Joint Lead Managers in respect of the Placement.

The Board of AR3 authorised this announcement to be released to the ASX.

For further information regarding the Company, please visit Company's website at www.ar3.com.au.

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Annexure A – Terms of Placement Options

1. Each Placement Option will entitle the holder ('**Option Holder**') to subscribe for one fully paid ordinary share in the Company ('**Share**') (subject to possible adjustments referred to in paragraphs 11, 12 and 13).
2. Each Placement Option is exercisable from the time the Company issues the Placement Option until 5:00 pm Adelaide, South Australia time on 13 December 2023 ('**Expiry Date**') (inclusive of both dates). Placement Options not exercised before the Expiry Date will lapse.
3. The exercise price of each Placement Option is \$0.57 (57 cents) ('**Exercise Price**').
4. Placement Options are exercisable by notice in writing to the Company, delivered to the registered address of the Company and accompanied by the full payment of the Exercise Price in cleared funds.
5. The Placement Options held by each Option Holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
6. Shares issued pursuant to the exercise of any of the Placement Options will rank in all respects on equal terms with the existing Shares in the Company.
7. The Company will apply for official quotation by ASX of the shares issued upon exercise of Placement Options within 5 business days of the allotment of Shares.
8. The Placement Options will not be quoted on ASX.
9. The legal or a beneficial interest in a Placement Option may not be sold, transferred, or otherwise disposed of, within the first twelve months from the date of issue, without the prior written consent of the Board.
10. There are no participating rights or entitlements inherent in the Placement Options and Option Holders will not be entitled to participate in new issues of capital offered to Company shareholders during the currency of the Placement Options without exercising the Placement Options.
11. If there is a bonus issue to the holders of Shares:
 - (a) the number of Shares over which the Placement Option is exercisable will be increased by the number of Shares which the holder of the Placement Option would have received if the Placement Option had been exercised before the record date for the bonus issue; and
 - (b) no change will be made to the Exercise Price.
12. If the Company makes a rights issue (other than a bonus issue), the Exercise Price of Placement Options on issue will be reduced in accordance with the following formula:
 New Placement Option Exercise Price
$$= O \frac{- E (P - (S + D))}{(N + 1)}$$

Where:

 - O = the old Exercise Price of the Placement Option;
 - E = the number of underlying Shares into which one Placement Option is exercisable;
 - P = the volume weighted average price per Share recorded on the stock market of ASX during the 5 trading days immediately preceding the ex-rights date or ex-entitlements date;
 - S = the subscription price for a Share under the pro rata issue;
 - D = the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and
 - N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.
13. If, prior to the Expiry Date the issued capital of the Company is reorganised, the rights of the Option Holder may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.