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AUSTRALIAN RARE EARTHS LIMITED

ACN 632 645 302

NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM

Date of Meeting

Wednesday, 27 November 2024

Time of Meeting

9.30 am (Adelaide time)

Place of Meeting

Australian Institute of Company Directors
Level 23
91 King William Street
Adelaide, South Australia, 5000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Mr Noel Whitcher, on (+61) 422 352 961.

Shareholders who are unable to attend the Annual General Meeting, are encouraged to lodge their proxy forms online at: **www.investorvote.com.au**, or by mail, in accordance with instructions contained on the proxy form and within this Notice of Meeting.

AUSTRALIAN RARE EARTHS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Australian Rare Earths Limited (ACN 632 645 302) (**Company**) will be held at the Australian Institute of Company Directors, Level 23, 91 King William Street, Adelaide, South Australia on Wednesday, 27 November 2024 at 9.30 am (Adelaide time). The business to be considered at the Meeting is set out below.

Attendance at the Meeting

The Directors strongly encourage all Shareholders to lodge proxy forms prior to the Meeting. Shareholders can lodge their proxies online at **www.investorvote.com.au** or otherwise by returning a completed proxy form. Instructions on how to complete a proxy form are set out in the Explanatory Memorandum. Proxy forms must be received by no later than 9.30 am (Adelaide time) on Monday, 25 November 2024.

If you have elected to receive notices from the Company electronically, then your personalised proxy form will be emailed to you. For other Shareholders, a copy of your personalised proxy form will be sent to you by mail.

The Company advises that a poll will be conducted for voting on all Resolutions being considered at the Meeting.

Shareholders who are unable to attend the Annual General Meeting are encouraged to lodge their proxy forms online at: **www.investorvote.com.au** , or by mail, in accordance with instructions contained on the proxy form and within this Notice of Meeting.

Questions

Shareholders will have an opportunity to ask questions on the items of business during the Meeting, including an opportunity to ask questions of the Company's Auditor, Grant Thornton.

Shareholders are encouraged to submit any written questions ahead of the AGM relating to the business of the meeting, including questions for the Company's Auditor, Grant Thornton. Questions for the Company's Auditor must relate to the content of the Auditor's report or the conduct of the audit of the Financial Report.

Written questions must be received by the Company no later than 5.00 pm (Adelaide time) on Wednesday, 20 November 2024. You can send any written questions to:

Mail: 'Australian Rare Earths Limited AGM' at Level 10, 111 Gawler Place, Adelaide, SA, 5000

Email: noel@ar3.com.au

The Chair will endeavour to address as many of the more frequently raised relevant questions as possible during Meeting. However, there may not be sufficient time available at the Meeting to address all of the questions raised. Please note that individual responses will not be sent to Shareholders.

Other Company documents and how to update your communication preferences

- A copy of the Company's 2024 Annual Report is available online at the Company's website **www.ar3.com.au**.
- In order to receive shareholder communications from the Company electronically, instead of by post, go to **www.investorcentre.com/au** to register your details and update your communication preferences.

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Meeting.

The Explanatory Memorandum and proxy form comprise part of this Notice of Meeting. Shareholders are urged to vote by completing and lodging their proxies online at **www.investorvote.com.au** or otherwise by returning a completed proxy form by no later than 9.30 am (Adelaide time) on Monday, 25 November 2024.

Terms and abbreviations used in the Notice of Meeting and Explanatory Memorandum are defined in the Glossary of the Explanatory Memorandum.

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AGENDA

The Explanatory Memorandum that accompanies and forms a part of this Notice of Annual General Meeting describes the matters to be considered at the Meeting.

GENERAL BUSINESS

FINANCIAL STATEMENTS AND REPORT

To receive and consider the Financial Report for the year ended 30 June 2024 and the reports of the Directors and Auditor, as set out in the 2024 Annual Report.

ORDINARY BUSINESS

RESOLUTION 1 – REMUNERATION REPORT

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

'That the Remuneration Report for the year ended 30 June 2024 as set out in the 2024 Annual Report be adopted.'

Note: This resolution is advisory only and does not bind the Company or the Directors.

RESOLUTION 2 – RE-ELECTION OF PAULINE CARR AS A DIRECTOR

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

'That Ms Pauline Carr be re-elected as a Non-Executive Director of the Company.'

RESOLUTION 3 – APPROVAL TO ISSUE UNLISTED PERFORMANCE RIGHTS TO CHIEF TECHNICAL OFFICER RICK POBJOY

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

'To approve the grant of 746,921 Performance Rights to Mr Rick Pobjoy, Chief Technical Officer of the Company, or his nominee, as described in the Explanatory Memorandum.'

RESOLUTION 4 – APPROVAL TO ISSUE UNLISTED PERFORMANCE RIGHTS TO MANAGING DIRECTOR TRAVIS BEINKE

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

'To approve the grant of 4,529,462 Performance Rights to Mr Travis Beinke, Managing Director of the Company, or his nominee, as described in the Explanatory Memorandum.'

RESOLUTION 5 – APPROVAL TO ISSUE SHARES TO MANAGING DIRECTOR TRAVIS BEINKE

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

'To approve the grant of 353,065 Shares to Mr Travis Beinke, Managing Director of the Company, or his nominee, as described in the Explanatory Memorandum.'

RESOLUTION 6: APPROVAL OF EMPLOYEE OPTION PLAN

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

'*That for the purpose of Listing Rule 7.2, Exception 13 and for all other purposes, the Company approves the issue of securities under the employee incentive scheme known as 'Australian Rare Earths Limited Employee Option Plan', the rules of which are annexed as Annexure E to the Explanatory Memorandum, as an exception to Listing Rule 7.1.*'

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RESOLUTION 7: APPROVAL OF PERFORMANCE RIGHTS PLAN

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

'*That for the purpose of Listing Rule 7.2, Exception 13 and for all other purposes, the Company approves the issue of securities under the employee incentive scheme known as 'Australian Rare Earths Limited Performance Rights Plan', the rules of which are annexed as Annexure F to the Explanatory Memorandum, as an exception to Listing Rule 7.1.*'

SPECIAL BUSINESS

RESOLUTION 8 – APPROVAL OF 10% ADDITIONAL PLACEMENT CAPACITY

To consider and, if thought fit, pass the following Resolution as a Special Resolution:

'That for the purpose of Listing Rule 7.1A, approval is given for the Company to issue Equity Securities totalling up to 10% of the fully paid ordinary issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the accompanying Explanatory Memorandum.'

VOTING EXCLUSIONS

RESOLUTION 1 (REMUNERATION REPORT)

For the purposes of the Corporations Act, a person appointed as a proxy must not vote (in any capacity), on the basis of that appointment, on Resolution 1 if:

- the person is either:
  - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
  - a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the Chair of the Meeting at which the Resolution is voted on; and
- the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

RESOLUTION 3 (APPROVAL TO ISSUE UNLISTED PERFORMANCE RIGHTS TO CHIEF TECHNICAL OFFICER RICK POBJOY)

For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 3 if:

- the person is either:
  - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
  - a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the Chair of the Meeting at which the Resolution is voted on; and
- the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 3 by or on behalf of Mr Rick Pobjoy (or his nominee) and an associate of that person or those persons and any other person (and their associates) who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or

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- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
    - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
    - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 4 (APPROVAL TO ISSUE UNLISTED PERFORMANCE RIGHTS TO MANAGING DIRECTOR TRAVIS BEINKE)

For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 4 if:

- the person is either:
    - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
    - a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the Chair of the Meeting at which the Resolution is voted on; and
- the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 4 by or on behalf of Mr Travis Beinke (or his nominee) and an associate of that person or those persons and any other person (and their associates) who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
    - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
    - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 5 (APPROVAL TO ISSUE SHARES TO MANAGING DIRECTOR TRAVIS BEINKE)

For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 5 if:

- the person is either:
    - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
    - a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the Chair of the Meeting at which the Resolution is voted on; and
- the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

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For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 5 by or on behalf of Mr Travis Beinke (or his nominee) and an associate of that person or those persons and any other person (and their associates) who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
    - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
    - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 6 (APPROVAL OF EMPLOYEE OPTION PLAN)

For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 6 if:

- the person is either:
    - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
    - a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the Chair of the Meeting at which the Resolution is voted on; and
- the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 6 by or on behalf of a person who is eligible to participate in the Australian Rare Earths Limited Employee Option Plan and any associate of that person.

However, subject always to the paragraph above, this does not apply to a vote cast in favour of Resolution 6 by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
    - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
    - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 7 (APPROVAL OF PERFORMANCE RIGHTS PLAN)

For the purposes of the Corporations Act, a person appointed as a proxy must not vote , on the basis of that appointment, on Resolution 7 if:

- the person is either:
    - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
    - a Closely Related Party of such a member; and

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- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the Chair of the Meeting at which the Resolution is voted on; and
- the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 7 by or on behalf of a person who is eligible to participate in the Australian Rare Earths Limited Performance Rights Plan and any associate of that person.

However, subject always to the paragraph above, this does not apply to a vote cast in favour of Resolution 7 by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
    - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
    - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 8 (APPROVAL OF 10% ADDITIONAL PLACEMENT CAPACITY)

For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 8 by or on behalf of any person who may participate in the proposed issue, or who might obtain a benefit (other than a benefit solely in the capacity of a holder of Shares) if Resolution 8 is passed, and any associates of such person.

However, this does not apply to a vote cast in favour of Resolution 8 by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
    - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
    - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

As at the date of this Notice of Meeting the Company has no specific plans to issue Equity Securities pursuant to Listing Rule 7.1A or under Resolution 8 (if approved), therefore it is not known who (if any) may participate in a potential (if any) issue of Equity Securities under Listing Rule 7.1A (if approved).

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VOTING, PROXIES AND QUESTIONS

VOTING BY PROXY

Shareholders are encouraged to lodge proxy forms prior to the Meeting in accordance with the instructions contained on the proxy form and within this Notice of Meeting as detailed below.

Appointment of proxies and corporate representatives

A Shareholder entitled to attend and vote is entitled to appoint up to two proxies. A proxy need not be a Shareholder and may be either an individual or a body corporate.

If a Shareholder is a corporation, it can attend and vote at the meeting by appointing an individual person to act as its corporate representative or by appointing a proxy to attend and vote on its behalf. A Shareholder that is a body corporate, or a proxy who is a body corporate, will need to ensure that it appoints an individual as its corporate representative to exercise its powers at the Meeting and provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

Where a Shareholder wishes to appoint two proxies, they can do so online at **www.investorvote.com.au** . A Shareholder appointing two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints two proxies but fails to specify the proportion or number of votes that each may exercise, each proxy appointed may exercise half the Shareholder's votes. Fractions of votes are to be disregarded. If your proxy chooses to vote, they must vote in accordance with your directions. If you have directed your proxy to vote, and they do not participate in the meeting or choose not to vote on a poll, then the Chair of the Meeting will become your proxy by default and vote your proxies as directed by you (subject to applicable voting restrictions).

Subject to the voting restrictions set out below, if you do not direct your proxy to vote by marking the relevant box on the proxy form, your proxy may vote as they choose on that item of business.

If your proxy does not participate in the meeting, the Chair will become your proxy by default. The Chair intends to vote all available proxies in accordance with the Board recommendations set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

Generally, the Key Management Personnel (KMP) of the Company (which includes each of the Directors) and their Closely Related Parties will not be able to vote your proxy on Resolutions 1, 3, 4, 5, 6 and 7 unless you have directed them how to vote or you have appointed the Chair as your proxy. The circumstances in which KMP will be excluded from voting on Resolutions 1, 3, 4, 5, 6 and 7 are set out above under the heading 'Voting Exclusions'.

Generally, each Director and their respective associates will not be able to vote your proxy in favour of Resolutions in which the respective Director or their associates have an interest (being Resolution 3 for Mr Pobjoy, and Resolutions 4 and 5 for Mr Beinke) unless you have directed them how to vote or you have appointed the Chair as your proxy. The circumstances in which Directors and their respective associates will be excluded from voting in favour of Resolutions 3, 4 and 5 are set out above under the heading 'Voting Exclusions'.

If you intend to appoint a member of the KMP as your proxy, please ensure that you direct them how to vote on Resolutions 1, 3, 4, 5, 6 and 7. If you intend to appoint the Chair of the Meeting as your proxy, you can direct the Chair how to vote on Resolutions 1, 3, 4, 5, 6 and 7 by marking the relevant boxes on the proxy form. However, if the Chair of the Meeting is your proxy (or becomes your proxy by default) and you do not mark any of the boxes opposite Resolutions 1, 3, 4, 5, 6 and 7 by completing and submitting the proxy form you will be deemed to have expressly authorised the Chair to vote as the Chair decides.

To be valid, the proxy form, and any authority under which the form is signed, must be received by the Company or the Company's Share Registry prior to 9:30 am (Adelaide time) on Monday, 25 November 2024.

Voting by Attorney

A Shareholder entitled to attend and vote may appoint an attorney to act on his or her behalf at the Meeting. An attorney may, but need not, be a Shareholder of the Company.

An attorney may not vote at the Meeting unless the instrument appointing the attorney, and the authority under which the instrument is signed or a certified copy of the authority, are received by the Company in the same manner, and by the same time, as outlined above for proxy forms.

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Proxy Lodgement

Proxies are able to be lodged by the following means:

Online:	Enter the control number, SRN/HIN and postcode shown on the first page of your proxy form at **www.investorvote.com.au**
Mail:	Australian Rare Earths Limited C/- Computershare Investor Services Pty Limited GPO Box 242 Melbourne VIC 3001 Australia; or
Fax:	Australian Rare Earths Limited C/- Computershare Investor Services Pty Limited (within Australia) 1800 783 447 (outside Australia) +613 9473 2555.
Custodian Voting:	Custodian Voting is available for Intermediary Online subscribers only (Custodians) by visiting **www.intermediaryonline.com** to submit your voting intentions.

To be valid, the proxy form, and any authority under which the form is signed, must be received by the Company or the Company's Share Registry prior to 9:30 am (Adelaide time) on Monday, 25 November 2024. Any proxy forms received after that time will not be valid for the Meeting.

ENTITLEMENT TO VOTE

For the purpose of determining the voting entitlements at the meeting, the Board has determined that, in accordance with the Company's Constitution and the Corporations Act, the shares in the Company will be taken to be held by the registered holders of those shares at 7.00 pm (Sydney time) on Monday, 25 November 2024. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

By order of the Board

Noel Whitcher
Company Secretary

25 October 2024

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EXPLANATORY MEMORANDUM

Introduction

This Explanatory Memorandum forms part of the Notice of Meeting and has been prepared to provide Shareholders with material information to enable them to make an informed decision on the business to be conducted at the Annual General Meeting of Shareholders to be held at the Australian Institute of Company Directors, Level 23, 91 King William Street, Adelaide, South Australia on Wednesday, 27 November 2024 at 9.30 am (Adelaide time).

This Explanatory Memorandum should be read in full and in conjunction with the accompanying Notice of Annual General Meeting before making any decision in relation to the resolutions and is a brief explanation of Resolutions 1 to 8 in the Notice of Annual General Meeting and why the Company is seeking Shareholder approval.

Terms defined in the Notice of Meeting have the same meaning in this Explanatory Memorandum.

FINANCIAL STATEMENTS AND REPORT

As required by section 317 of the Corporations Act, the Financial Report, Directors' Report and the Auditor's Report for the most recent financial year ended 30 June 2024 will be laid before the Meeting.

This Item does not require a formal resolution to be put to the Meeting and there is no requirement for Shareholders to approve these reports.

During this item of business, Shareholders will be given reasonable opportunity to ask questions about the reports and the business and management of the Company. Also, Shareholders will be given a reasonable opportunity to ask a representative of the Company's Auditor, Grant Thornton, questions in relation to the conduct of the audit (including the independence of the Auditor), and the accounting policies adopted by the Company.

RESOLUTION 1 - REMUNERATION REPORT

The Remuneration Report for the financial year ended 30 June 2024 is set out in the Directors' Report within the 2024 Annual Report, which is available on the Company's website: **www.ar3.com.au**. The Remuneration Report sets out the Company's remuneration arrangements for Directors, and members of the Company's Key Management Personnel.

Section 300A of the Corporations Act requires the Directors to include a Remuneration Report in their report for the financial year. Section 250R(2) of the Corporations Act requires the Remuneration Report to be put to a vote at the Company's Annual General Meeting. The vote on the Resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

The Board believes the Company's remuneration policies and structures as outlined in the Remuneration Report are appropriate relative to the size of the Company and stage of its business.

A reasonable opportunity will be provided for Shareholders to ask questions about the Remuneration Report at the meeting before calling for a vote.

Board Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 1.

RESOLUTION 2 - RE-ELECTION OF PAULINE CARR AS A DIRECTOR

In accordance with Rule 6.1 of the Constitution, at each annual general meeting of the Company one third of Directors must retire from office (with the exception of the Managing Director). A retiring Director is eligible for re-election.

Listing Rule 14.5 provides that an entity which has directors must hold an election of directors at each annual general meeting.

In accordance with Rule 6.1 of the Company's Constitution and Listing Rule 14.5, director Ms Pauline Carr retires and being eligible, offers herself for re-election.

The qualifications and experience of Ms Carr are set out below.

Ms Pauline Carr (Independent Non-Executive Director)

BEc, MBA, FAICD, FGIA

Ms Carr has been a Director of the Company since 15 October 2021. She is the Chair of the Company's Audit and Risk Management Committee, and its Remuneration and Nomination Committee.

Ms Carr is a highly experienced executive with extensive commercial, management, compliance, and governance expertise as well as over 30 years directorial experience in the resources industry with both Australian and international listed companies. Ms Carr is a current Director of Highfield Resources Limited (ASX: HFR)

Ms Carr has extensive board committee experience in both audit and risk as well as people and remuneration committees.

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The Board considers Ms Carr to be an independent director.

Board Recommendation

The Board (with Ms Carr abstaining) recommends that shareholders vote in favour of Resolution 2.

The Chair of the Meeting intends to vote all undirected proxies in favour of Resolution 2.

RESOLUTIONS 3, 4 AND 5 – APPROVAL TO ISSUE UNLISTED PERFORMANCE RIGHTS TO CHIEF TECHNICAL OFFICER RICK POBJOY AND MANAGING DIRECTOR TRAVIS BEINKE, AND SHARES TO MANAGING DIRECTOR TRAVIS BEINKE

1. **General**

The Company has agreed, subject to obtaining Shareholder approval, to issue Performance Rights and Shares to two related parties as part of their incentive based remuneration package. Resolutions 3, 4 and 5 seek Shareholder approval for the grant of Performance Rights and Shares to the following related parties (or their nominees):

(a) 746,921 Performance Rights to Mr Rick Pobjoy in relation to FY24 LTI. The number of performance rights granted to the executives under the LTI is calculated as total fixed remuneration at 1 July of the financial year, multiplied by the relevant LTI Plan participation percentage, divided by the Market Value. The Market Value is the market value of a fully paid ordinary share in the Company, calculated using a thirty-day VWAP, up to and including 30 June of the preceding financial year. The full terms and conditions of the Related Party Performance Rights to be issued to Mr Pobjoy is set out in Annexure A;

(b) 4,529,462 Performance Rights to Mr Travis Beinke in relation to FY25 LTI. The number of performance rights granted to the executives under the LTI is calculated as total fixed remuneration at 1 July of the financial year, multiplied by the relevant LTI Plan participation percentage, divided by the Market Value. The Market Value is the market value of a fully paid ordinary share in the Company, calculated using a thirty-day VWAP, up to and including 30 June of the preceding financial year. The full terms and conditions of the Related Party Performance Rights to be issued to Mr Beinke is set out in Annexure B; and

(c) 353,065 Shares to Mr Travis Beinke. The number of Shares has been calculated to satisfy a $45,111 payment to Mr Beinke, representing 30% of his FY24 Short Term Incentive award, calculated using a 30-day VWAP up to and including 9 October 2024.

2. **Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Performance Rights and Shares constitutes giving a financial benefit, and Mr Pobjoy and Mr Beinke are related parties of the Company.

The Directors consider that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required because the grant of the Performance Rights and Shares is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

3. **Listing Rule 10.11**

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

(a) a related party;

(b) a person who is, or was at any time in the six months before the issue or agreement, a substantial (30%+) holder in the company;

(c) a person who is, or was at any time in the six months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;

(d) an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or

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(e) a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue of the Performance Rights and Shares falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of the Company's shareholders under Listing Rule 10.11.

Resolutions 3 and 4 seek the required shareholder approval to the issue of the Performance Rights under and for the purposes of Listing Rule 10.11.

If either of Resolutions 3 or 4 is passed, the Company will be able to proceed with the issue of the Performance Rights the subject of that Resolution.

Resolution 5 seeks the required shareholder approval to the issue of the Shares under and for the purposes of Listing Rule 10.11.

If Resolution 5 is passed, the Company will be able to proceed with the issue of the Shares the subject of that Resolution.

If any of Resolutions 3, 4 or 5 is not passed, the Company will not be able to proceed with the issue of the Performance Rights or Shares the subject of that Resolution and may need to consider other ways to remunerate the relevant related party as part of his incentive based remuneration package.

4. **Technical Information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolutions 3, 4 and 5:

(a) The Performance Rights will be issued to Mr Pobjoy and Mr Beinke, or their respective nominees, and the Shares will be issued to Mr Beinke, or his nominee.

(b) Each of Mr Pobjoy and Mr Beinke is a related party under Listing Rule 10.11.1.

(c) The number of Equity Securities to be issued is as follows:

(i) Mr Pobjoy: 746,921 Performance Rights;

(ii) Mr Beinke: 4,529,462 Performance Rights; and

(ii) Mr Beinke: 353,065 Shares.

(d) The terms and conditions of the Performance Rights to be issued to Mr Pobjoy is set out in Annexure A.

The terms and conditions of the Performance Rights to be issued to Mr Beinke is set out in Annexure B.

(e) The Performance Rights and Shares will be granted no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(f) The Performance Rights and Shares will not be issued for cash consideration.

(g) The Performance Rights and Shares will be issued to Mr Pobjoy and Mr Beinke as part of their incentive based remuneration package, and accordingly no funds will be raised by the issue.

(h) Details of each related party's current total remuneration package are as follows:

(i) Key details of Mr Pobjoy's current remuneration package as Chief Technical Director are set out in Annexure C; and

(ii) Key details of Mr Beinke's current remuneration package as Managing Director are set out in Annexure D.

(i) The Performance Rights and Shares to be issued to Mr Pobjoy and Mr Barker are not issued under an agreement.

Board Recommendation

The Board (with Mr Pobjoy abstaining in respect of Resolution 3, and Mr Beinke abstaining in respect of Resolutions 4 and 5) recommends that shareholders vote in favour of Resolutions 3, 4 and 5.

The Chair of the Meeting intends to vote all undirected proxies in favour of Resolutions 3, 4 and 5.

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Please note that if the Chair of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the Chair to exercise your proxy on Resolutions 3, 4 and 5 even though they are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the Chair. If you appoint the Chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolutions 3, 4 and 5 by marking the appropriate box on the proxy form.

RESOLUTION 6 - APPROVAL OF EMPLOYEE OPTION PLAN

The Company's current employee incentive plan was approved by shareholders at its 2023 annual general meeting held on 8 November 2023 (**Employee Option Plan**). The Employee Option Plan has been updated to reflect the new Division 1A in Part 7.12 of the Corporations Act in relation to employee share schemes, as amended by *ASIC Corporations (Employee Share Schemes) Instrument 2022/1021.*

The Company has therefore adopted a new Employee Option Plan (**2024 Employee Option Plan**) under which employees, consultants, officers and Directors may be offered the opportunity to receive options to subscribe for shares in the Company in order to increase the range of potential incentives available to them, and to strengthen links between the Company and its employees, consultants, officers and directors.

The 2024 Employee Option Plan is designed to provide incentives to the employees, consultants, officers and directors of the Company and to recognise their contribution to the Company's success. Under the Company's current circumstances the Directors consider that options are a cost effective and efficient means of incentivising employees, consultants, officers and directors. To enable the Company to secure employees, consultants, officers and directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such persons. The 2024 Employee Option Plan is designed to achieve this objective by encouraging continued improvement in performance over time and by encouraging those persons to acquire and retain significant shareholdings in the Company.

Under the 2024 Employee Option Plan, the Board may offer to eligible persons the opportunity to receive such number of options in the Company as the Board may decide and on terms set out in the rules of the 2024 Employee Option Plan, a copy of which is contained in Annexure E to this Explanatory Memorandum. Options granted under the 2024 Employee Option Plan will be offered to participants in the 2024 Employee Option Plan on the basis of the Board's view of the contribution of the eligible person to the Company.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Listing Rule 7.2 contains a number of exceptions to Listing Rule 7.1. In particular, Exception 13(b) of Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if within three years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

The purpose of Resolution 6 is to seek approval of the issue of securities under the 2024 Employee Option Plan for the purposes of Listing Rule 7.2, Exception 13 and for all other purposes.

If Resolution 6 is passed, the Company may issue options under the 2024 Employee Option Plan without using up any of the Company's 15% limit on issuing equity securities without shareholder approval set out in Listing Rule 7.1.

If Resolution 6 is not passed, the Company may still issue options under the 2024 Employee Option Plan but it will reduce, to that extent, the Company's capacity to issue equity securities without shareholder approval under Listing Rule 7.1 for 12 months following the issue.

In accordance with the requirements of Listing Rule 7.2 Exception 13(b) the following information is provided:

(a) the Company is seeking shareholder approval of the 2024 Employee Option Plan to include the new terms and conditions required by Division 1A of Part 7.12 of the Corporations Act;

(b) a copy of the rules of the 2024 Employee Option Plan is contained in Annexure E to this Explanatory Memorandum;

(c) as the 2024 Employee Option Plan is being approved for the first time, no securities have been issued under it;

(d) the maximum number of options proposed to be issued under the 2024 Employee Option Plan following approval pursuant to this Resolution 6 is 7,931,833; and

(e) a voting exclusion statement has been included for the purpose of Resolution 6.

Resolution 6 is an ordinary resolution.

As the Directors are excluded from voting on this resolution they do not wish to make a recommendation as to how shareholders ought to vote in respect of the resolution.

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Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 6 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 6 by marking the appropriate box on the proxy form.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 6.

RESOLUTION 7 - APPROVAL OF PERFORMANCE RIGHTS PLAN

The Company's current employee incentive plan was approved by shareholders at its 2023 annual general meeting held on 8 November 2023 (**Performance Rights Plan**). The Performance Rights Plan has been updated to reflect the new Division 1A in Part 7.12 of the Corporations Act in relation to employee share schemes, as amended by *ASIC Corporations (Employee Share Schemes) Instrument 2022/1021.*

The Company has therefore adopted a new Performance Rights Plan (**2024 Performance Rights Plan**) under which employees, consultants, officers and Directors may be offered the opportunity to receive performance rights in the Company in order to increase the range of potential incentives available to them, and to strengthen links between the Company and its employees, consultants, officers and directors.

The 2024 Performance Rights Plan is designed to provide incentives to the employees, consultants, officers and directors of the Company and to recognise their contribution to the Company's success. Under the Company's current circumstances the Directors consider that performance rights are a cost effective and efficient means of incentivising employees, consultants, officers and directors. To enable the Company to secure employees, consultants, officers and directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such persons. The 2024 Performance Rights Plan is designed to achieve this objective by encouraging continued improvement in performance over time and by encouraging those persons to acquire and retain significant shareholdings in the Company.

Under the 2024 Performance Rights Plan, the Board may offer to eligible persons the opportunity to receive such number of performance rights in the Company as the Board may decide and on terms set out in the rules of the 2024 Performance Rights Plan, a copy of which is contained in Annexure F to this Explanatory Memorandum. Performance rights granted under the 2024 Performance Rights Plan will be offered to participants in the 2024 Performance Rights Plan on the basis of the Board's view of the contribution of the eligible person to the Company.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Listing Rule 7.2 contains a number of exceptions to Listing Rule 7.1. In particular, Exception 13(b) of Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if within three years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

The purpose of Resolution 7 is to seek approval of the issue of securities under the 2024 Performance Rights Plan for the purposes of Listing Rule 7.2, Exception 13 and for all other purposes.

If Resolution 7 is passed, the Company may issue performance rights under the 2024 Performance Rights Plan without using up any of the Company's 15% limit on issuing equity securities without shareholder approval set out in Listing Rule 7.1.

If Resolution 7 is not passed, the Company may still issue performance rights under the 2024 Performance Rights Plan but it will reduce, to that extent, the Company's capacity to issue equity securities without shareholder approval under Listing Rule 7.1 for 12 months following the issue.

In accordance with the requirements of Listing Rule 7.2 Exception 13(b) the following information is provided:

(a) the Company is seeking shareholder approval of the 2024 Performance Rights Plan to include the new terms and conditions required by Division 1A of Part 7.12 of the Corporations Act;

(b) a copy of the rules of the 2024 Performance Rights Plan is contained in Annexure F to this Explanatory Memorandum;

(c) as the 2024 Performance Rights Plan is being approved for the first time, no securities have been issued under it;

(d) the maximum number of performance rights proposed to be issued under the 2024 Performance Rights Plan following approval pursuant to this Resolution 7 is 7,931,833; and

(e) a voting exclusion statement has been included for the purpose of Resolution 7. As at the date of this Notice of Meeting the Company has no specific plans to issue any performance rights under the 2024 Performance Rights Plan, therefore it is not known who (if anyone) may participate in a potential (if any) issue of performance rights under the 2024 Performance Rights Plan.

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Resolution 7 is an ordinary resolution.

As the Directors are excluded from voting on this resolution they do not wish to make a recommendation as to how shareholders ought to vote in respect of the resolution.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 7 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 7 by marking the appropriate box on the proxy form.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 7.

RESOLUTION 8 - APPROVAL OF 10% ADDITIONAL PLACEMENT CAPACITY

Background to Resolution 8

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the Annual General Meeting at which approval of the issue is obtained (**10% Placement Capacity**). The 10% Placement Capacity is in addition to the Company's 15% placement capacity under Listing Rule 7.1 and allows the Company to issue up to 25% of its fully paid ordinary issued capital in total.

An eligible entity for the purpose of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of $300 million or less. The Company is an eligible entity at the date of this Notice of Annual General Meeting and must remain compliant with the requirements of Listing Rule 7.1A at the date of the Meeting to be able to utilise the additional capacity to issue Equity Securities under that Listing Rule.

The Company is now seeking Shareholder approval by way of a Special Resolution which requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) to have the ability to issue Equity Securities under the 10% Placement Capacity. The exact number of Equity Securities to be issued under the 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

Number of Shares

The formula for calculating the maximum amount of securities to be issued under the 10% Placement Capacity is calculated as follows:

(A x D) – E

A The number of fully paid ordinary securities on issue at the commencement of the relevant period:

- plus the number of fully paid ordinary securities issued in the relevant period under an exception in Listing Rule 7.2 other than exception 9, 16 or 17;
- plus the number of fully paid ordinary securities issued in the relevant period on the conversion of convertible securities within Listing Rule 7.2 exception 9 where:
  - o the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
  - o the issue of, or agreement to issue, the convertible securities was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;
- plus the number of fully paid ordinary securities issued in the relevant period under an agreement to issue securities within Listing Rule 7.2 exception 16 where:
  - o the agreement was entered into before the commencement of the relevant period; or
  - o the agreement or issue was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;
- plus the number of any other fully paid ordinary securities issued in the relevant period with approval under Listing Rule 7.1 or Listing Rule 7.4;
- plus the number of fully paid ordinary securities that became fully paid in the relevant period;
- less the number of fully paid ordinary securities cancelled in the relevant period.

D is 10%.

E The number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the relevant period where the issue or agreement has not been subsequently approved by the holders of its ordinary securities under Listing Rule 7.4.

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"relevant period" means:

- if the entity has been admitted to the official list for 12 months or more, the 12 month period immediately preceding the date of the issue or agreement; or

- if the entity has been admitted to the official list for less than 12 months, the period from the date the entity was admitted to the official list to the date immediately preceding the date of the issue or agreement.

The ability to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 158,636,662 Shares and therefore has capacity to issue:

1) 23,795,499 Equity Securities under Listing Rule 7.1; and

2) 15,863,666 Equity Securities under Listing Rule 7.1A (subject to approval of Resolution 8 in this Notice).

A number of scenarios showing potential issues under Listing Rule 7.1A are detailed in the table below.

Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Capacity as follows:

1) Minimum issue price

For the purpose of Listing Rule 7.1.A.3, the issue price of Equity Securities under this 10% Placement Capacity will be no less than 75% of the VWAP for securities in that class calculated over the 15 trading days on which trades in that class were recorded immediately before:

i) the date on which the price at which the securities are to be issued is agreed; or

ii) if the securities are not issued within 10 trading days of the date in paragraph i), the date on which the securities are issued.

2) Risk of economic and voting dilution

If this Resolution is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Capacity, the existing Shareholders' voting power in the Company will be diluted as shown in the table below (in the case of Unlisted Options, only if the Unlisted Options are exercised).

There is a risk that:

i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the approval under rule 7.1A; and

ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below describes the potential dilution of existing ordinary security holders on the basis of at least three different assumed issue prices and values for the variable "A" in the formula in rule 7.1A.2, and also shows:

i) at least one example that assumes variable "A" is double the number of ordinary securities on issue at the time of the approval under rule 7.1A. Variable "A" is the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future meeting of Shareholders; and

ii) at least one example where the issue price of ordinary securities has fallen by at least 50%.

Variable 'A' in Listing rule 7.1A.2		**Dilution at different share prices**		
		$0.03 (50% decrease)	**$0.06 (Issue Price)**	**$0.12 (100% increase)**
Current Variable A 158,636,662 Shares	10% voting dilution	15,863,666 Shares	15,863,666 Shares	15,863,666 Shares
	Funds raised	$475,909	$951,819	$1,903,639

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Variable 'A' in Listing rule 7.1A.2		Dilution at different share prices		
		$0.03 (50% decrease)	**$0.06 (Issue Price)**	**$0.12 (100% increase)**
50% increase in current Variable A 237,954,993 Shares	10% voting dilution	23,795,499 Shares	23,795,499 Shares	23,795,499 Shares
	Funds raised	$713,864	$1,427,729	$2,855,459
100% increase in current Variable A 317,273,324 Shares	10% voting dilution	31,727,332 Shares	31,727,332 Shares	31,727,332 Shares
	Funds raised	$951,819	$1,903,639	$3,807,279

The table above has been prepared on the following assumptions:

i) The Company issues the maximum number of Equity Securities available under the 10% Placement Capacity.

ii) No Unlisted Options (including any Unlisted Options issued under the 10% Placement Capacity) are exercised into Shares before the date of the issue of the Equity Securities.

iii) No Performance Rights convert into Shares before the date of the issue of the Equity Securities.

iv) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

vi) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1 or as a result of any issues of Equity Securities pursuant to any other approval under Chapter 7 of the Listing Rules.

vii) The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

viii) The issue price is $0.06, being the closing price of the Shares on ASX on 17 September 2024.

3) Timing

The date by which the Equity Securities may be issued is the earlier of:

i) the date that is 12 months after the date of this Annual General Meeting;

ii) the time and date of the Company's next annual general meeting; and

iii) the date of approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (change involving main undertaking).

The approval will cease to be valid in the event that holders of the Company's ordinary securities approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (change involving main undertaking).

4) Purposes for which Equity Securities may be issued

The Company may seek to issue the Equity Securities to use the funds raised towards an acquisition of new projects, assets or investments (including expenses associated with such acquisition), continued exploration or development expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5 upon issue of any Equity Securities under the 10% Additional Placement Capacity.

5) Allocation Policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

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1) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;

2) the effect of the issue of the Equity Securities on the control of the Company;

3) the financial situation and solvency of the Company; and

4) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Capacity have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

6) Previously obtained approval under rule 7.1A

The Company previously obtained Shareholder approval under Listing Rule 7.1A at the 2023 AGM held on 8 November 2023 and has not issued or agreed to issue any Equity Securities issued under Listing Rule 7.1A.2 in the 12 months preceding the date of this Meeting.

Board Recommendation

Resolution 8 is a Special Resolution.

The Board considers that the approval of the issue of the 10% Placement Capacity described above is beneficial for the Company as it provides the Company with the flexibility to issue up to the maximum number of securities permitted under Listing Rule 7.1A in the next 12 months (without further Shareholder approval), should it be required.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of Resolution 8.

The Chair of the Meeting intends to vote all undirected proxies in favour of Resolution 8.

GLOSSARY

In the Explanatory Memorandum and Notice of Annual General Meeting:

10% Placement Capacity has the meaning given in the Explanatory Memorandum for Resolution 8.

Annual General Meeting or **Meeting** means the annual general meeting of Shareholders to be held at the Australian Institute of Company Directors, Level 23, 91 King William Street, Adelaide, South Australia on Wednesday, 27 November 2024 at 9.30 am (Adelaide time).

Annual Report or **2024 Annual Report** means the annual report of the Company for the financial year ended 30 June 2024.

AR3 or **Australian Rare Earths** or the **Company** means Australian Rare Earths Limited (ACN 632 645 302).

Associate has the meaning given to that term in the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691).

Board means the board of Directors.

Chair means the Chair of the Meeting.

Closely Related Party of a member of Key Management Personnel for an entity means:

(a) a spouse or child of the member; or

(b) a child of the member's spouse; or

(c) a dependent of the member or of the member's spouse; or

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or

(e) a company the member controls; or

(f) a person prescribed by the *Corporations Regulations 2001* (Cth).

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

Equity Securities or **Securities** has the same meaning as in the Listing Rules.

Explanatory Memorandum means the Explanatory Memorandum accompanying the Notice of Meeting.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

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Key Management Personnel has the same meaning as in the accounting standards as defined in section 9 of the Corporations Act (so the term broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise, of the Company).

Listing Rules means the listing rules of ASX.

Meeting means the meeting of shareholders convened by the Notice.

Notice of Meeting or **Notice** means this Notice of this Annual General Meeting.

Option means an Unlisted Option to subscribe for a Share.

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of Shareholders.

Performance Right means a contractual right to receive a given number of Shares if and when a nominated performance milestone is achieved.

Related Bodies Corporate has the meaning provided under section 9 of the Corporations Act.

Remuneration Report means the report of the same name on pages 42 to 54 of the Company's 2024 Annual Report.

Resolution means a resolution referred to in this Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder or **Member** means each person registered as a holder of a Share.

Special Resolution means a resolution passed by more than 75% of the votes at a general meeting of Shareholders.

Unlisted Option means an Option that is not quoted on ASX.

VWAP means the volume weighted average trading price of the Shares on ASX.

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ANNEXURE A – TERMS AND CONDITIONS OF PERFORMANCE RIGHTS TO BE ISSUED TO MR POBJOY

- The LTI links to the Company's key purpose by aligning the longer term 'at risk' incentive rewards with outcomes that match shareholder objectives and interests by:
  - benchmarking shareholder returns against a group of companies considered alternative investments to AR3, which will be equal to a maximum of 70% of any LTI award. Incentivising participants to meet strategic milestones, equal to a maximum of 30% of any LTI award.
  - giving share based rather than cash-based rewards to managerial and professional employees. This links their own rewards to shareholder expectations of dividends and share price growth.

- The number of performance rights granted to Mr Pobjoy under the LTI is calculated as total fixed remuneration at 1 July of the financial year, multiplied by the relevant LTI Plan participation percentage, divided by the Market Value. The Market Value is the market value of a fully paid ordinary share in the Company, calculated using a thirty-day VWAP, up to and including 30 June of the preceding financial year.

- The Company grants performance rights using the formula set out above. If the performance conditions are met, participants have the opportunity to acquire one AR3 share for every vested performance right.

- The performance conditions are split between rTSR relative to a pool of ASX listed companies which are considered by the Board to be peers of AR3, and the achievement of strategic goals, over the three-year performance period.

- The vesting conditions for the rTSR are such that:
  - Below the 50th percentile against peers = 0% vesting.
  - Between the 50th percentile and 75th percentile = 100% vesting on a straight-line basis.
  - Greater than the 75th percentile = 100% vesting.

- The vesting conditions for the strategic milestone are such that it is a binary outcome with vesting either 0% or 100%.

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- The LTI links to the Company's key purpose by aligning the longer term 'at risk' incentive rewards with outcomes that match shareholder objectives and interests by:
  - benchmarking shareholder returns against a group of companies considered alternative investments to AR3, which will be equal to a maximum of 70% of any LTI award. Incentivising participants to meet strategic milestones, equal to a maximum of 30% of any LTI award.
  - giving share based rather than cash-based rewards to managerial and professional employees. This links their own rewards to shareholder expectations of dividends and share price growth.

- The number of performance rights granted to Mr Beinke under the LTI is calculated as total fixed remuneration at 1 July of the financial year, multiplied by the relevant LTI Plan participation percentage, divided by the Market Value. The Market Value is the market value of a fully paid ordinary share in the Company, calculated using a thirty-day VWAP, up to and including 30 June of the preceding financial year.

- The Company grants performance rights using the formula set out above. If the performance conditions are met, participants have the opportunity to acquire one AR3 share for every vested performance right.

- The performance conditions are split between rTSR relative to a pool of ASX listed companies which are considered by the Board to be peers of AR3, and the achievement of strategic goals, over the three-year performance period.

- The vesting conditions for the rTSR are such that:
  - Below the 50th percentile against peers = 0% vesting.
  - Between the 50th percentile and 75th percentile = 100% vesting on a straight-line basis.
  - Greater than the 75th percentile = 100% vesting.

- The vesting conditions for the strategic milestone are such that it is a binary outcome with vesting either 0% or 100%.

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Element	Employment term
Contract Duration	indefinite
Notice period for termination by AR3	3 months
Notice Period for termination by Mr Pobjoy	3 months
Base Salary	$295,000 per annum (exclusive of statutory superannuation).
Short term incentive (STI)	Mr Pobjoy will be eligible to participate in the Company's STI Plan for FY25 at a level of up to 50% of his base salary.
Long Term incentive (LTI)	Mr Pobjoy will be eligible to participate in any LTI Plan adopted by the Company during FY25.
Other provisions	Executive Services Agreement (Employment Agreement) contains provisions regarding duties, leave entitlements, confidentiality, intellectual property, restrictions, malice and clawback and ancillary clauses.

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ANNEXURE D – MATERIAL TERMS OF EXECUTIVE DIRECTOR MR BEINKE'S EMPLOYMENT AGREEMENT

Element	Employment term
Contract Duration	indefinite
Notice period for termination by AR3	3 months
Notice Period for termination by Mr Beinke	3 months
Base Salary	$375,000 per annum (exclusive of statutory superannuation).
Short term incentive (STI)	Mr Beinke will be eligible to participate in the Company's STI Plan for FY25 at a level of up to 50% of his base salary.
Long Term incentive (LTI)	Mr Beinke will be eligible to participate in any LTI Plan adopted by the Company during FY25.
Other provisions	Executive Services Agreement (Employment Agreement) contains provisions regarding duties, leave entitlements, confidentiality, intellectual property, restrictions, malice and clawback and ancillary clauses.

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1. Definitions and interpretation

1.1 Definitions

In these Terms, unless the contrary intention appears:

Applicable Law means any one or more or all, as the context requires of:

(a) Corporations Act and the Corporations Regulations 2001 (Cth);

(b) Listing Rules;

(c) any other applicable securities laws;

(d) the Constitution of the Company;

(e) any practice note, policy statement, class order, declaration, guideline, policy or procedure pursuant to the provisions of which ASIC, ASX or other equivalent authority is authorised or entitled to regulate, implement or enforce, either directly or indirectly, the provisions of any of the foregoing statutes, regulations or rules or any conduct of any duly authorised person, pursuant to any of the abovementioned statutes, regulations or rules.

Approved Foreign Market means a financial market recognised under Division 1A of Part 7.12 of the Corporations Act.

ASIC means the Australian Securities and Investments Commission.

Associate has the same meaning as is ascribed to that term in sections 12 to 16 (inclusive) of the Corporations Act.

Associated Body Corporate has the meaning ascribed to the term 'associated entity' in section 50AAA of the Corporations Act.

ASX means the ASX Limited ACN 008 624 691.

Auditor means the registered auditor of the Company as appointed from time to time.

Australian CDI means a CHESS Depository Interest traded on ASX, with a Share or stock as the underlying security.

Bid Period, in relation to an off-market bid or a market bid in respect of Eligible Products, means the period referred to in the definition of that expression in section 9 of the Corporations Act (or equivalent legislation), provided that where a bid is publicly announced prior to the service of a bidder's statement on the Company, the bid period shall be deemed to have commenced at the time of that announcement.

Business Day means a day on which the stock market of ASX is open for trading in securities.

Certificate means the certificate for the Options issued by the Company to a Participant.

Change of Control Event means, if an entity does not have Control of the Company, the event pursuant to which that entity acquires Control of the Company.

Company means Australian Rare Earths Limited ACN 632 645 302.

Company Secretary means the secretary of the Company (or his delegate) as appointed from time to time.

Control has the meaning ascribed to that term in section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Depository Interest means:

(a) Australian CDIs, able to be traded on ASX, where the underlying security is a share or stock; or

(b) depository interests that are able to be traded on an Approved Foreign Market where the underlying security is a share or stock,

where 'able to be traded' has the meaning given in section 761A of the Corporations Act.

Directors means the directors for the time being of the Company.

Eligible Employee, **Eligible Associate**, **Eligible Service Provider** and **Eligible Person** have the meanings ascribed to those terms in clause 13.

Eligible Financial Market means ASX or an Approved Foreign Market (and, unless otherwise stated, is limited to the main board of that market).

Eligible Related Person means:

(a) a spouse, parent, child or sibling of the Eligible Person;

(b) a body corporate Controlled by the Eligible Person or a person mentioned in subparagraph (a);

(c) a body corporate that is the trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993* (Cth)), where the Eligible Person is a director of the body corporate; or

(d) a person otherwise prescribed in relation to the Eligible Person for the purposes of section 1100L(1)(b) of the Corporations Act.

Eligible Products means, subject to and without limiting the operation of section 1100M(1) of the Corporations Act:

(a) Shares in a class able to be traded on ASX;

(b) Shares or fully paid stocks in a class able to be traded on an Approved Foreign Market;

(c) Depository (beneficial) Interests in a class able to be traded on an Eligible Financial Market; and

(d) fully paid Stapled Securities in a class able to be traded on ASX; or

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(e) other similar interest prescribed for the purposes of section 1100M(1) of the Corporations Act,

where, 'able to be traded' has the meaning given in section 761A of the Corporations Act, and subject to such other criteria as may be imposed by Division 1A of Part 7.12 of the Corporations Act or otherwise from time to time.

Eligible Products Registry means the applicable Eligible Products registry of the Company from time to time.

Eligible Prospective Person means a person to whom an offer of an Option is made, but who can only accept the offer if an arrangement is entered into that will result in the person becoming an Eligible Person of a kind other than an Eligible Prospective Person.

Exercise means an exercise effected under clause 7.

Exercise Date means the date upon which an Option is Exercised in accordance with clause 7.1.

Exercise Notice means a notice given under clause 7.1.

Exercise Period means in relation to a particular grant of Options, the period beginning on the date determined in accordance with the provisions of clause 6.3 and ending on the date of the third anniversary of the Issue Date of those Options or as otherwise determined by the Directors at the Relevant Date.

Exercise Price means the price at which an Option may be Exercised in accordance with clause 4.2(b), as varied in accordance with these Terms.

Issue Date means the date upon which Options are issued to an Eligible Person pursuant to this Plan.

Listing Rules means the official listing rules of ASX, as varied from time to time and, for so long as the Eligible Products are listed or quoted on any other stock exchange (if ever) where such stock exchange requires compliance with its listing rules, the listing rules applicable to that stock exchange.

Offer means an Offer of Options by the Directors to an Eligible Person pursuant to this Plan.

Option means an option over Plan Products granted pursuant to the Plan.

Option Price means the amount payable for an Option as referred to in clause 4.2(a).

Participant means an Eligible Person to whom Options have been issued pursuant to the Plan.

Performance Conditions means one or more conditions (if any), as determined by the Directors under clause 6.2 and notified to a Participant in the Offer, which must be satisfied or waived by the Directors before an Option may be Exercised.

Permitted Related Person has the meaning given to it by clause 5.3.

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Plan means the Employee Option Plan for the Company established in accordance with these Terms.

Plan Product means an Eligible Product in the capital of the Company issued upon Exercise of an Option or in respect of which an Option has been granted.

Related Body Corporate has the same meaning as is ascribed to that term in section 50 of the Corporations Act.

Relevant Date means the date on which the Directors resolve to offer an Option or such other date as the Directors determine.

Share means a fully paid ordinary share in the capital of the Company.

Stapled Security means two or more Eligible Products which, under the terms on which each is traded, must be transferred together.

Terms means these general terms and conditions, as varied from time to time.

1.2 **Interpretation**

In these Terms, unless the context requires otherwise:

(a) a reference to a word includes the singular and the plural of the word and vice versa;

(b) a reference to a gender includes any gender;

(c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;

(d) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;

(e) headings are included for convenience only and do not affect interpretation;

(f) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;

(g) a reference to a thing includes a part of that thing and includes but is not limited to a right;

(h) the terms 'included', 'including' and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;

(i) a reference to a part, clause, party, annexure, exhibit or schedule is a reference to an item of that type in these Terms and includes a reference to the provisions or terms of that part, clause, annexure, exhibit or schedule;

(j) a reference to these Terms includes each annexure, exhibit and a schedule to these Terms;

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(k) a reference to a party to this document includes the party's successors and permitted assigns and includes any person to whom these Terms are novated;

(l) a reference to a statute or statutory provision includes but is not limited to:

(1) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;

(2) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and

(3) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;

(m) a reference to a document is a reference to a document of any kind including but not limited to an agreement in writing, a certificate, a notice, or an instrument;

(n) reference to '$', 'A$', 'Australian Dollars' or 'dollars' is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;

(o) a provision of these Terms is not to be construed against the Company solely on the ground that the Company is responsible for the preparation of these Terms or a particular provision;

(p) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise;

(q) a reference to liquidation includes appointment of an administrator, compromise, arrangement, merger, amalgamation, reconstruction, winding up, dissolution, assignment for the benefit of creditors, scheme composition or arrangement of creditors, insolvency, bankruptcy or any similar procedure or if applicable changes in the Constitution of a partnership or the death of a person; and

(r) a reference to a body which is not a party to these Terms which ceases to exist or whose power or function is transferred to another body, is a reference to the body which replaces or substantially succeeds to the power or function of the first body.

1.3 **Business Day and Day**

(a) If these Terms require that the day on which a thing must be done is a day which is not a Business Day, then that thing must be done on or by the next Business Day.

(b) If an event occurs on a day which is not a Business Day, or occurs later than 5.00 pm local time at the place that the event occurs, then the event is deemed to have occurred on the next Business Day in the place that the event occurs.

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(c) A reference to a day is a reference to a time period which begins at midnight and ends 24 hours later.

(d) A reference to a period of time unless specifically written otherwise, includes the first day of that period.

2. **Directors' authority**

2.1 The Directors will establish and administer the Plan in accordance with the Corporations Act and regulations made under the Corporations Act, the Listing Rules and these Terms and, subject to any Applicable Law, will have the absolute discretion and power to:

(a) determine appropriate procedures for administration of the Plan;

(b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan or these Terms;

(c) delegate to any one or more persons for such period and subject to such conditions as they may determine, the exercise of their powers or discretions, or of any of them, under these Terms; and

(d) alter, modify, add to or repeal any of these Terms, even where such alteration, modification, addition or repeal:

(1) will or may adversely affect, whether materially or otherwise, any existing right or entitlement of a Participant or otherwise disadvantage an existing Participant; and

(2) occurs either during or after the expiry of the Exercise Period and irrespective of whether or not the Options, or the Plan Product or Plan Products that have been issued to a Participant pursuant to the Exercise of an Option, have or would have otherwise fully vested in that Participant.

2.2 The Company undertakes to each Participant that the powers and rights available to the Directors under clause 2.1(d) will not be exercised in a capricious, malicious or unreasonable manner.

2.3 Subject to these Terms, the Directors may from time to time in their absolute discretion determine those Eligible Persons to whom an offer to participate in the Plan will be made and the terms of such an offer.

3. **Taxation**

The Plan is a plan to which tax deferral under Subdivision 83A-C of the *Income Tax Assessment Act 1997* (Cth) applies (subject to requirements of that Act), unless specifically stated otherwise in the Offer.

4. **Options, option price and exercise price**

4.1 Subject to these Terms, the Directors may determine from time to time to grant Options upon such terms and to such Eligible Persons as they see fit.

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4.2 Unless otherwise determined by the Directors:

(a) the Option Price will be nil;

(b) the Exercise Price will be the amount determined by the Directors on the Relevant Date and specified in an Offer; and

(c) the Directors will notify the Participants in writing of the Exercise Price of an Option at the time of making an Offer.

5. **Offer of options**

5.1 Subject to these Terms, the Company (acting through the Directors) may make an Offer at such times and on such terms as the Directors consider appropriate. Each Offer must be expressed to be made under Division 1A of Part 7.12 of the Corporations Act and must state:

(a) that the Eligible Person to whom it is addressed may accept the whole or any lesser number of Options offered. The Offer may stipulate a minimum number of Options and any multiple of such minimum or any other number which may be accepted;

(b) the period within which the Offer may be accepted and the Exercise Period;

(c) the method of calculation of the Exercise Price; and

(d) any other matters which the Directors may determine or is required under Division 1A of Part 7.12 of the Corporations Act or any other Applicable Law.

5.2 Upon receipt of an Offer of Options, an Eligible Person may, within the period specified in the Offer:

(a) accept the whole or any lesser number of Options offered by notice in writing to the Directors; or

(b) nominate an Eligible Related Person in whose favour the Eligible Person wishes to renounce the Offer by notice in writing to the Directors. The Directors may, in their absolute discretion, resolve not to allow such renunciation of an Offer in favour of an Eligible Related Person without giving any reason for such decision.

5.3 Upon:

(a) receipt of the acceptance referred to in paragraph 5.2(a); or

(b) the Directors resolving to allow a renunciation of an Offer in favour of an Eligible Related Person (**Permitted Related Person**) and the Permitted Related Person accepting the whole or any lesser number of Options offered by notice in writing to the Directors,

the Eligible Person or the Permitted Related Person, as the case may be, will be taken to have agreed to be bound by these Terms and will be issued Options subject to these Terms.

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5.4 Certificates for Options will be dispatched within 10 Business Days after their Issue Date.

5.5 If Options are issued to a Permitted Related Person of an Eligible Person, the Eligible Person must, without limiting any provision in these Terms, ensure that the Permitted Related Person complies with these Terms.

6. **Vesting and entitlement**

6.1 At the time of making an Offer of Options, the Directors may impose such vesting conditions (if any) as they consider appropriate.

6.2 At the time of making an Offer of Options, the Directors may impose such Performance Conditions (if any) as they consider appropriate.

6.3 No Option can be Exercised until:

(a) it has vested under the vesting conditions (if any) applicable to the Option in accordance with clause 6.1 or the vesting conditions have been waived by the Directors; and

(b) the Performance Conditions (if any) applicable to the Option in accordance with clause 6.2 have been satisfied or waived by the Directors.

6.4 Once an Option is able to be exercised in accordance with clause 6.3, it:

(a) may be Exercised during the Exercise Period; and

(b) entitles the Participant to subscribe for and be allotted one Plan Product at the Exercise Price.

6.5 Notwithstanding these Terms, while the Eligible Products are listed on the ASX or other Eligible Financial Market, the Company must allot and issue Plan Products upon Exercise of an Option in accordance with the Applicable Laws.

6.6 Plan Products issued upon the Exercise of Options will rank equally with all existing Eligible Products (of that class) in the capital of the Company from their respective issue date.

7. **Exercise of options**

7.1 An Option is Exercised by:

(a) the Participant lodging with the Company an Exercise Notice;

(b) the receipt by the Company of a payment by or on behalf of a Participant and in immediately available funds, of the Exercise Price for each of the Options the subject of such Exercise Notice; and

(c) the Participant lodging with the Company the Certificate for those Options, for cancellation by the Company.

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7.2 Subject to clause 7.1, within 15 Business Days after the later of the following:

(a) receipt by the Company of an Exercise Notice given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised if the Company is not in possession of excluded information (as defined in section 708A(7) of the Corporations Act); and

(b) the date the Company ceases to be in possession of excluded information in respect to the Company (if any) following the receipt of the Exercise Notice and payment of the Exercise Price for each Option being exercised by the Company,

the Company will:

(c) allot and issue the Plan Products pursuant to the exercise of the Options;

(d) comply with all Applicable Laws, including, in respect of Eligible Products being Shares (**Plan Shares**) to give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Plan Shares for resale under section 708A(11) of the Corporations Act; and

(e) apply for official quotation on ASX or other Eligible Financial Market (as the case may require) of the Plan Products issued pursuant to the exercise of the Options.

7.3 Subject to the provisions of clause 7.4, Exercise of some only of the Options held by a Participant does not prevent Exercise of any remaining vested unexercised Options.

7.4 Options may not be Exercised in parcels of less than 1,000. Holders of less than 1,000 Options may Exercise those Options in full but not in part.

7.5 Notwithstanding any other provision of this clause 7 or clause 6 but subject to the written consent of the Directors, all Options may be Exercised:

(a) during a Bid Period;

(b) at any time after a Change of Control Event has occurred; or

(c) if, on an application under section 411 of the Corporations Act, a Court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

8. Lapse of options

8.1 Subject to clause 6.3, if the Participant is a Director or the Permitted Related Person of a Director, an Option may be Exercised by that Participant at any time prior to the first to occur of:

(a) the expiry of the Exercise Period;

(b) the expiry of 30 days after the person ceases to be a Director; and

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(c) a determination by the other Directors that that Director has acted fraudulently, dishonestly or in breach of that Director's obligations to the Company and that the Option is to be forfeited.

If such a Participant fails, for any reason, to Exercise all the Options registered in his or her name prior to such occurrence, those Options that the Participant would have been entitled to Exercise and that have not been Exercised, and any right or entitlement of a Participant to have those Options vested in that Participant, will lapse and be of no further force or effect.

8.2 If a resolution of a general meeting of the Company to remove a person as a Director is passed, that person or the Permitted Related Person of that person who is a Participant may only Exercise a proportion of the Options that are registered in that Participant's name as is equal to the proportion that the period from the Issue Date of those Options to the date of passage of the resolution bears to the Exercise Period and the balance of those Options will be wholly and unconditionally forfeited, lapse and be of no further force or effect upon and from the date of passage of the resolution.

8.3 Unless otherwise determined by the Directors and subject to clause 6.3, if a Participant is an Eligible Employee or the Permitted Related Person of an Eligible Employee, an Option may be Exercised by that Participant at any time prior to the first to occur of:

(a) the expiry of the Exercise Period;

(b) the expiry of 30 days after termination of the Eligible Employee's employment where such termination has either been voluntary on the Eligible Employee's part or otherwise has occurred without cause; and

(c) termination of the Eligible Employee's employment with cause.

If such a Participant fails, for any reason, to Exercise all the Options registered in his or her name prior to such occurrence, those Options that the Participant would have been entitled to Exercise and that have not been Exercised, and any right or entitlement of a Participant to have those Options vested in that Participant, will lapse and be of no further force or effect.

8.4 Unless otherwise determined by the Directors and subject to clause 6.3, if a Participant is an Eligible Service Provider or the Permitted Related Person of an Eligible Service Provider, an Option may be Exercised by that Participant at any time prior to the first to occur of:

(a) the expiry of the Exercise Period;

(b) the expiry of 30 days after termination of the Eligible Service Provider's engagement where such termination has either been voluntary on the Eligible Service Provider's part or otherwise has occurred without cause; and

(c) termination of the Eligible Service Provider's engagement with cause.

If such a Participant fails, for any reason, to Exercise all the Options registered in his or her name prior to such occurrence, those Options that the Participant would have been entitled to Exercise and that have not been Exercised, and any right or

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entitlement of a Participant to have those Options vested in that Participant, will lapse and be of no further force or effect.

9. **Transfer**

Except with the consent of Directors, Options may not be transferred and will not be quoted on or by the ASX or other Eligible Financial Market. The Directors may in their discretion, and subject to the requirements of Division 1A of Part 7.12 of the Corporations Act or other applicable requirements from time to time, allow the transfer of Options to an Associate or Related Body Corporate of a Participant.

10. **Quotation of plan products**

The Company will apply to the ASX or other applicable Eligible Financial Market for official quotation of Plan Products issued on the Exercise of Options, if the Company is, at the time of issue of those Plan Products, admitted to the official list of the ASX or other Eligible Financial Market, as the case may be.

11. **Participation in future issues**

11.1 **New Issues**

Participants may only participate in new issues of securities to holders of Eligible Products if an Option has been exercised and Plan Products allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least nine Business Days' notice (or such greater period of notice (if any) as may be required by the Listing Rules) to Participants of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

11.2 **Bonus Issues**

If there is a bonus issue of Eligible Products of the relevant class (**Bonus Issue**) to the holder of Eligible Products, the number of Plan Products over which an Option is exercisable will be increased by the number of Eligible Products which the Participant would have received if the Option had been exercised before the record date for the Bonus Issue (**Bonus Eligible Products**). Upon issue the bonus Eligible Products will rank pari passu in all respects with the other Eligible Products of the Company in that class on issue at the date of issue of the Bonus Eligible Products.

11.3 **Pro Rata Issue**

If there is a pro rata issue (other than a Bonus Issue) to the holders of Eligible Products, the Exercise Price of an Option will be reduced according to the following formula:

$$A = O - \frac{E[P - (S+D)]}{N + 1}$$

A = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of Plan Eligible Products into which one Option is exercisable.

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P = the value of an Eligible Product at the time the pro rata rights issue is made as determined by an accountant independent of the Company, but if the Eligible Products are quoted on the ASX or other Eligible Financial Market, the average closing sale price per Eligible Product (weighted by reference to volume) recorded on the stock market of ASX or other applicable Eligible Financial Market during the five trading days ending on the day immediately before the ex rights date or ex entitlements date (excluding special crossings, overnight sales and exchange traded option exercises).

S = the subscription price for an Eligible Product under the pro rata issue.

D = any dividend due but not yet paid on existing Eligible Products which will not be payable in respect of new Eligible Products issued under the pro rata issue.

N = the number of Eligible Products with rights or entitlements that must be held to receive a right to one new Eligible Product.

11.4 **Reorganisation of Capital**

If, prior to the expiry or lapse of any Options, there is a reorganisation of the issued capital of the Company, those Options will be reorganised to the extent necessary to comply with the Listing Rules.

11.5 **Aggregation**

If Options are Exercised simultaneously then the Participant may aggregate the number of Plan Products or fractions of Plan Products to which the Participant is entitled to subscribe for under those Options. Fractions in the aggregate number only will be disregarded in determining the total entitlement to subscribe.

11.6 **Advice**

In accordance with the Listing Rules, the Company must give notice to each Participant of any adjustment to the number of Eligible Products for which the Participant is entitled to subscribe or to the Exercise Price pursuant to the provisions of clauses 11.2, 11.3 or 11.4.

12. **Maximum number**

12.1 Subject to any variation to the requirements under Division 1A of Part 7.12 of the Corporations Act or otherwise from time to time and to the requirements of section 1100V of the Corporations Act (including, in respect of Eligible Products comprising stapled securities, section 1100V(3)), the Company shall not offer or issue Options to any Eligible Person in accordance with this Plan if the total number of Shares that are, or are covered by, the Eligible Products of the Company that may be issued under the offer, when aggregated with the total number of Shares that are, or are covered by, the Eligible Products that have been issued, or could have been issued, under offers made in connection with this Plan at any time during the three year period ending on the day the offer is made, (disregarding any offer or invitation made, or option acquired or share or other Eligible Product issued following the making of an offer or invitation, to a person situated at the time of receipt of the offer or invitation outside Australia or any offer or invitation which, pursuant to Chapter 6D of the Corporations Act (or other Applicable Law), does not need disclosure to investors), would exceed:

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(a) such issue cap percentage as may be specified in the Company's Constitution; or

(b) if paragraph 12.1(a) does not apply, then the greater of:

(1) 5%; and

(2) such other percentage prescribed for the purposes of section 1100V of the Corporations Act,

of the total number of Shares on issue as at the start of the day the offer is made. For the avoidance of doubt, where an Option lapses without being exercised, the Eligible Products concerned shall be excluded from any calculation under this clause.

13. Eligible Persons

13.1 **Eligible Employee** means:

(a) a person who is engaged in the full time, part time or casual employment of the Company or an Associated Body Corporate of the Company and includes any Director holding a salaried employment or office in the Company or an Associated Body Corporate of the Company; and

(b) subject to the requirements of Division 1A of Part 7.12 of the Corporations Act as varied or replaced from time to time, any person acquiring and holding any Plan Product or Options for the benefit of any such employee (other than any employee who is a Director), provided that the Plan Product and Options are acquired and held on such terms and conditions as have been previously approved by the Directors including, without limitation, and subject to the requirements of Division 1A of Part 7.12 of the Corporations Act any trustee of a trust established by the Company to hold Plan Products or Options for the benefit of such employees.

13.2 **Eligible Associate** means:

(a) any Director, including non-executive Director or officer, of the Company or an Associated Body Corporate of the Company; and

(b) subject to the requirements of Division 1A of Part 7.12 of the Corporations Act as varied or replaced from time to time, any person or entity acquiring and holding any Plan Product for the benefit of any Eligible Employee who is a Director or officer of the Company or an Associated Body Corporate of the Company at the time of such acquisition or any person referred to in clause 13.2(a), and provided that the Plan Product is acquired and held on such terms and conditions as have been previously approved by the Directors.

13.3 **Eligible Service Provider** means:

(a) an individual who provides services to the Company or an Associated Body Corporate of the Company; and

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(b) subject to the requirements of Division 1A of Part 7.12 of the Corporations Act as varied or replaced from time to time, any person acquiring and holding any Plan Product or Options for the benefit of any such Eligible Service Provider (other than any Eligible Service Provider who is a Director), provided that the Plan Product and Options are acquired and held on such terms and conditions as have been previously approved by the Directors including, without limitation, and subject to the requirements of Division 1A of Part 7.12 of the Corporations Act any trustee of a trust established by the Company to hold Plan Products or Options for the benefit of such Eligible Service Providers.

13.4 An Eligible Employee or Eligible Service Provider may also be an Eligible Associate.

13.5 **Eligible Persons** means Eligible Employees, Eligible Associates and Eligible Service Providers and includes an Eligible Prospective Person and a person otherwise prescribed for the purposes of section 1100L(1)(a) of the Corporations Act.

14. Notices

Notices must be given by the Company to the Participant in the manner prescribed by the Constitution of the Company for the giving of notices to members of the Company and the relevant provisions of the Constitution of the Company apply with all necessary modifications to notices to any Participant.

15. Right to accounts

Participants will be sent all reports and accounts required to be laid before members of the Company in general meeting and all notices of general meetings of members but, unless otherwise entitled, will not have any right to attend or vote at those meetings.

16. Overriding restrictions on grant and exercise

16.1 Notwithstanding any other provision of these Terms, all rights and entitlements attaching to an Option or of a Participant under this Plan will be changed or amended to the extent necessary to comply with the Listing Rules that apply to a reorganisation of the capital of the Company, at the time that that re-organisation becomes effective.

16.2 No Option may be Exercised if to do so would contravene the Applicable Law.

16.3 Without limitation to the provisions of this clause 16:

(a) the Option terms and conditions must allow the rights of a Participant to comply with the Listing Rules applying to a reorganisation of capital of the Company at the time of the reorganisation; and

(b) subject to the provisions of clause 16.3(a), any reorganisation of capital of the Company must not be done in a manner or with the effect that will prejudice the rights or interests, or the value of the rights or interests, of Participants in the Options they hold, immediately prior to the time of any such reorganisation.

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17. **Right of participants**

17.1 Nothing in these Terms:

(a) confers on a Participant the right to receive any Eligible Products;

(b) confers on a Participant who is a Director the right to continue as a Director;

(c) confers on a Participant the right to continue as an employee, service provider or contractor of the Company or an Associated Body Corporate of the Company;

(d) affects any rights which the Company, or an Associated Body Corporate of the Company, may have to terminate the appointment of a Participant who is a Director or terminate the employment of an employee or the engagement of a contractor; or

(e) may be used to increase damages in any action brought against the Company or an Associated Body Corporate in respect of any such termination.

18. **Termination and suspension of the plan**

The Directors may resolve at any time to terminate or suspend the operation of the Plan.

19. **Governing law**

The Plan is governed by and shall be construed and take effect in accordance with the laws of South Australia.

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O'Loughlins LAWYERS

Australian Rare Earths Limited
ACN 632 645 302

Performance Rights Plan

DATE

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1. Definitions and interpretation

1.1 Definitions

In these Rules, unless the contrary intention appears, terms defined in the Corporations Act, the Listing Rules or other Applicable Law and not otherwise defined herein are deemed to have the meanings ascribed to them in the Corporations Act, Listing Rules or other Applicable Law (as the case may be), and:

Applicable Law means any one or more or all, as the context requires of:

(a) Corporations Act and the Corporations Regulations 2001 (Cth);

(b) Listing Rules;

(c) any other applicable securities laws;

(d) the constitution of the Company;

(e) any practice note, policy statement, class order, declaration, guideline, policy or procedure pursuant to the provisions of which ASIC, ASX or other equivalent authority is authorised or entitled to regulate, implement or enforce, either directly or indirectly, the provisions of any of the foregoing statutes, regulations or rules or any conduct of any duly authorised person, pursuant to any of the abovementioned statutes, regulations or rules;

Approved Foreign Market means a financial market recognised under Division 1A of Part 7.12 of the Corporations Act;

ASIC means Australian Securities and Investments Commission;

Associated Body Corporate has the meaning ascribed to the term 'associated entity' in section 50AAA of the Corporations Act;

ASX means Australian Securities Exchange;

Australian CDI means a CHESS Depository Interest traded on ASX, with a Share or stock as the underlying security;

Board means the Board of Directors of the Company as it may be constituted from time to time, or where appropriate, a committee of the Board;

Business Day means a day on which the stock market of ASX is open for trading in securities;

Company means Australian Rare Earths Limited ACN 632 645 302;

Control has the meaning ascribed to that term in section 50AA of the Corporations Act;

Corporations Act means the *Corporations Act, 2001* (Cth);

Depository Interest means:

(a) Australian CDIs, able to be traded on ASX, where the underlying security is a share or stock; or

(b) depository interests that are able to be traded on an Approved Foreign Market where the underlying security is a share or stock,

where, 'able to be traded' has the meaning given in s761A of the Corporations Act;

Directors means the directors for the time being of the Company;

Eligible Employee, Eligible Associate, Eligible Service Provider, Eligible Person have the meanings ascribed to those terms in clause 13;

Eligible Financial Market means ASX or an Approved Foreign Market (and, unless otherwise stated, is limited to the main board of that market);

Eligible Related Person means:

(a) a spouse, parent, child or sibling of the Eligible Person;

(b) a body corporate Controlled by the Eligible Person or a person mentioned in subparagraph (a);

(c) a body corporate that is the trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993*), where the Eligible Person is a director of the body corporate; or

(d) a person otherwise prescribed in relation to the Eligible Person for the purposes of section 1100L(1)(b) of the Corporations Act;

Eligible Products means, subject to and without limiting the operation of section 1100M(1) of the Corporations Act:

(a) Shares in a class able to be traded on ASX;

(b) Shares or fully paid stocks in a class able to be traded on an Approved Foreign Market;

(c) Depository (beneficial) Interests in a class able to be traded on an Eligible Financial Market; and

(d) fully paid Stapled Securities in a class able to be traded on ASX; or

(e) other similar interest prescribed for the purposes of section 1100M(1) of the Corporations Act,

where, 'able to be traded' has the meaning given in s761A of the Corporations Act, and subject to such other criteria as may be imposed by Division 1A of Part 7.12 of the Corporations Act or otherwise from time to time;

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Eligible Products Registry means the applicable Eligible Products registry of the Company from time to time;

Eligible Prospective Person means a person to whom an offer of a Performance Right is made, but who can only accept the offer if an arrangement is entered into that will result in the person becoming an Eligible Person of a kind other than an Eligible Prospective Person;

Group Company means any one of the Company or its Associated Bodies Corporate (if any);

Listing Rules means the official listing rules of ASX, as varied from time to time and, for so long as the Eligible Products are listed or quoted on any other stock exchange (if ever) where such stock exchange requires compliance with its listing rules, the listing rules applicable to that stock exchange;

Participant means an Eligible Person who, at the relevant time, holds one or more Performance Rights;

Performance Conditions means, in relation to each Performance Right, the performance related conditions which must be satisfied or circumstances which must exist before a Performance Right vests and can be exercised, as set out in the Terms and Conditions attached to that Performance Right;

Performance Right means a right granted under these Rules to be issued or transferred, one Eligible Product, subject to the Terms and Conditions attached thereto and these Rules;

Permitted Related Person has the meaning given to it by clause 5.2(b);

Plan Product means, in respect of any Performance Right, the Eligible Product a Participant is entitled to subscribe for, or take a transfer of, by reason of the grant to him or her of that Performance Right, including any securities resulting from an adjustment made thereto pursuant to these Rules;

Plan means the Australian Rare Earths Limited Performance Rights Plan as administered in accordance with these Rules, and as the same may be amended from time to time;

Related Body Corporate has the meaning given to that term in the Corporations Act;

Rules means these rules setting out the terms and conditions of the Plan, as amended from time to time;

Securities Dealing Policy means any policy established by the Company applicable to trading in securities of the Company;

Shares means fully paid ordinary shares in the capital of the Company;

Stapled Security means two or more Eligible Products which, under the terms on which each is traded, must be transferred together; and

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Terms and Conditions means, generally, the terms and conditions in the form attached hereto as Annexure A, and with reference to any Performance Right, the terms and conditions in the form attached hereto as Annexure A, amended to include the Performance Conditions and other conditions specific to that Performance Right.

1.2 **Interpretation**

(a) Words importing gender mean each other gender.

(b) Words denoting the singular include the plural and vice versa.

(c) Headings for are convenience only and do not affect the interpretation of these Rules.

(d) A reference to any legislation or any section of any legislation includes any legislation or section amending, consolidating or replacing the legislation or section referred to.

(e) These Rules, the offer and grant of any Performance Right, and the issue or transfer of any Plan Products shall at all times be subject to the Listing Rules, the Corporations Act and any other Applicable Laws.

(f) A reference to an offer, issue or distribution to the Company's shareholders generally is a reference to an offer, issue or distribution to the generality of the Company's shareholders, whether or not such offer, issue or distribution is extended to the holders of other securities issued by the Company and whether or not such offer, issue or distribution excluded persons in particular places outside Australia or other minority groups who may for a particular reason be precluded from participating.

(g) Where any calculation or adjustment to be made pursuant to these Rules, produces a fraction of a cent or a fraction of a share, the fraction shall be rounded to the nearest whole number, favourable to the Participant.

2. **Establishment of the Plan**

2.1 The purpose of the Plan is to:

(a) attract quality Eligible Persons;

(b) motivate and retain Eligible Persons;

(c) align the interests of Eligible Persons and the Company;

(d) increase shareholder value by motivating Eligible Persons; and

(e) provide Eligible Persons with an opportunity to share in the success of the Company by acquiring an ownership interest therein.

2.2 The Plan shall take effect on the date determined by the Board.

2.3 The Plan shall operate in accordance with these Rules and the Terms and Conditions, which shall bind each Participant.

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3. **Administration of the Plan**

3.1 The Plan shall be administered by the Board which shall have the power to:

(a) determine appropriate procedures for administration of the Plan consistent with the Rules;

(b) resolve conclusively all questions of fact or interpretation in connection with the Plan, the Rules and the Terms and Conditions; and

(c) delegate such functions and powers as it may consider appropriate for the efficient administration of the Plan to a person or persons.

3.2 The Company, at the Board's discretion, may grant Performance Rights to Participants who are resident outside of Australia, and make rules, and determine procedures and documentation, for the operation of the Plan which are not inconsistent with these Rules to apply to Participants who are resident outside of Australia.

3.3 Except as otherwise expressly provided in the Plan, the Board has absolute and unfettered discretion to act or refrain from acting under or in connection with the Plan or any Performance Rights and in the exercise of any power or discretion granted to it by the Plan.

4. **Taxation**

4.1 The Plan is a plan to which tax deferral under Subdivision 83A-C of the *Income Tax Assessment Act 1997* (Cth) applies (subject to requirements of that Act), unless specifically stated otherwise in the offer of Performance Rights.

5. **Offer of Performance Rights**

5.1 **Offer**

(a) The Company may, in its absolute discretion, from time to time offer and grant Performance Rights to any Eligible Person upon the terms set out in these Rules and the Terms and Conditions.

(b) The number and terms of Performance Rights (if any) to be offered to any Eligible Person, shall be determined by the Board in its discretion, subject to these Rules and the Terms and Conditions.

(c) The Board shall complete Schedule 1 to the Terms and Conditions for each offer of Performance Rights to specify the Performance Conditions, milestone date, expiry, exercise period and other similar terms attached to such Performance Rights.

(d) An offer of Performance Rights shall be personal and shall not be assignable, other than as provided in the Terms and Conditions.

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(e) Each offer of Performance Rights pursuant to the Plan will:

(1) be in writing;

(2) be expressed to be made under Division 1A of Part 7.12 of the Corporations Act;

(3) be made in accordance with the Corporations Act and regulations made under the Corporations Act, the Listing Rules, these Rules, the Terms and Conditions and any other Applicable Laws; and

(4) otherwise be on the terms which the Board may, in its discretion, determine.

(f) Each offer of Performance Rights must be accompanied by:

(1) a copy of these Rules;

(2) the Terms and Conditions; and

(3) such documents and undertakings as may be required by ASIC, the Corporations Act, the Listing Rules or any other Applicable Law.

5.2 **Grant of Performance Rights**

(a) An Eligible Person, who receives an offer of Performance Rights and wishes to accept it, must deliver written notice of acceptance, to the Company, in accordance with the instructions set out in the offer received in accordance with clause 5.1.

(b) The Eligible Person may nominate an Eligible Related Person in whose favour the Eligible Person wishes to renounce the offer by notice in writing to the Directors. The Directors may, in their absolute discretion, resolve not to allow such renunciation of an offer in favour of an Eligible Related Person without giving any reason for such decision.

(c) Upon delivery to the Company of written notice of acceptance of an offer of Performance Rights, the Company shall grant Performance Rights to that Eligible Person (or, in the event that the Directors resolve to allow a renunciation of an offer in favour of an Eligible Related Person (**Permitted Related Person**), and that Permitted Related Person accepts the offer in accordance with clause 5.2(a), the Permitted Related Person) in accordance with the accepted offer and the Eligible Person or Permitted Related Person, as the case may be, shall become a Participant, bound by these Rules and the Terms and Conditions.

(d) If Performance Rights are issued to a Permitted Related Person of an Eligible Person, the Eligible Person must, without limiting any provision in these Rules or the Terms and Conditions, ensure that the Permitted Related Person complies with these Rules and the Terms and Conditions.

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(e) The Performance Rights will not be listed on ASX, or other Eligible Financial Market.

6. **Number of Performance Rights**

An offer of Performance Rights may only be made under the Plan if the number of Eligible Products that may be acquired on exercise of the Performance Rights is within any threshold prescribed for the purposes of Division 1A of Part 7.12 of the Corporations Act, the Listing Rules or otherwise from time to time.

7. **Performance Conditions**

7.1 A Performance Right granted under the Plan may contain Performance Conditions which will be specified in Schedule 1 to the Terms and Conditions attached to that Performance Right. Satisfaction of the Performance Conditions may be tested by a relevant milestone date as specified in the Terms and Conditions.

7.2 A Performance Right will not vest unless the Board determines that the relevant Performance Conditions have been satisfied by the relevant milestone date (if any) specified in the Terms and conditions.

8. **Right to exercise Performance Rights**

8.1 A Performance Right may be exercised in accordance with, and at any time during, the period specified in the Terms and Conditions, provided that:

(a) the Performance Conditions in respect of the Performance Right have been satisfied;

(b) the vesting period (if any) in respect of the Performance Right has expired;

(c) the issue or transfer of the underlying Plan Product does not contravene the Corporations Act, the Listing Rules, other Applicable Law or any Securities Dealing Policy; and

(d) any other condition or term attached to that Performance Right has been satisfied in accordance with, and by the time specified, in these Rules or the Terms and Conditions.

8.2 The procedure for exercise of Performance Rights shall be determined by the Board and set forth in the Terms and Conditions.

9. **Issue of Eligible Products**

9.1 **Issue of Plan Products**

Subject to clause 1.1(e) and 8.1, upon exercise of a Performance Right the Company must issue to, or transfer to, the Participant or his or her personal representative, or if applicable, Permitted Related Person (as the case may be) the Plan Products to which he or she is entitled under these Rules and the relevant Terms and Conditions.

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9.2 **Eligible Product ranking**

All Plan Products will rank equally in all respects with all existing Eligible Products in that class on issue, except as regards to any entitlements attaching to such Eligible Products by reference to a record date that is prior to the date of allotment of the Plan Products.

9.3 **Listing of Eligible Products on an Eligible Financial Market**

The Company will apply to the ASX or Approved Financial Market (as applicable) for quotation of all Plan Products issued under the Plan within the period required by the relevant Eligible Financial Market, if the Eligible Products are then quoted on it.

10. **Rights and obligations of Participants**

10.1 All Participants shall be entitled to the benefit of and shall be bound by the terms and conditions of the Rules, the Terms and Conditions and any amendments thereto.

10.2 Whenever the Board exercises its discretion pursuant to the Rules, the exercise of that discretion shall be in the sole and absolute discretion of the Board and each decision shall be conclusive, final and binding upon Participants.

10.3 The Plan shall not form part of any contract between a Group Company and any Participant and shall not confer directly or indirectly on any Participant any legal or equitable rights whatsoever against a Group Company (other than the rights conferred upon a Participant under the Plan and these Rules).

10.4 A Participant has no legal or equitable interest in an Eligible Product by virtue of acquiring a Performance Right. A Participant's rights under the Plan and these Rules are purely personal and contractual.

10.5 The Plan and these Rules:

(a) do not confer on any Participant the right to continue as an employee, contractor, service provider or officer of the Company or any Associated Body Corporate of the Company;

(b) are separate to, and do not amend the terms of, employment or engagement of a Participant;

(c) do not affect any rights which the Company, or any Associated Body Corporate of the Company, may have to terminate the employment, engagement or office of a Participant; and

(d) may not be used to increase damages in any action brought against the Company, or any Associated Body Corporate of the Company, in respect of the termination of a Participant.

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11. Termination, suspension and amendment

11.1 Termination, suspension and amendment

The Board may terminate, suspend or amend the Plan at any time, subject to any resolution of the Company required by the Listing Rules.

11.2 Notice of amendment

As soon as reasonably practicable after suspending, terminating or amending the Plan, the Board will give notice in writing of that occurrence to any Participant affected thereby.

12. Provision of information

The Board will advise each Participant of the following minimum information regarding Performance Rights:

(a) the number of Performance Rights being offered;

(b) the expiry date;

(c) the Terms and Conditions, the Performance Conditions, including milestones and milestone dates, exercise period and any other relevant conditions to be attached to the Performance Rights or the Plan Products; and

(d) any other information required under any applicable law or regulations.

13. Eligible Persons

13.1 **Eligible Employee** means:

(a) a person who is engaged in the full time, part time or casual employment of the Company or an Associated Body Corporate of the Company and includes any Director holding a salaried employment or office in the Company or an Associated Body Corporate of the Company; and

(b) subject to the requirements of Division 1A of Part 7.12 of the Corporations Act as varied or replaced from time to time, any person acquiring and holding any Plan Product or Performance Rights for the benefit of any such employee (other than any employee who is a Director), provided that the Plan Product and Performance Rights are acquired and held on such terms and conditions as have been previously approved by the Directors including, without limitation, and subject to the requirements of Division 1A of Part 7.12 of the Corporations Act any trustee of a trust established by the Company to hold Plan Products or Performance Rights for the benefit of such employees.

13.2 **Eligible Associate** means:

(a) any Director, including non-executive Director or officer, of the Company or an Associated Body Corporate of the Company; and

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(b) subject to the requirements of Division 1A of Part 7.12 of the Corporations Act as varied or replaced from time to time, any person or entity acquiring and holding any Plan Product for the benefit of any Eligible Employee who is a Director or officer of the Company or an Associated Body Corporate of the Company at the time of such acquisition or any person referred to in clause 13.2(a), and provided that the Plan Product is acquired and held on such terms and conditions as have been previously approved by the Directors.

13.3 **Eligible Service Provider** means:

(a) an individual who provides services to the Company or an Associated Body Corporate of the Company; and

(b) subject to the requirements of Division 1A of Part 7.12 of the Corporations Act as varied or replaced from time to time, any person acquiring and holding any Plan Product or Performance Rights for the benefit of any such Eligible Service Provider (other than any Eligible Service Provider who is a Director), provided that the Plan Product and Performance Rights are acquired and held on such terms and conditions as have been previously approved by the Directors including, without limitation, and subject to the requirements of Division 1A of Part 7.12 of the Corporations Act any trustee of a trust established by the Company to hold Plan Products or Performance Rights for the benefit of such Eligible Service Providers.

13.4 An Eligible Employee or Eligible Service Provider may also be an Eligible Associate.

13.5 **Eligible Persons** means Eligible Employees, Eligible Associates and Eligible Service Providers and includes an Eligible Prospective Person and a person otherwise prescribed for the purposes of section 1100L(1)(a) of the Corporations Act.

14. General provisions

14.1 Whenever the number or type of securities issuable upon exercise of a Performance Right is adjusted pursuant to these Rules, the Company shall give notice of the adjustment to the Participant and the ASX (or other Eligible Financial Market), as required, together with calculations on which the adjustment is based.

14.2 Any notice to be given by the Company to the Participant shall be taken to have been given if served personally on the Participant or left at his or her last known place of residence.

15. Governing law

15.1 The Plan, these Rules, the Terms and Conditions and the rights and obligations of Participants shall be governed by and construed in accordance with the laws for the time being in force in the State of South Australia.

15.2 Each Participant irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of the State of South Australia.

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Annexure A

Australian Rare Earths Limited

Performance Rights Plan

Terms and Conditions

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1. Definitions and interpretation

1.1 Definitions

In these Rules, unless the contrary intention appears, terms defined in the Corporations Act, the Listing Rules or other Applicable Law and not otherwise defined herein are deemed to have the meanings ascribed to them in the Corporations Act, Listing Rules or other Applicable Law, and:

Applicable Law means any one or more or all, as the context requires of:

(a) Corporations Act and the Corporations Regulations 2001 (Cth);

(b) Listing Rules;

(c) any other applicable securities laws;

(d) the constitution of the Company;

(e) any practice note, policy statement, class order, declaration, guideline, policy or procedure pursuant to the provisions of which ASIC, ASX or other equivalent authority is authorised or entitled to regulate, implement or enforce, either directly or indirectly, the provisions of any of the foregoing statutes, regulations or rules or any conduct of any duly authorised person, pursuant to any of the abovementioned statutes, regulations or rules;

Approved Foreign Market means a financial market recognised under Division 1A of Part 7.12 of the Corporations Act;

ASIC means Australian Securities and Investments Commission;

Associated Body Corporate has the meaning ascribed to the term 'associated entity' in section 50AAA of the Corporations Act;

ASX means Australian Securities Exchange;

Australian CDI means a CHESS Depository Interest traded on ASX, with a Share or stock as the underlying security;

Board means the Board of Directors of the Company as it may be constituted from time to time, or where appropriate, a committee of the Board;

Business Day means a day on which the stock market of ASX is open for trading in securities;

Company means Australian Rare Earths Limited ACN 632 645 302;

Control has the meaning ascribed to that term in section 50AA of the Corporations Act;

Corporations Act means the *Corporations Act, 2001* (Cth);

Depository Interest means:

(a) Australian CDIs, able to be traded on ASX, where the underlying security is a share or stock; or

(b) depository interests that are able to be traded on an Approved Foreign Market where the underlying security is a share or stock,

where, 'able to be traded' has the meaning given in s761A of the Corporations Act;

Directors means the directors for the time being of the Company.

Eligible Employee, Eligible Associate, Eligible Service Provider, Eligible Person have the meanings ascribed to those terms in clause 16;

Eligible Financial Market means ASX or an Approved Foreign Market (and, unless otherwise stated, is limited to the main board of that market);

Eligible Related Person means:

(a) a spouse, parent, child or sibling of the Eligible Person;

(b) a body corporate Controlled by the Eligible Person or a person mentioned in subparagraph (a);

(c) a body corporate that is the trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993)*, where the Eligible Person is a director of the body corporate; or

(d) a person otherwise prescribed in relation to the Eligible Person for the purposes of section 1100L(1)(b) of the Corporations Act;

Eligible Products means, subject to and without limiting the operation of section 1100M(1) of the Corporations Act:

(a) Shares in a class able to be traded on ASX;

(b) Shares or fully paid stocks in a class able to be traded on an Approved Foreign Market;

(c) Depository (beneficial) Interests in a class able to be traded on an Eligible Financial Market; and

(d) fully paid Stapled Securities in a class able to be traded on ASX; or

(e) other similar interest prescribed for the purpose of section 1100M(1) of the Corporations Act,

where, 'able to be traded' has the meaning given in s761A of the Corporations Act, and subject to such other criteria as may be imposed by Division 1A of Part 7.12 of the Corporations Act or otherwise from time to time;

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Eligible Products Registry means the applicable Eligible Products registry of the Company from time to time;

Eligible Prospective Person means a person to whom an offer of a Performance Right is made, but who can only accept the offer if an arrangement is entered into that will result in the person becoming an Eligible Person of a kind other than an Eligible Prospective Person;

Exercise Period means in relation to a Performance Right which has vested the period during which it must be exercised, after which it will lapse, as specified in part 1 of Schedule 1 hereto;

Expiry Date means, in respect of an unvested Performance Right, the date specified in column 4, part 2 of Schedule1 hereto by which it will lapse if before that date the Performance Right has not vested;

Group Company means any one of the Company or its Associated Bodies Corporate (if any);

Holder means the person named in part 1 of Schedule 1 hereto;

Incentive Scheme means a share, performance right or option scheme extended to any or all of the employees, service providers and/or directors of the Company and its Associated Bodies Corporate, and includes the Plan;

Listing Rules means the official listing rules of ASX, as varied from time to time and, for so long as the Eligible Products are listed or quoted on any other stock exchange (if ever) where such stock exchange requires compliance with its listing rules, the listing rules applicable to that stock exchange;

Managerial or Executive Office has the meaning given in section 200AA of the Corporations Act;

Material Project means a mining or exploration project in which any Group Company has an economic interest, or the right to earn or acquire an economic interest, of at least 25%;

Milestone Date means, in respect of a Performance Condition, the date specified in column 3, part 2 of Schedule 1 hereto by which such Performance Condition must be satisfied;

Performance Conditions means the performance conditions listed in part 2 of Schedule 1 hereto;

Performance Right means a right granted to the Holder to be issued or transferred, one Eligible Product, subject to the terms and conditions set out in Schedule 1 hereto;

Permitted Related Person means an Eligible Person in favour of whom the Board has resolved to allow a renunciation of an offer of Performance Rights made to an Eligible Person, and who has accepted that offer in accordance with the Rules and has been issued Performance Rights subject to the Rules;

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Plan Product means, in respect of any Performance Right, the Eligible Product the Holder is entitled to subscribe for, or take a transfer of, by reason of the grant to him or her of that Performance Right, including any securities resulting from an adjustment made thereto pursuant to these Rules;

Plan means the Australian Rare Earths Limited Performance Rights Plan as the same may be amended from time to time;

Related Body Corporate has the meaning given to that term in the Corporations Act;

Relevant Interest has the meaning given to that term in the Corporations Act;

Rules means the rules setting out the terms and conditions of the Plan, as amended from time to time;

SEATS means the Stock Exchange Automated Trading Exchange of ASX;

Securities Dealing Policy means any policy established by the Company applicable to trading in securities of the Company;

Security Interest means any mortgage, pledge, charge, lien, encumbrance, assignment, security, interest, preferential right, set-off or any other security arrangement;

Share means an issued ordinary share in the capital of the Company;

Stapled Security means two or more Eligible Products which, under the terms on which each is traded, must be transferred together;

Takeover Bid has the meaning given to that term in section 9 of the Corporations Act;

Terms and Conditions means these terms and conditions; and

Vested Performance Right has the meaning given to that term in clause 5.7.

1.2 **Interpretation**

(a) Words importing gender mean each other gender.

(b) Words denoting the singular include the plural and vice versa.

(c) Headings for are convenience only and do not affect the interpretation of these Rules.

(d) A reference to any legislation or any section of any legislation includes any legislation or section amending, consolidating or replacing the legislation or section referred to.

(e) These Terms and Conditions, the offer and grant of any Performance Right, and the issue or transfer of any Plan Products shall at all times be subject to the Listing Rules, the Corporations Act and any other Applicable Laws.

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(f) A reference to an offer, issue or distribution to the Company's shareholders generally is a reference to an offer, issue or distribution to the generality of the Company's shareholders, whether or not such offer, issue or distribution is extended to the holders of other securities issued by the Company and whether or not such offer, issue or distribution excluded persons in particular places outside Australia or other minority groups who may for a particular reason be precluded from participating.

(g) Where any calculation or adjustment to be made pursuant to these Terms and Conditions, produces a fraction of a cent or a fraction of a Share or other Eligible Product, the fraction shall be rounded to the nearest whole number, favourable to the Holder.

2. **Eligibility**

The Holder is an Eligible Person (or the Permitted Related Person of an Eligible Person).

3. **Issue price**

Each Performance Right shall be granted to the Holder for no consideration.

4. **Plan**

The Performance Rights are issued under, and in accordance with, the Plan.

5. **Expiry Date, Milestone Date and Performance Conditions**

5.1 The Performance Rights shall have an Expiry Date.

5.2 The Board is not permitted to extend an Expiry Date without shareholder approval.

5.3 The Performance Rights shall have a Milestone Date pursuant to which the Performance Condition must be satisfied.

5.4 The Board of the Company shall have discretion to extend a Milestone Date in circumstances that the Board (in its sole discretion) considers that unforeseen circumstances or events have caused a delay in achieving the Performance Condition by the Milestone Date.

5.5 The Board shall not be permitted to extend the Milestone Date beyond the Expiry Date of the Performance Rights.

5.6 The Board, in its sole discretion, will determine if the relevant Performance Condition has been satisfied prior to the Milestone Date.

5.7 If the Board determines, in its sole discretion, that the relevant Performance Condition has been satisfied prior to the relevant Milestone Date then the Performance Right shall vest and the Company shall notify the Holder in writing that the Performance Right has vested (such Performance Right being a Vested Performance Right).

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5.8 If any Performance Condition is not satisfied by the earlier of the relevant Milestone Date or Expiry Date, then the Performance Right shall automatically lapse, and the Company shall notify the Holder in writing accordingly.

6. **Exercise of Vested Performance Rights into Eligible Products**

6.1 Subject to clause 6.2 and any adjustment prescribed hereby, Vested Performance Rights may be exercised into the equivalent number of Eligible Products as follows:

(a) The exercise of any vested Performance Right granted under the Plan will be effected in the form and manner determined by the Board and, if an amount is payable on the vesting of the Performance Right, will be accompanied by payment of the relevant amount advised to the Participant by the Board pursuant to clause 12 of the Rules.

6.2 The allotment of Eligible Products to a Holder, following the exercise of Vested Performance Rights, is subject to such allotment not contravening the Corporations Act, the Listing Rules, the Securities Dealing Policy or any other Applicable Law.

6.3 Following the exercise of Vested Performance Rights in accordance with clause 6.1, the Company shall, within a reasonable period of time thereafter, allot or transfer to the Holder the Plan Products or other securities to which the Holder is entitled.

6.4 If the Holder dies during the term of a Performance Right, the Holder's legal personal representative shall stand in the place of the Holder for the purposes of clause 6.3, subject only to prior production to the Company of such evidence as would be required to permit the legal personal representative to become registered as a security holder in respect of any Eligible Products held by the Holder.

6.5 From and including the date of allotment or transfer to a Holder of any Plan Products, the Holder must not sell or transfer those Plan Products if to do so would be in breach of the insider trading provisions of the Corporations Act (Part 7.10 Division 3), any other applicable law or any Securities Dealing Policy.

6.6 From and including the date of allotment or transfer to a Holder of any Plan Products the Holder shall:

(a) be the absolute indefeasible beneficial owner of those Plan Products; and

(b) subject to clause 6.5, the Corporations Act, the Listing Rules, any Securities Dealing Policy or any other Applicable Law, be entitled to sell, transfer, dispose of, mortgage, pledge or otherwise deal with those Plan Products or any interest therein in every manner whatsoever.

6.7 Subject to clause 6.4, where the Holder dies or becomes bankrupt the legal personal representative of the deceased Holder or the trustee in bankruptcy of the bankrupt Holder, as the case may be, shall be the only person recognised as being entitled to the Plan Products issuable to the Holder.

6.8 All Plan Products will rank equally in all respects with all existing Eligible Products on issue in that class, except as regards to any entitlements attaching to such Eligible

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Products by reference to a record date that is prior to the date of allotment of the Plan Products.

6.9 After Eligible Products have been allotted pursuant to clause 6.3, the Company will apply to the ASX or Approved Foreign Market (as applicable) for quotation of all Plan Products issued under the Plan within the period required by the relevant Eligible Financial Market, if the Eligible Products are then quoted on it.

7. Forfeiture and cessation as an Eligible Person

7.1 Lapse of an unvested Performance Right

An unvested Performance Right will lapse upon the earliest of:

(a) the Performance Right lapsing in accordance with clause 7.2, 7.3 or 7.4; or

(b) the Performance Right lapsing in accordance with clause 5.8.

7.1A Lapse of a Vested Performance Right

A Performance Right which has vested but has not been exercised will immediately lapse on the first to occur of:

(a) close of business on the last day of the Exercise Period, if the Performance Right is not exercised prior to that day;

(b) the Performance Right lapsing in accordance with clause 7.2, 7.3 or 7.4; or

(c) the day which is 6 months after an event which gives rise to a vesting under clause 11 of these Terms and Conditions.

7.2 Fraudulent or dishonest action

Unless the Board resolves otherwise, where, in the opinion of the Board, a Holder at any time:

(a) acts or has acted fraudulently or dishonestly; or

(b) is in breach or has breached any of his or her obligations to the Company,

the Board will:

(c) deem any unvested Performance Rights (or vested Performance Rights which have not been exercised) of the Holder to have immediately lapsed; and/or

(d) deem all or any Plan Products transferred or issued to the Holder to be forfeited, in which event the Holder will be deemed to either have:

(1) agreed to sell such Plan Products to the Company pursuant to a Share Scheme Buy-Back (as defined in the Corporations Act) or equivalent for no consideration; or

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(2) (appointed an officer of the Company as his or her agent to sell such Products; and/or

(e) where any Plan Products transferred or issued to the Holder have been sold by the Holder, require the Holder to pay all or part of the net proceeds of that sale to the Company.

7.3 **Ceasing to be an Eligible Person**

Subject to clauses 7.4 and 7.5, where a Holder ceases to be an Eligible Person before the Performance Rights then held by him or her become Vested Performance Rights (or after vesting but before the Performance Rights have been exercised) by reason of his or her:

(a) death or total and permanent disability;

(b) bona fide redundancy;

(c) bona fide retirement; or

(d) removal from a position of Managerial or Executive Office in the Company,

unless the Board determines otherwise, and provided that, at that time, the Holder continues to satisfy all other relevant conditions set forth in Schedule 1 hereto, then in respect of those Performance Rights which have not satisfied the Performance Condition but have not lapsed (and those Performance Rights which have vested, but not yet exercised), the Holder will be permitted to continue to hold those Performance Rights as if the Holder was still an Eligible Employee or Eligible Service Provider, as the case may be.

7.4 **Ceasing to satisfy relevant conditions**

Unless the Board determines otherwise, if a Holder ceases to be an Eligible Employee or Eligible Service Provider for any reason other than contemplated by clause 7.3, all Performance Rights (including unvested Performance Rights and vested Performance Rights which have not been exercised) then held by the Holder will be deemed to immediately lapse.

7.5 **When employment or engagement ceases**

Notwithstanding clause 7.3, and subject to all applicable laws, unless otherwise resolved by the Board, a Holder granted an approved leave of absence and who exercises their right to return to work under any applicable award, enterprise agreement, other agreement, statute or regulation before the exercise of a Performance Right under the Plan will be treated for the purposes of clauses 7.3 and 7.4 as not having ceased to be an Eligible Employee or Eligible Service Provider.

8. **Transfer of Rights**

Except on the death of a Holder, Performance Rights may not be transferred, assigned or novated without the prior written approval of the Board and subject to the requirements of

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Division 1A of Part 7.12 of the Corporations Act or other applicable requirements from time to time.

9. **Security Interest**

Subject to clause 8, a Holder will not grant a Security Interest in or over or otherwise dispose of or deal with any Performance Rights or any interest in them until the underlying Plan Products are either issued or transferred to that Holder, and any such Security Interest or disposal or dealing will not be recognised in any manner by the Company.

10. **Dividend and voting rights**

Performance Rights will not confer upon the Holder the right to dividends or to vote as a shareholder of the Company until the Vested Performance Rights have been exercised and the Plan Products allocated to the Holder.

11. **Takeover, scheme of arrangement and change in control**

Performance Rights will automatically vest and be deemed to immediately become Vested Performance Rights upon the occurrence of any of the following events:

(a) a Takeover Bid is announced and has become unconditional, and the person making the Takeover Bid has a Relevant Interest in 50% or more of the Shares; or

(b) a Court approves a merger by way of scheme of arrangement which will result in a third party having a Relevant Interest in 50% or more of the Shares (but shall not include a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the Company); or

(c) a third party acquires a Relevant Interest in 50% or more of the Shares by any other means; or

(d) a third party acquires (in one transaction or a series of related transactions), following the approval of the Company's shareholders, a direct or indirect interest in at least 50% of the Company's interest in a Material Project.

12. **Pro Rata issue of securities**

12.1 If, during the term of any Performance Right, the Company makes a pro rata issue of securities to the Company's shareholders by way of a rights issue, the Holder shall only be entitled to participate in the rights issue to the extent that the Holder's Performance Rights have been exercised and Plan Products allotted prior to the record date for determining entitlement under the pro rata issue.

12.2 A Holder will not be entitled to any adjustment to the number of Plan Products he or she is entitled to or adjustment to any Performance Condition which is based, in whole or in part, upon the Company's share price, as a result of the Company undertaking a rights issue.

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13. **Adjustment for bonus issue**

If, during the term of any Performance Right, securities are issued pro rata to the Company's shareholders generally (otherwise than pursuant to any Incentive Scheme) by way of bonus issue, the number of Plan Products each Holder is then entitled, shall be increased by that number of securities which the Holder would have been issued if the Performance Rights then held by the Holder were exercised immediately prior to the record date for the bonus issue.

14. **Adjustment for reconstruction**

In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company (not being a reconstruction referred to in clauses 12 and 13 above), the number of Performance Rights shall be reconstructed (as appropriate) in accordance with the Listing Rules (applying at that time) and in a manner which will not result in any additional benefits being conferred on a Holder which are not conferred on holders of Eligible Products in the relevant class generally, but in all other respects the terms of exercise will remain unchanged.

15. **Accumulation of adjustments**

Clauses 12, 13 and 14 are cumulative and shall apply (without duplication) to successive issues, subdivisions, combinations, consolidations, distributions and any other events that require adjustment of the number of Eligible Products of that class or the number or kind of securities that can be acquired upon the exercise of Performance Rights.

16. **Eligible Persons**

16.1 **Eligible Employee** means:

(a) a person who is engaged in the full time, part time or casual employment of the Company or an Associated Body Corporate of the Company and includes any Director holding a salaried employment or office in the Company or an Associated Body Corporate of the Company; and

(b) subject to the requirements of Division 1A of Part 7.12 of the Corporations Act as varied or replaced from time to time, any person acquiring and holding any Plan Product or Performance Rights for the benefit of any such employee (other than any employee who is a Director), provided that the Plan Product and Performance Rights are acquired and held on such terms and conditions as have been previously approved by the Directors including, without limitation, and subject to the requirements of Division 1A of Part 7.12 of the Corporations Act any trustee of a trust established by the Company to hold Plan Products or Performance Rights for the benefit of such employees.

16.2 **Eligible Associate** means:

(a) any Director, including non-executive Director or officer, of the Company or an Associated Body Corporate of the Company; and

(b) subject to the requirements of Division 1A of Part 7.12 of the Corporations Act as varied or replaced from time to time, any person or entity acquiring and holding any Plan Product for the benefit of any Eligible Employee who is a

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Director or officer of the Company or an Associated Body Corporate of the Company at the time of such acquisition or any person referred to in clause 16.2(a), and provided that the Plan Product is acquired and held on such terms and conditions as have been previously approved by the Directors.

16.3 **Eligible Service Provider** means:

(a) an individual who provides services to the Company or an Associated Body Corporate of the Company; and

(b) subject to the requirements of Division 1A of Part 7.12 of the Corporations Act as varied or replaced from time to time, any person acquiring and holding any Plan Product or Performance Rights for the benefit of any such Eligible Service Provider (other than any Eligible Service Provider who is a Director), provided that the Plan Product and Performance Rights are acquired and held on such terms and conditions as have been previously approved by the Directors including, without limitation, and subject to the requirements of Division 1A of Part 7.12 of the Corporations Act any trustee of a trust established by the Company to hold Plan Products or Performance Rights for the benefit of such Eligible Service Providers.

16.4 An Eligible Employee or Eligible Service Provider may also be an Eligible Associate.

16.5 **Eligible Persons** means Eligible Employees, Eligible Associates and Eligible Service Providers and includes an Eligible Prospective Person and a person otherwise prescribed for the purposes of section 1100L(1)(a) of the Corporations Act.

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Schedule 1 – Performance Rights

Part 1 – Details of Performance Rights

Item	Detail
Holder	[ ]
Number of Performance Rights	[ ] comprising: - [ ] (Tranche 1) - [ ] (Tranche 2) - [ ] (Tranche 3) - [ ] (Tranche 4)
Issue Price	Nil
Exercise Price	Nil
Exercise Period	[ ]

Part 2 – Performance Condition, Milestone Date and Expiry Date

Tranche	Performance Condition	Milestone Date	Expiry Date
Tranche 1	**Milestone** means		
Tranche 2	**Milestone** means		
Tranche 3	**Milestone** means		
Tranche 4	**Milestone** means		

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AUSTRALIAN RARE EARTHS

Australian Rare Earths Limited
ACN 632 645 302

Need assistance?

Phone:
1300 556 161 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **9:30am (ACDT) on Monday, 25 November 2024.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 184413

SRN/HIN:

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

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☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Australian Rare Earths Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** _____

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Australian Rare Earths Limited to be held at Australian Institute of Company Directors, Level 23, 91 King William Street, Adelaide, SA 5000 on Wednesday, 27 November 2024 at 9:30am (ACDT) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 3, 4, 5, 6 and 7 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 1, 3, 4, 5, 6 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 3, 4, 5, 6 and 7 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Remuneration Report	☐	☐	☐
Resolution 2	Re-Election of Pauline Carr as Director	☐	☐	☐
Resolution 3	Approval to issue unlisted Performance Rights to Chief Technical Officer Rick Pobjoy	☐	☐	☐
Resolution 4	Approval to issue unlisted Performance Rights to Managing Director Travis Beinke	☐	☐	☐
Resolution 5	Approval to issue shares to Managing Director Travis Beinke	☐	☐	☐
Resolution 6	Approval of Employee Option Plan	☐	☐	☐
Resolution 7	Approval of Performance Rights Plan	☐	☐	☐
Resolution 8	Approval of 10% Additional Placement Capacity	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

Mobile Number	Email Address

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