

21 April 2023

\$11.1 million raised to accelerate activity at Koppamurra Rare Earth mineral province

Highlights

- Firm commitments from institutional and sophisticated investors for a Placement to raise \$10.7 million (before costs).
- Directors and Management of the Company have committed to subscribe for \$0.4m at the same price as the Placement, subject to Shareholder approval at the next general meeting.
- Proceeds will be used to accelerate activity at 100% owned Koppamurra project, an ionic clay hosted rare earth resource of global and multigenerational significance.
- Strong support for the Placement from a number of highly regarded new international institutional investors.

Australian Rare Earths Limited ('AR3' or the 'Company') (ASX: AR3) is pleased to announce it has received firm commitments to raise a total of \$11.1m in a placement of 24.6 million new fully paid ordinary shares ('New Shares') at an issue price of \$0.45 per share ('Placement') to institutional and sophisticated investors, as well as Directors and Management (the latter subject to shareholder approval).

Support was received from a range of high quality, domestic and international investors. Bids were received well in excess of available placement capacity, requiring significant scale back of applications.

The proceeds of the Placement will be utilised for further resource definition drilling, metallurgical test work, community and stakeholder engagement and further evaluation of downstream processing options at the world-class Koppamurra ionic clay-hosted rare earth deposit, in addition to providing general working capital.

Commenting on the outcome of the Placement, Acting Managing Director, Rick Pobjoy, said:

"This placement gives the Company the balance sheet strength to continue the rapid progression of activity at Koppamurra. We are encouraged by the market's endorsement of Koppamurra's potential, as demonstrated by the strong volume of bids received from global and domestic institutions and appreciate the continued support of our loyal existing major shareholders. We welcome all new shareholders of AR3 and look forward to a long and positive relationship with them. The placement broadens and strengthens the register and validates the potential of AR3's ionic clay hosted rare earth deposit."

Details of the Placement

Under the Placement, the Company will issue approximately 24.6 million New Shares at an issue price of \$0.45 per New Share, raising gross proceeds of \$11.1 million. New Shares will be issued in two tranches:

- Tranche one to raise approximately \$10.65 million via the issue of 23,673,442 New Shares (**'Tranche One'**)
- Tranche Two to raise \$0.4 million via the issue of 893,892 New Shares to Directors and Management which is subject to shareholder approval to be sought at an upcoming General Meeting (**'Tranche Two'**)

The issue price of \$0.45 represents a 14.5% discount to the 15-day VWAP of \$0.526.

Placement participants will receive a free attaching unlisted option on a 1:3 basis, exercisable at \$0.57 with a two-year expiry (**'Placement Option'**), thereby potentially raising a further \$4.7 million if all Placement Options are exercised within the next 2 years.

Tranche One New Shares and Placement Options will be issued under the Company's existing capacity for new equity issuances under ASX Listing Rule 7.1 (10.7 million shares and 7.9 million Placement Options) and 7.1A (12.9 million shares). Tranche Two is subject to shareholder approval, to be sought at a General Meeting of the Company's shareholders, anticipated to be held in early June 2023.

New Shares and Placement Options under Tranche One are expected to be allotted on or around 1 May 2023.

Canaccord Genuity (Australia) Limited acted as Sole Lead Manager in respect of the Placement. Sprott Capital Partners acted as Co-Lead Manager.

Indicative Timetable

Event	Date (2023)
Trading Halt and Bookbuild	Wednesday, 19 April
Announcement of Completion of Placement	Friday, 21 April
Trading Halt Lifted	Friday, 21 April
Settlement of Tranche One New Shares	Friday, 28 April
Allotment and commencement of trading of Tranche One New Shares	Monday, 1 May
Allotment of Placement Options	Monday, 1 May
General Meeting to approve Tranche Two	Expected to be early June
Settlement of Tranche Two New Shares	Expected to be early June
Allotment and commencement of trading of Tranche Two New Shares	Expected to be early June
Allotment of Tranche Two Placement Options	Expected to be early 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 New Shares and Placement Options has been lodged in parallel with this announcement.

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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About Australian Rare Earths Limited

Australian Rare Earths is committed to the timely exploration and development of its 100% owned, flagship Koppamurra Project, located in South Australia and Victoria. Koppamurra is a prospective ionic clay hosted rare earth deposit, uniquely rich in all the elements required in the manufacture of rare earth permanent magnets which are essential components in electric vehicles, wind turbines and domestic appliances.

The Company is focused on executing a growth strategy to position AR3 as an independent and sustainable source of rare earths, playing a pivotal role in the global transition to a green economy.