

ASX Announcement ([ASX: AR3](#))

26 October 2021

30 SEPTEMBER 2021 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

EXPLORATION

- 79-hole, 299m push tube core drill program confirmed the potential for the Koppamurra Project (“Koppamurra”) to host unique deposits of significant high-grade rare earth ionic clays
- Trend of high-grade intersections evident 3.5km along strike from the Yellow Tail resource area, including:
 - KMC0181 with 1.5m @ 2,717ppm TREO, including 0.7m @ 4,593ppm TREO
 - KMC0176 with 1.8m @ 1,995ppm TREO
 - KMC0179 with 0.5m @ 2,616ppm TREO
- Drilling adjacent to the Red Tail resource area supported continuation of mineralised clay intervals, including:
 - KMC0150 with 3.7m @ 1,629ppm TREO
 - KMC0154 with 2.9m @ 1,374ppm TREO
 - KMC0140 with 1.5m @ 1,175ppm TREO
 - KMC0116 with 1.4m @ 1,036ppm TREO
 - KMC0128 with 2.7m @ 1,096ppm TREO
- Planning and preparation completed for 8,000m program
 - Primary objective is to confirm regional mineralisation across granted (SA) tenure and to identify thick, high-grade zones to support an Indicated Mineral Resource
 - Company’s Programmes for Environmental Protection and Rehabilitation (PEPR’s) approved
- After the quarter, drilling commenced 06 October with 126 holes completed for 1869m

COMMUNITY

- AR3 has a focused approach to partnering with the community in a responsible and sustainable manner
- Naracoorte, SA, regional office and warehouse established
- Jacqui Owen, appointed Manager of Land and Community, based in Naracoorte

CORPORATE

- After the quarter, AR3 appointed Mr Don Hyma as Managing Director and Ms Pauline Carr as a Non-Executive Director and Chair of the Audit & Risk Management Committee, effective immediately
- Cash balance as of 30 September 2021 was A\$10,467,000

FOR FURTHER INFORMATION PLEASE CONTACT:

Australian Rare Earths Limited
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Professor Dudley Kingsnorth – Non-Executive Chairman
Don Hyma – Managing Director
Rick Pobjoy – Executive (technical) Director
Bryn Jones – Non-Executive Director
Pauline Carr – Non-Executive Director
Damien Connor – CFO/Company Secretary

ASX: AR3

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Australian Rare Earths Limited (ASX: AR3) ('AR3' or 'the Company') is pleased to announce its activities for the period ending September 30, 2021.

EXPLORATION

79-Hole Drill Program Delivers High-Grade Results

The 79-hole, 299m push tube core drilling program completed at Koppamurra delivered significant assay results.

The program was undertaken during the week of June 21, 2021 and completed prior to the Company's ASX listing on July 1 2021. Targeted areas were adjacent to and extensions of the existing Red Tail and Yellow Tail resource areas.

AR3 previously established a JORC 2021 Inferred Mineral Resource of 39.9Mt @725ppm TREO¹ at the Red Tail and Yellow Tail locations, through a drilling campaign representing less than 5% of the landholding at Koppamurra.

The planned drilling was to a maximum depth of 6.5m to confirm shallow occurrences of clay hosted rare earth mineralisation across wide portions of the tenure, which has a direct positive impact on future development costs.

Drilling was also completed alongside Edenhope Road (refer to Figure 1), aimed at recovering samples for further testing.

The drill program successfully confirmed shallow clay hosted rare earth mineralisation thereby providing further confidence in the prospectivity of the entire Koppamurra Project area. Importantly, results confirmed the continuing trend of high-grade mineralisation along the Yellow Tail strike length.

Weighted average TREO grades in the recent intersections as a group, exceed the average grades within the Red Tail and Yellow Tail resource areas by ~30%.

Core recovered from drilling was photographed, logged, scanned by a handheld X-Ray Fluorescence (XRF) unit for trace elements, in which the concentration of Yttrium was used as the indicator of TREO content. Core samples were also retained for metallurgical testwork (refer to Image 1).

¹ Australian Rare Earths Prospectus dated 7 May 2021

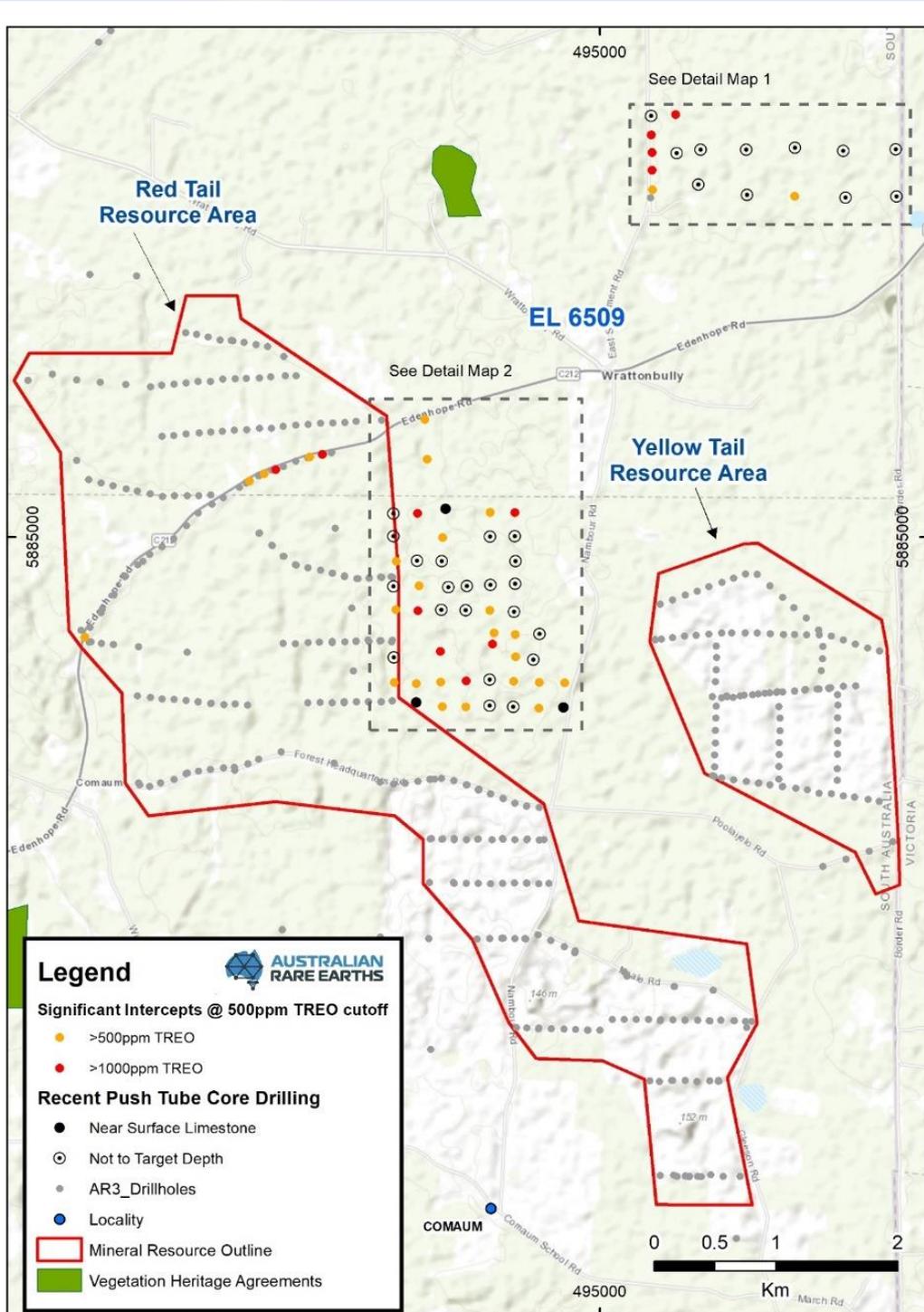


Figure 1: 79-Hole Push-Tube Core Drill Program with Significant Intersections



Image 1: Core recovered from recent drill programme at Koppamurra

8,000m Air Core Drill Program

Following the successful results from the 79-hole drill program, AR3 completed planning for an 8,000m air-core drill program.

The program will focus on confirming the regional prospectivity of Koppamurra, with drilling planned in three main areas centred around the localities of Comaum, Hynam and Frances (refer to Figure 2). An additional objective is to identify thick, high-grade mineralisation to support an indicated mineral resource within areas where AR3 has negotiated Landowner Access and Compensation Agreements.

After the quarter end, the drill program commenced with 126 holes completed for 1869m.

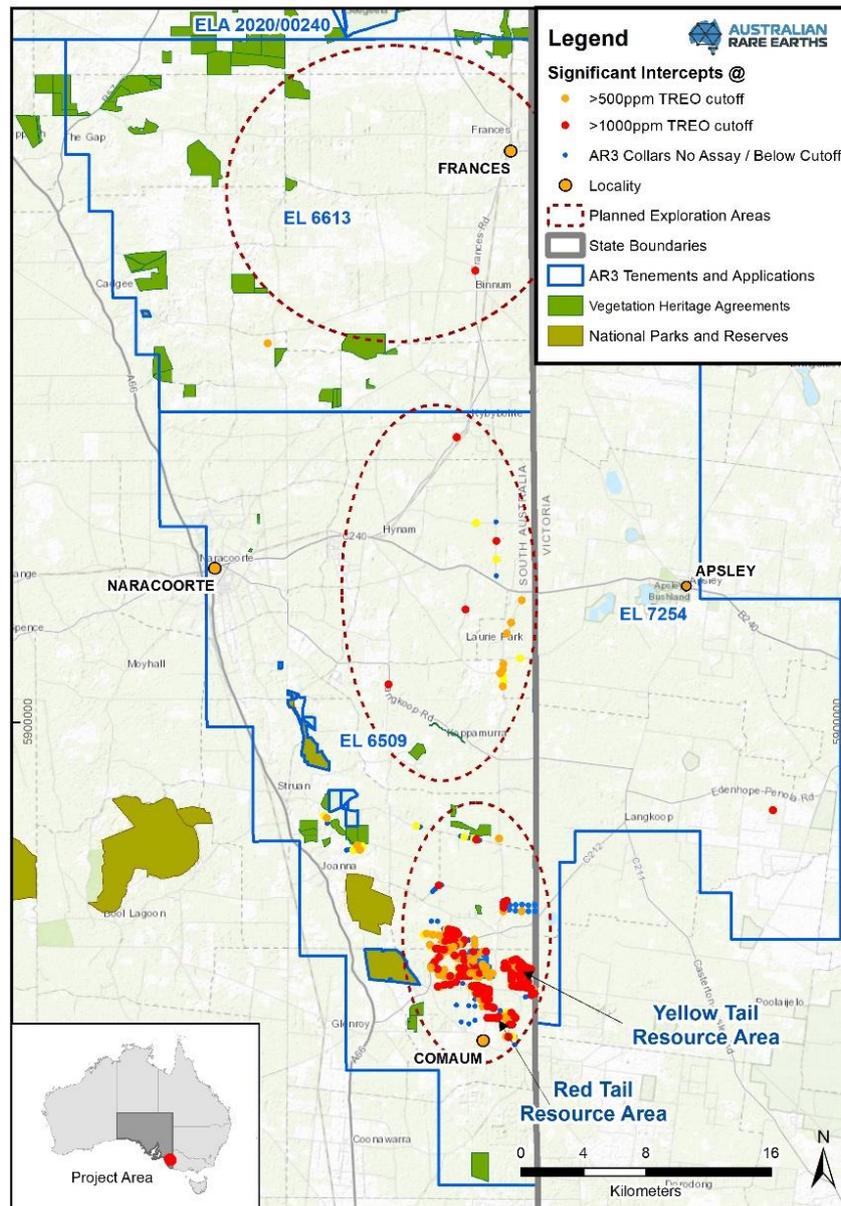


Figure 2: 8,000m Air-Core Drill Program Location Map

COMMUNITY

AR3 is focused on partnering with the community to grow Koppamurra in a responsible and sustainable manner. This starts with early and transparent engagement together with establishing a local presence in Naracoorte. A local office and warehouse are now established for the ongoing exploration program and community engagement efforts.

South Australia mineral exploration licence holders have a statutory requirement to identify relevant environmental, social and economic impacts and obtain relevant approvals prior to undertaking exploration activities. The fact that the programmes submitted by AR3 to date for Environmental Protection and Rehabilitation (PEPR's) have been approved is indicative of the thorough approach taken by the Company in the design of the programmes.

The Company was also pleased to appoint Jacqui Owen as the locally based Manager of Land and Community to spearhead the company's community engagement efforts (refer to Figure 3).

Jacqui is an Environmental and Regulatory compliance professional with over 16 years' experience. For the last two years, Jacqui has lived and worked in the Southeast of South Australia, working with the Limestone Coast Landscape Board on conservation projects by contributing strategic relationship development and technical advice. Jacqui is active in the community and is currently the Vice President for the Limestone Coast Ladies CWA and sits on the Board of the Limestone Coast Training Centre, a not-for-profit organisation offering nationally accredited employment training courses within the region.



Figure 3: AR3 team members (from left to right); Jamie Stephens - Senior Field Hand, Jacqui Owen – Manager Land and Community, Chris Cockburn – Exploration Manager in front of the Naracoorte Office and Warehouse

CORPORATE

Appointment of Managing Director

Mr Don Hyma was appointed Managing Director on October 5, 2021. Mr Hyma is a proven and highly credentialed executive, who brings more than 30 years of global mining and resources experience across a diverse range of commodities including copper, nickel and iron ore.

Mr Hyma has a deep understanding of project delivery, from conceptual studies through to construction, in Canada, Chile, New Caledonia, and Australia, working closely with communities, technical specialists, regulatory agencies, and Boards. Don previously held senior roles at Fortescue, Mitsui, Rio Tinto, and Falconbridge (now Glencore).

The Company assessed several excellent candidates, reflecting the high level of interest in the opportunities that AR3 offers as a future supplier of the critical materials required for a carbon neutral global economy.

The Board had a clear vision on the attributes and qualities of the incoming Managing Director and Mr Hyma's mining and project development experience, vision and drive to succeed met these expectations. The Company is pleased to appoint someone to lead the flagship Koppamurra Project of Mr Hyma's calibre coupled with a demonstrative ability to progress through the development stages and into production.

Mr Hyma holds a Bachelor of Science in Mining Engineering, a Master of Science in Mining Processing, and has completed the International Executive Management programme at INSEAD, and the Business Leadership Programme at Duke University.

Appointment of Non-Executive Director

Ms Pauline Carr was appointed as a Non-Executive Director of the Company and Chair of the Audit & Risk Management Committee, on October 15, 2021.

Ms Carr is a highly experienced executive with extensive commercial, management, compliance and governance expertise as well as over 30 years' experience in the resources industry with both Australian and international listed companies.

Ms Carr's experience within the resources industry will add valuable and complimentary skills to the AR3 board, drawing from her diverse previous roles. Early in her career, Ms Carr worked closely with the Chairman and Board of Normandy Mining during their rapid growth and international expansion until the takeover by Newmont Mining Company in 2002. Following the takeover, she served as Executive General Manager and led a variety of teams with responsibilities across risk and crisis management, continuous improvement, project management, centralised business services, cultural change, as well as corporate integration and rationalisation.

Ms Carr has extensive board committee experience, specifically audit and risk committees, together with people, culture and remuneration committees. Ms Carr is currently Chancellor of the University of South Australia, Chairman of the Board of National Pharmacies, a Non-Executive Director of Highfield Resources Limited (ASX:HFR) and is Chair of the South Australian Government's Minerals and Energy Advisory Council.

Ms Carr holds a Bachelor of Economics, a Master of Business Administration, is a Fellow of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

Cash Balance

The Company's cash balance at the end of the Quarter was \$10,467,000.



Capital Structure

Shares on issue: 110,680,000 fully paid ordinary shares.

Options on issue: Total of 12,597,200 unlisted options, comprising:

- 6,000,000 exercisable at \$0.30 and expiring 25 January 2025
- 6,597,200 exercisable at \$0.45 and expiring 29 June 2024

No further shares or options were issued during the quarter.

Appendix 5B Disclosures

AR3's accompanying Appendix 5B (quarterly Cashflow Report) includes an amount in item 6.1 which constitutes executive and non-executive director fees paid as salaries and wages for the quarter.

Use of Funds

AR3 provides the following disclosures required by ASX Listing Rule 5.3.4 regarding a comparison of its actual expenditure to date since listing on 29 June 2021 against the 'use of funds' statement in its Prospectus dated 7 May 2021.

Use of Funds (A\$)	Per Prospectus	Actual to 30 September 2021	
	Use of Funds Statement (\$k)	Actual (\$k)	Balance Remaining (\$k)
Cash - Pre-offer (as at 31 March 2021)	732	732	-
Total Funds Raised Under the Offer	12,000	12,000	-
Total Funds Available		12,732	-
Expenses of the Offer	1,047	1,047	-
Resource Definition Drilling	4,000	250	3,750
Regional Exploration	2,000	334	1,666
Metallurgical testwork and Studies	3,000	50	2,950
Working Capital	2,685	584	2,101
Total Funds Applied	12,732	2,265	10,467
Cash as at 30 September 2021		10,467	

List of granted AR3 Tenements

Tenement ⁽¹⁾	Location	Commodity	Project	Jurisdiction
EL 6509	Naracoorte	Rare Earths	Koppamurra	SA
EL 6613	Frances	Rare Earths	Koppamurra	SA
EL007254	Apsley	Rare Earths	Koppamurra	VIC

Notes

(1) All tenements are 100% owned by AR3.

The Board of AR3 authorised this announcement to be given to ASX.



For further Information please contact:

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Competent Person Statement

The information in this report that relates to Exploration results is based on information compiled by Australian Rare Earths Limited and reviewed by Mr Rickie Pobjoy who is the Executive Director of the Company and a member of the Australian Institute of Mining and Metallurgy (AusIMM). Mr Pobjoy has sufficient experience that is relevant to the style of mineralisation, the type of deposit under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Pobjoy consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement (Prospectus dated May 7, 2021) and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement (Prospectus dated May 7, 2021) continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement (Prospectus dated May 7, 2021).

About Australian Rare Earths Limited

Australian Rare Earths (AR3) is committed to the timely exploration and development of its 100% owned, flagship Koppamurra Project, located in South Australia and Victoria. Koppamurra is a prospective ionic clay hosted rare earth element (REE) deposit; uniquely rich in all the REEs required in the manufacture of rare earth permanent magnets which are essential components in energy efficient motors for electric vehicles and wind turbines.

The Company is focused on executing a growth strategy that will ensure AR3 is able to become an independent and sustainable source of REEs, playing a pivotal role in the global transition to a green economy.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Australian Rare Earths Limited

ABN

73 632 645 302

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development		
(c) production		
(d) staff costs	(88)	(88)
(e) administration and corporate costs	(236)	(236)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives – R&D tax incentive	-	-
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(324)	(324)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(197)	(197)
(d) exploration & evaluation (if capitalised)	(218)	(218)
(e) investments		
(f) other non-current assets – Intangibles	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	-	-
	(d) investments		
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(415)	(415)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(885)	(885)-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(885)	(885)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,091	12,091
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(324)	(324)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(415)	(415)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(885)	(885)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	10,467	10,467

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	10,437	12,081
5.2	Call deposits – restricted cash in support of exploration bonds	30	10
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,467	10,467

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end	[]	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
n/a		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(324)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(218)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(542)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	10,467
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	10,467
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	19.3 quarters
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
Answer: n/a	
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
Answer: n/a	
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: n/a	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:26 October 2021.....

Authorised by:By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.