

11 April 2023

Mr Justin Nelson
Principal Advisor, Listings Compliance
20 Bridge St
Sydney, NSW, 2000

Dear Mr Nelson,

RE: Australian Rare Earths Limited ('AR3'): Price – Query

In reference to your letter received 11 April 2023 Australian Rare Earths (ASX: AR3) make the following comments:

1. **Is AR3 aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?**

No
2. **If the answer to question 1 is “yes”.**
 - (a) **Is AR3 relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1? Please note that the recent trading in AR3’s securities would suggest to ASX that such information may have ceased to be confidential and therefore AR3 may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is “yes”, you need to contact us immediately to discuss the situation.**
 - (b) **Can an announcement be made immediately? Please note, if the answer to this question is “no”, you need to contact us immediately to discuss requesting a trading halt (see below).**
 - (c) **If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?**

Not Applicable

3. **If the answer to question 1 is “no”, is there any other explanation that AR3 may have for the recent trading in its securities?**

The Company confirms it is in compliance with its continuous disclosure requirements.

Notwithstanding this, the Company has become aware of increased commentary surrounding its Koppamurra Ionic Clay Rare Earth project in the national publication *The Australian*, where an article entitled “*Rare Earths Boom Looms*” was published on Tuesday 11 April 2023. This increased commentary has come on the back of recent media speculation regarding potential restrictions being imposed by China on its exports of certain rare earth magnets technology, which could severely disrupt global supply. The global rare earth market remains heavily dependent on Chinese processed rare earth supply, with particular reference to the ionic clays produced in China/ Myanmar which are currently the sole source of some critical

minerals essential in the production of rare earth permanent magnets.

Additionally, the Company is aware of increased commentary in industry relevant publications, such as Sprott equity research report dated 3 April 2023, Australianmining.com.au, and a weekly newsletter by Far East Capital regarding both the rare earths sector globally and the Company's Koppamurra project located in the southeast of South Australia.

Other possible considerations with regard to the increased volume and price of the AR3 stock include two recent price sensitive announcements made by the Company to the ASX.

On 3 April 2023 the Company released an ASX announcement "*Koppamurra Mineral Resource Up 25%, Indicated Resource up 40%, drilling points to a rare earth mineral province*", which reported that the JORC resource at the Koppamurra project (the Project) had increased by 25%, with the exploration target for the Project increasing fivefold to up to 1.4 billion tonnes and with potential for further significant near term upgrades once pending assays are received.

On 9 March 2023 the Company released an announcement to the ASX "*First Koppamurra Mixed Rare Earth Carbonate produced*" of the successful pilot scale production of a Mixed Rare Earth Carbonate (MREC) containing all the rare earths needed to produce rare earth permanent magnets which are essential for increasing the efficient use of the power the world generates. This achievement is a first for an Australian ionic clay hosted rare earth resource and is being met with interest by potential downstream customers, especially in light of an increasing awareness that the world currently lacks the sustainable diversity of rare earths supply required to meet the growing demand of a carbon-free global economy.

4. **Please confirm that AR3 is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

Confirmed

5. **Please confirm that AR3's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of AR3 with delegated authority from the board to respond to ASX on disclosure matters.**

This letter has been authorised for release by the Board of Australian Rare Earths Limited.



Mr Noel Whitcher
Company Secretary



11 April 2023

Reference: 72197

Mr Noel Whitcher
Chief Financial Officer
Australian Rare Earths Limited
Level 10
111 Gawler Place
Adelaide SA 5000

By email: noel@ar3.com.au

Dear Mr Whitcher

Australian Rare Earths Limited ('AR3'): Price - Query

ASX refers to the following:

- A. The change in the price of AR3's securities from a low of \$0.23 on 6 April 2023 a high of \$0.53 today.
- B. The significant increase in the volume of AR3's securities traded from 6 April 2023 to 11 April 2023.

Request for information

In light of this, ASX asks AR3 to respond separately to each of the following questions and requests for information:

1. Is AR3 aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?
2. If the answer to question 1 is "yes".
 - (a) Is AR3 relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1? Please note that the recent trading in AR3's securities would suggest to ASX that such information may have ceased to be confidential and therefore AR3 may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is "yes", you need to contact us immediately to discuss the situation.
 - (b) Can an announcement be made immediately? Please note, if the answer to this question is "no", you need to contact us immediately to discuss requesting a trading halt (see below).
 - (c) If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?
3. If the answer to question 1 is "no", is there any other explanation that AR3 may have for the recent trading in its securities?
4. Please confirm that AR3 is complying with the Listing Rules and, in particular, Listing Rule 3.1.
5. Please confirm that AR3's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of AR3 with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **1:00 PMAEDT Tuesday, 11 April 2023**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AR3's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in this paragraph and may require AR3 to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, or if the answer to question 1 is "yes" and an announcement cannot be made immediately, you should discuss with us whether it is appropriate to request a trading halt in AR3's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in AR3's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to AR3's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that AR3's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Justin Nelson
Principal Adviser, Listings Compliance