

SECURITIES TRADING POLICY

Introduction and Purpose

This policy statement sets out the policy of Australian Rare Earths Limited (**Company**) for Directors, officers, employees, consultants, contractors and their associates (each a **Relevant Person**) dealing in the securities of the Company.

The policy is intended to ensure that Relevant Persons do not make improper use of information gained through their position in the Company.

Relevant Persons who wish to trade in Company securities must first have regard to the statutory provisions of the Corporations Act dealing with insider trading.

Insider trading is the practice of dealing in a company's securities (which includes, but is not limited to, shares and options) by a person in possession of information not generally publicly available, but if it were generally available would, or would be likely to influence a person's decision to transact in the company's securities. It may also include the passing on of this information to another person or procuring another person to deal in the securities. Legally, insider trading is an offence that carries severe penalties, including imprisonment.

Words and terms defined in the *Corporations Act 2001* and ASX Listing Rules shall have the same meanings when used in this policy.

Insider Trading Prohibition

In summary, Relevant Persons must not, whether in their own capacity or as an agent for another or procure another to, subscribe for, purchase or sell, or enter into an agreement regarding the same if that Relevant Person:

- possesses information that a reasonable person would expect to have a material effect on the price or value of the securities; or
- influence a person's decision to buy or sell the securities in the Company if the information was generally available;

Further, Relevant Persons must not, either directly or indirectly, pass on this kind of information to another person if they know, or ought reasonably to know, that this other person is likely to deal in the securities of the Company or procure another person to do so.

Information

The type of information referred to in this policy is information that is not generally available to the public and which, if it were generally available, a reasonable person would expect to have a material effect on the price or value of the Company's securities. Information will be taken to have such a material effect where it would or would be likely to influence a person who would ordinarily trade in securities like those in question in deciding whether or not to dispose of or acquire those securities.

In respect of the Company, such information may include, but is not limited to, information (whether obtained from within or externally to the Company) about:

- (a) Company's financial performance;
- (b) the entry into or termination of a material contract;
- (c) the discovery of a new ore body or the extension or reduction of an existing ore body;
- (d) significant drilling results;
- (d) an actual or proposed takeover or merger;
- (e) the threat of significant litigation against the Company;
- (f) a proposed new share issue or other change to capital structure; or
- (g) a significant change in senior management.

Information is **generally available** if:

- it consists of readily observable matter; or
- it has been publicly disclosed by an announcement to ASX; or
- it consists of deductions, conclusions or inferences made or drawn from other generally available information.

Prohibition Periods

In addition to the prohibitions on insider trading set out in the Corporations Act, the Company requires that Relevant Persons must not trade in the Company's securities in the following periods (**Prohibition Periods**):

- (a) in the period between 1st July until the release of the Company's Annual Report to the ASX;
- (b) from 1st January until the release of the Company's half yearly report to the ASX;
- (c) from the end of the relevant quarter to the date the Company's quarterly reports are released to ASX in respect of that quarter; and
- (d) any period imposed by the Company from time to time, because the Company is considering matters that would require disclosure to the market but for Listing Rule 3.1A.

Requests to trade during a Prohibition Period will be considered in exceptional circumstances and any approval to trade will require prior written clearance described below.

Please note that even if it is outside of a Prohibited Period, Relevant Persons must not deal in the Company's securities if they are in possession of inside information. There are no exceptions to this rule.

Exceptional Circumstances When Trading May Be Permitted

A Relevant Person may deal in the Company's securities inside a Prohibited Period, subject to obtaining prior written clearance in accordance with the procedure described below, in the following exceptional circumstances:

1. if the person granting the prior written clearance is satisfied that the person seeking the clearance does not possess unpublished price sensitive information about the Company and the person seeking clearance is in severe financial hardship;
2. if the person granting the prior written clearance is satisfied that the person seeking the clearance does not possess unpublished price sensitive information about the Company and there are other circumstances deemed to be exceptional by the person granting the prior written clearance; or

3. where dealing is required for compliance with a court order or court enforceable undertakings or for some other legal or regulatory requirement.

It is recognised that exceptional circumstances may arise that have not been considered in the policy and those requests will be considered on a case by case basis if they arise.

Procedure for Obtaining Clearance

Relevant Persons must not trade in the Company's securities at any time (including during a Prohibited Period) unless the Relevant Person obtains prior written clearance from:

1. in the case of employees, contractors and consultants the Chairman;
2. in the case of a director or officer (excluding the Chairman), the Chairman or in their absence two directors (excluding the director seeking the consent);
3. in the case of the Chairman, two directors (excluding the Chairman),
(each, an **Approving Officer**).

A request for prior written clearance under this policy should be made in writing.

Any written clearance granted under this policy will be valid for the period of 5 business days from the time which it is given or such other period as may be determined by the Approving Officer. The expiry time of the clearance will be stated in the clearance granted.

Prior approval of the trading in Company securities should not be assumed, as it is given at the absolute discretion of the relevant Approving Officer and approval may be refused without any reason being given. A refusal is final and binding.

An approval to trade in Company securities may be withdrawn if circumstances change or new information becomes available.

Trading Which is Not Subject to this Policy

The following dealings in securities by Relevant Persons is excluded from this policy, unless at the time of the dealing the Relevant Persons is in possession of market sensitive information that is not publicly available:

1. transfers of securities already held into a superannuation fund or other saving scheme in which the Relevant Person is a beneficiary;
2. an investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the Company's securities) where the assets of the fund or other scheme are invested at the discretion of a third party;
3. where the Relevant Person is a trustee, trading in the Company's securities by that trust provided the Relevant Person is not a beneficiary of the trust and any decision to trade during a Prohibited Period is taken by the other trustees or by the investment managers independently of the Relevant Person;
4. undertakings to accept, or the acceptance of, a takeover offer;
5. trading under an offer or invitation made to all or most of the Company's security holders such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board. This includes decisions relating to whether or not to take up the

entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue; or

6. the exercise (but not the sale of securities following exercise) of an option, right or derivative where the final date for the exercise falls during a Prohibited Period and the Relevant Person could not reasonably have been expected to exercise it at a time that is outside of the Prohibited Period.

While the above are examples of dealings in securities of the Company which is not subject of this Policy, Relevant Persons are still required to notify the Chairman and Company Secretary at least 5 days prior to undertaking dealings in the Company's securities of the nature described above. In the case of the Chairman undertaking such dealings, the Chairman is required to notify the Company Secretary and two other Directors.

Long Term Trading

The Company wishes to encourage Relevant Persons to adopt a long-term attitude to investment in the Company's securities. Therefore, Relevant Persons must not engage in short term or speculative trading of the Company's securities.

Prohibited Transactions

Relevant Persons must not enter into dealings which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining prior written clearance from the appropriate Approving Officer.

Relevant Persons must not enter into agreements that provide lenders with rights over their interests in securities in the Company without first seeking and obtaining prior written clearance from the appropriate Approving Officer.

Relevant Persons are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity based remuneration schemes.

Notification

All Relevant Persons must disclose details of changes in securities of the Company they hold (directly or indirectly) to the Company Secretary as soon as reasonably possible after the date of the contract to buy or sell the securities (**Contract Date**) but in any event:

1. no later than 3 business days after the Contract Date; or
2. if they begin to have or cease to have a substantial shareholding or there is a change in their substantial holding, the business day after the Contract Date.

The Company Secretary is to maintain a register of notifications and clearances given in relation to trading in the Company's securities. The Company Secretary must report all notifications of dealings in the Company's securities to the next Board meeting of the Company.

Directors are reminded that it is their continuous disclosure obligation under Chapter 3 of the ASX listing rules to notify the market operator by completing an Appendix 3Y and giving it to the ASX no more than 5 days after the change in their interest.

Breaches

Breach of the insider trading prohibition could expose directors, officers and employees to criminal and civil liability. Breach of insider trading law or this policy will be regarded by the Company as serious misconduct which may lead to disciplinary action and/or dismissal.

This policy does not contain an exhaustive analysis of the restrictions imposed on, and the very serious legal ramifications of, insider trading. Relevant Persons who wish to obtain further advice on this policy, are encouraged to contact the Company Secretary.

This policy also applies to the Company's related entities.

ASX Listing Rule Requirements

It is a requirement for admission to the official list of ASX, and an on-going requirement for listing, that the Company has a policy for trading in company securities.

The Company will give a copy of this policy to ASX for release to the market. The Company will also give any amended version of this policy to ASX when it makes a change to:

- the periods within which Relevant Persons are prohibited from dealing in the Company's securities;
- the dealings that are excluded from the operation of the policy;
- or the exceptional circumstances in which Relevant Persons may be permitted to deal during a Prohibited Period,

within five business days of the amendments taking effect. The Company will also give this policy to ASX immediately on request by ASX.

ADOPTED BY THE BOARD ON 2 APRIL 2021