

ALLOTMENT AND ISSUE OF SECURITIES

Further to the announcement released on 22 June 2018, Spectrum Rare Earths Limited (**SPX** or **Company**) wishes to confirm the allotment and issue of 111,111,110 fully paid ordinary shares ("Placement") to sophisticated investors at \$0.008 per share to raise \$888,888 (before costs).

The company has also agreed, under a corporate advisory mandate with DJ Carmichael, to issue at a future date 10,000,000 unlisted options exercisable at \$0.015 expiring 3 years from the date of issue. The issue of options will be completed at a future date subject to the Company's available placement capacity and shareholder approval.

This placement and settlement of fees is made pursuant to the Company's placement capacity as follows:

- Under listing rule 7.1 – 51,459,558 ordinary shares
- Under listing rule 7.1A – 59,651,552 ordinary shares.

7.1A DISCLOSURE

The following 7.1A disclosure is in respect of the issue of 59,651,552 ordinary fully paid shares, issued within the Company's 7.1A placement capacity, pursuant to the share placement announced to the ASX on 22 November 2017.

The Company provides the following information in accordance with Listing Rule 3.10.5A:

(a) Details of the dilution to the existing holders of ordinary securities caused by the issue.

Number of shares held by existing shareholders before the Placement	596,515,516
Number of Shares on issue after the Placement (Issued pursuant to LR 7.1A)	656,167,068
% dilutionary effect of Placement on existing shareholders before the Placement	10.00%

Further details of the approximate percentage of the issued capital post the 7.1A placement held by the pre-placement security holders and new security holders is as follows:

Pre-placement security holders who did not participate in the placement	90.91%
Pre-placement security holders who did participate in the placement	0.00%
Participants in the placement who were not previously security holders	9.09%

- (b) Where the equity securities are issued for cash consideration, a statement of the reasons why the eligible entity issued the equity securities as a placement under rule 7.1A and not as (or in addition to) a pro rata issue or other type of issue in which existing ordinary security holders would have been eligible to participate.**

It was the Company's view that a pro rata issue would not deliver the necessary capital in the required timeframe and in addition it was considered that the level of support likely to be received from existing shareholders would not be sufficient.

- (c) Details of any underwriting arrangement, including any fees payable to the underwriter.**

No underwriting arrangements or underwriting fees are payable.

- (d) Any other fees or costs incurred in connection with the issue.**

Reimbursable expenses and fees payable to non-related parties in respect of the arrangement of the share placement – approximately 6% of gross placement funds where applicable.

An Appendix 3B and section 708A notice are attached for immediate release.



Mark Pitts

Company Secretary

For further information please contact:

Mr Paul Adams
Managing Director
Telephone: +61 8 6369 1195

Email: paul@spectrumrareearths.com.au

Rule 2.7, 3.10.3, 3.10.4, 3.10.5 Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

SPECTRUM RARE EARTHS LIMITED

ABN

94 115 770 226

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | Ordinary Fully Paid Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 111,111,110 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Ordinary shares will rank <i>pari passu</i> with existing Ordinary shares |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>The Ordinary shares will rank <i>pari passu</i> with existing Ordinary shares</p>
<p>5 Issue price or consideration</p>	<p>\$0.008 per share</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The purpose of the issue of 111,111,110 ordinary shares is to provide funding for planned exploration and working capital.</p>
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the +securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	<p>YES</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>22nd November 2017</p>
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	<p>51,459,558</p>
<p>6d Number of +securities issued with security holder approval under rule 7.1A</p>	<p>59,651,552</p>
<p>6e Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)</p>	<p>NIL</p>

+ See chapter 19 for defined terms.

6f	Number of securities issued under an exception in rule 7.2	N/A						
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	The placement offer price was \$0.008 and is 90% of the 15-day VWAP from the date the price of the securities was agreed. VWAP calculation provided by Orient Capital Pty Ltd						
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A						
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	7.1 38,017,769 7.1A NIL						
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	28 th June 2018						
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">+Class</th> </tr> </thead> <tbody> <tr> <td>707,626,626</td> <td>ORD (SPX)</td> </tr> </tbody> </table>	Number	+Class	707,626,626	ORD (SPX)		
Number	+Class							
707,626,626	ORD (SPX)							
9	Number and +class of all +securities not quoted on ASX (including the securities in section 2 if applicable)	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">+Class</th> </tr> </thead> <tbody> <tr> <td>25,000,000</td> <td>Unlisted options exercise price \$0.01 expiry 04/05/2023</td> </tr> <tr> <td>32,500,000</td> <td>Unlisted options exercise price \$0.015 expiry 30/06/2021</td> </tr> </tbody> </table>	Number	+Class	25,000,000	Unlisted options exercise price \$0.01 expiry 04/05/2023	32,500,000	Unlisted options exercise price \$0.015 expiry 30/06/2021
Number	+Class							
25,000,000	Unlisted options exercise price \$0.01 expiry 04/05/2023							
32,500,000	Unlisted options exercise price \$0.015 expiry 30/06/2021							
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable						

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	
12	Is the issue renounceable or non-renounceable?	

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

- | | | |
|----|---|--|
| 13 | Ratio in which the +securities will be offered | |
| 14 | +Class of +securities to which the offer relates | |
| 15 | +Record date to determine entitlements | |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | |
| 17 | Policy for deciding entitlements in relation to fractions | |
| 18 | Names of countries in which the entity has +security holders who will not be sent new issue documents

<small>Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.</small> | |
| 19 | Closing date for receipt of acceptances or renunciations | |
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |
| 22 | Names of any brokers to the issue | |
| 23 | Fee or commission payable to the broker to the issue | |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders | |
| 25 | If the issue is contingent on +security holders' approval, the date of the meeting | |

+ See chapter 19 for defined terms.

- | | | |
|----|---|--|
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |
| 30 | How do ⁺ security holders sell their entitlements <i>in full</i> through a broker? | |
| 31 | How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | |
| 32 | How do ⁺ security holders dispose of their entitlements (except by sale through a broker)? | |
| 33 | ⁺ Despatch date | |

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) Securities described in Part 1
- (b) All other securities
- Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

⁺ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Tick to indicate you are providing the information or documents

- 35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
 1 - 1,000
 1,001 - 5,000
 5,001 - 10,000
 10,001 - 100,000
 100,001 and over
- 37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

39 Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

Number	+Class
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+ See chapter 19 for defined terms.

42	Number and +class of all +securities quoted on ASX (including the securities in clause 38)		
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Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Print name: Mark Pitts
(Company secretary)

Date: 29th June 2018

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	480,404,406
Add the following: <ul style="list-style-type: none"> • Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	116,111,110 (ratified 04/05/2018)
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	Nil
“A”	596,515,516

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	89,477,327
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p><i>Insert</i> number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	51,459,558 (28/06/2018)
“C”	51,459,558
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	89,477,327
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	51,459,558
Total [“A” x 0.15] – “C”	38,017,769 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	596,515,516
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	59,651,552
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	59,651,552 (28/06/2018)
“E”	59,651,552

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Step 4: Subtract "E" from ["A" x "D"] to calculate remaining placement capacity under rule 7.1A	
"A" x 0.10 <i>Note: number must be same as shown in Step 2</i>	59,651,552
Subtract "E" <i>Note: number must be same as shown in Step 3</i>	59,651,552
Total ["A" x 0.10] – "E"	<i>Nil</i> <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.

NOTICE UNDER SECTION 708A(5)(e) OF THE CORPORATIONS ACT

ASX Announcement – 29 June 2018

Spectrum Rare Earths Limited (**SPX** or **Company**) today issued and allotted 111,111,110 fully paid ordinary shares (**Securities**) as a private placement to sophisticated investors at \$0.008 per share to raise \$888,888 (before costs), as announced on 22 June 2018.

The Company gives notice under section 708A(5)(e) of the Act that:

- (a) The Securities were issued without disclosure to investors under Part 6D.2 of the Act;
- (b) as a disclosing entity, the Company is subject to regular reporting and disclosure obligations;
- (c) as at the date of this notice, the Company has complied with the provisions of Chapter 2M as they apply to the Company and section 674 of the Act; and
- (d) as at the date of this notice, there is no information that is 'excluded information' within the meaning of section 708A(7) and 708A(8) of the Act which is required to be disclosed by the Company under section 708A(6)(e) of the Act.



Mark Pitts

Company Secretary