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## **SPECTRUM RARE EARTHS LIMITED**

**ACN 115 770 226**

### **NOTICE OF GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 10.00 am WST

**DATE:** Friday, 4 May 2018

**PLACE:** Suite 8, 7 The Esplanade  
Mt. Pleasant WA 6153

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**The business of the Meeting affects your shareholding and your vote is important.**

**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 advisers prior to voting.**

**The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00pm WST on 2 May 2018.**

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## IMPORTANT INFORMATION

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### **Time and place of Meeting**

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Notice is given that the Meeting will be held at 10.00am (WST) on 4 May 2018 at:  
Suite 8, 7 The Esplanade Mt. Pleasant WA 6153

### **Your vote is important**

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The business of the Meeting affects your shareholding and your vote is important.

### **Voting eligibility**

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00pm (WST) on 2 May 2018.

### **Voting in person**

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To vote in person, attend the Meeting at the time, date and place set out above.

### **Voting by proxy**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9316 9100.***

To vote by proxy, please complete and sign the proxy form enclosed and send the proxy form:

- (a) by post to Spectrum Rare Earths Limited, Suite 8, 7 The Esplanade Mt Pleasant, Western Australia, 6153;
- (b) deliver to the Company Secretary at Level 1, Suite 8, 7 The Esplanade, Mt Pleasant, Western Australia, 6153; or
- (c) by facsimile to the Company on facsimile number (61 8) 9315 5475, so that it is received not later than 10:00 am (WST) on 2 May 2018.

## **Proxy forms received later than this time will be invalid**

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a body corporate, in a manner permitted by the Corporations Act. In the case of Shares jointly held by two or more persons, both joint holder must sign the proxy form. A proxy form is attached to this Notice.

## **Voting Prohibition Statements**

### *Resolutions 1 and 2*

A vote on Resolutions 1 and 2 must not be cast (in any capacity) by a person who participated in the relevant issue, and any associates of such a person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### *Resolution 3*

A vote on Resolution 3 must not be cast (in any capacity) by DJ Carmichael, and any associates of DJ Carmichael. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### *Resolutions 4, 5, 6, 7 and 8*

The Company will disregard any votes cast on Resolutions 4, 5, 6, 7 or 8 respectively by the relevant person who is to receive the securities the subject of the relevant Resolution; any person who might obtain a benefit if the relevant Resolution is passed, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons respectively.

Notwithstanding the above, the Company will not disregard a vote on Resolutions 4, 5, 6, 7, or 8 respectively if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, a restricted voter who is appointed as a proxy will not vote on Resolution 4, 5, 6, or 7 respectively if the appointment does not specify the way the proxy is to vote on the Resolution, unless the proxy is the Chair of the Meeting and the appointment authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Shareholders should note that with the exception of any resolution involving the Chairman, it is intended that the Chairman will vote any undirected proxies in favour of Resolutions 4 to 8 (inclusive). Shareholders may also choose to direct the Chair to vote against any of Resolutions 4 to 8 (inclusive) or to abstain from voting.

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – RATIFICATION OF PLACEMENT SHARE ISSUE – LISTING RULE 7.1

To consider, and if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of Listing Rule 7.4, and for all other purposes, Shareholders ratify the issue of 68,070,669 Shares on the terms and conditions set out in the Explanatory Statement.”*

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#### 2. RESOLUTION 2 – RATIFICATION OF PLACEMENT SHARE ISSUE – LISTING RULE 7.1A

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of Listing Rule 7.4, and for all other purposes, Shareholders ratify the issue of 48,040,441 Shares on the terms and conditions set out in the Explanatory Statement.”*

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#### 3. RESOLUTION 3 – APPROVAL TO ISSUE OPTIONS TO DJ CARMICHAEL

To consider, and if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1, and for all other purposes, Shareholders approve the issue of 25,000,000 Options to DJ Carmichael or its nominee, on the terms and conditions set out in the Explanatory Statement”.*

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#### 4. RESOLUTION 4 – APPROVAL TO ISSUE OPTIONS TO MR ALEXANDER HEWLETT

To consider, and if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of Section 208 of the Corporations Act, Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 10,000,000 Options to Mr Alexander Hewlett (Non-executive Chairman), or his nominee, on the terms and conditions set out in the Explanatory Statement.”*

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#### 5. RESOLUTION 5 – APPROVAL TO ISSUE OPTIONS TO MR DAVIDE BOSIO

To consider, and if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of Section 208 of the Corporations Act, Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 10,000,000 Options to Mr Davide Bosio (Non-executive Director), or his nominee, on the terms and conditions set out in the Explanatory Statement.”*

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#### 6. RESOLUTION 6 – APPROVAL TO ISSUE OPTIONS TO MR NADER EL SAYED

To consider, and if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of Section 208 of the Corporations Act, Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 7,500,000 Options to Mr Nader El Sayed (Non-executive Director), or his nominee, on the terms and conditions set out in the Explanatory Statement.”*

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**7. RESOLUTION 7 – APPROVAL TO ISSUE OPTIONS TO MR LEONID CHARUCKYJ**

To consider, and if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of Section 208 of the Corporations Act, Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 2,500,000 Options to Mr Leonid Charuckyj, (a former director) or his nominee, on the terms and conditions set out in the Explanatory Statement.”*

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**8. RESOLUTION 8 – APPROVAL TO ISSUE OPTIONS TO MR MARK PITTS**

To consider, and if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of Listing Rule 7.1, and for all other purposes, Shareholders approve the issue of 2,500,000 Options to Mr Mark Pitts (Company Secretary), or his nominee, on the terms and conditions set out in the Explanatory Statement.”*

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Dated: 29 March 2018

By order of the Board



Mr Mark Pitts  
Company Secretary

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. RESOLUTIONS 1 AND 2 RATIFICATION OF PLACEMENT SHARE ISSUES

#### Background

On 22 November 2017, the Company announced that it had issued 111,111,110 Shares to sophisticated investors at an issue price of \$0.008 to raise \$888,888.88 (before costs) ("Placement"). In addition and pursuant to a mandate agreement with DJ Carmichael, the Company issued 5,000,000 Shares in lieu of fees.

The Company issued the Shares under its placing capacity pursuant to listing rule 7.1 and 7.1A. Ratification of the issue is sought by Resolutions 1 and 2.

#### Listing Rules Chapter 7

Listing Rule 7.1 provides that without Shareholder approval, a company must not issue or agree to issue new equity securities constituting more than 15% of its total issued capital within a 12 month period (excluding any issue of equity securities approved by Shareholders and other various permitted exceptions which are not relevant for current purposes).

Listing Rule 7.4 allows an issue of securities made without the approval of shareholders to be ratified by shareholders, in order to refresh the Placement Capacity, provided that, at the time the issue was made, the issue was made within the Company's existing Placement Capacity.

By ratifying the issue of the Shares the subject of Resolutions 1 and 2, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, and the 10% placement capacity under Listing Rule 7.1A, without the requirement to obtain prior Shareholder approval.

Resolutions 1 and 2 are ordinary resolutions.

#### Resolution 1 - Information Required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of Shares the subject of Resolution 1:

- (a) 68,070,669 Shares were issued at an issue price of \$0.008 per Share;
- (b) The Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) The Shares were issued to investors/applicants who were eligible to be made offers without disclosure under an exemption under section 708 of the Corporations Act.
- (d) The funds raised from the 63,070,669 Placement issue Shares (being in total \$504,565.35 (before costs)) will be used to fund planned exploration programs at the Company's Whaleshark tenement and for working capital purposes.

There were no funds raised from the issue of the 5,000,000 Shares issued to D J Carmichael in lieu of fees.

The Chairman intends to vote all available proxies in favour of Resolution 1.

#### Resolution 2 - Information Required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of Shares the subject of Resolution 2:

- (a) 48,040,441 Shares were issued at an issue price of \$0.008 per share;
- (b) The Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

- (c) The Shares were issued to investors who were eligible to be made offers without disclosure under an exemption under section 708 of the Corporations Act.
- (d) The funds raised from the issue (being in total \$384,323.53 (before costs)) will be used to fund planned exploration programs at the Company's Whaleshark tenement and for working capital purposes.

The Chairman intends to vote all available proxies in favour of Resolution 2.

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## **2. RESOLUTION 3 – APPROVAL TO ISSUE OPTIONS TO DJ CARMICHAEL PTY LIMITED**

### **Background**

Approval is sought for the issue of 25 million unlisted options to DJ Carmichael Pty Limited (DJC) or its nominee, in consideration of the strategic advisory role it has been engaged to carry out. The Options are exercisable by payment of 1 cent on or before expiry (five years from the date of issue).

The Option terms are set out in Annexure A.

### **Listing Rules Chapter 7**

The Shareholder approval sought under Resolution 3 for the Option issue means that the Company's 15% placement capacity under listing Rule 7.1 will not be reduced and the Company will retain the flexibility to issue equity securities in the future in accordance with Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### **Resolution 3 - Information Required by Listing Rule 7.3**

Listing Rule 7.3 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval for Resolution 3:

- (a) The total number of Options to be issued is 25,000,000;
- (b) The unlisted Options will be issued not later than 3 months after the date of the Meeting (or such other later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that allotment will occur on the same date;
- (c) The unlisted Options will be issued for nil cash consideration and will be exercisable by payment of 1 cent on or before expiry (five years from the date of issue);
- (d) The Options are to be issued to DJC or its nominee, who is not a related party of the Company;
- (e) The Options are to be issued as consideration for strategic and corporate advisory services. No funds will be raised from the issue as the Options will be issued for nil in cash consideration.

The Chairman intends to vote all available proxies in favour of Resolution 3.

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## **3. RESOLUTIONS 4,5,6 AND 7– APPROVAL TO ISSUE OPTIONS TO DIRECTORS AND A FORMER DIRECTOR**

### **Background**

The Company is proposing to issue Options to Mr Alexander Hewlett (Non-executive Chairman), Mr Davide Bosio and Mr Nader El Sayed (all Non-executive Directors) and former Director Mr Leonid Charuckyj, in order to retain their services, keep cash payments to a minimum and to provide incentives linked to the performance of the Company. Mr Charuckyj has agreed to continue to provide ongoing services to the Company as and when required.

Given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of the team and the performance and value of the Company are closely related. As such, these Options proposed to be granted will generally only be of benefit if the value of the Company increases sufficiently to warrant exercising them.

These Options will have an expiry date of 30 June 2021 and an exercise price equal to 1.5 cents. The 5 day VWAP up to and including the date of this Notice is \$0.013.

### **Reasons shareholder approval is required**

Notwithstanding the potential for the benefit being provided being seen as reasonable in the circumstances, the Board has taken the view that it is prudent to seek shareholder approval under Section 208. Section 208 of the Corporations Act prohibits a public company from giving a financial benefit to a related party unless one of the exceptions to Section 208 applies or shareholders have approved the giving of that benefit to the related party. For the purposes of Section 208 and the required shareholder approvals, Mr Charuckyj remains a related party.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company, issuing securities, and buying an asset from a related party.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- (a) obtain the approval of members in the way set out in Section 217 and 227; and
- (b) give the benefit within 15 months after the approval.

Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party.

Furthermore, Shareholder approval of the issue of the Options under Listing Rule 10.1 means that the grant of the Options will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

### **Technical Information required by Listing Rule 10.13**

- (a) The Options will be issued to Messrs Alexander Hewlett, Nader El Sayed and Davide Bosio (or their nominees), all of whom are Directors;
- (b) The Options will be issued to former Director, Mr Leonid Charuckyj (or his nominee);
- (c) The maximum number of Options to be issued to Mr Hewlett (or his nominee) is 10,000,000 Director Options;
- (d) The maximum number of Options to be issued to Mr Bosio (or his nominee) is 10,000,000 Director Options;
- (e) The maximum number of Options to be issued to Mr El Sayed (or his nominee) is 7,500,000 Director Options;
- (f) The maximum number of Options to be issued to Mr Charuckyj (or his nominee) is 2,500,000 Director Options;
- (g) The Options will be issued not later than 1 month after the date of the Meeting (or such other later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that allotment will occur on the same date.
- (h) The Options will be issued on the terms and conditions set out in Annexure B;
- (i) The Options will be issued for nil cash consideration. Accordingly, no funds will be raised from the issue of the Options. If the all of Options issued to Messrs Hewlett, El Sayed, Bosio and Charuckyj are exercised, the following represents the maximum amounts which will be raised respectively:
  - Hewlett – 10,000,000 multiplied by the exercise price of 1.5 cents or \$150,000.
  - Bosio – 10,000,000 multiplied by the exercise price of 1.5 cents or \$150,000.
  - El Sayed – 7,500,000 multiplied by the exercise price of 1.5 cents or \$112,500.
  - Charuckyj – 2,500,000 multiplied by the exercise price of 1.5 cents or \$37,500.

### **Section 219 of the Corporations Act**

#### ***The related party to whom the resolutions would permit the financial benefit to be given.***

The related parties to whom a financial benefit will be given are Directors; Messrs Hewlett, El Sayed, and Bosio, together with former Director Charuckyj.



### ***The nature of the financial benefit***

The financial benefit proposed to be given is:

- (a) 10,000,000 Options to Mr Hewlett (or his nominee);
- (b) 10,000,000 Options to Mr Bosio (or his nominee);
- (c) 7,500,000 Options to Mr El Sayed (or his nominee); and
- (d) 2,500,000 Options to Mr Charuckyj (or his nominee).

If the Options issued to Mr Hewlett (or his nominee) are all exercised for cash consideration, payment of 10,000,000 multiplied by the exercise price of the Options will be made.

If the Options issued to Mr Bosio (or his nominee) are all exercised for cash consideration, payment of 10,000,000 multiplied by the exercise price of the Options will be made.

If the Options issued to Mr El Sayed (or his nominee) are all exercised for cash consideration, payment of 7,500,000 multiplied by the exercise price of the Options will be made.

If the Options issued to Mr Charuckyj (or his nominee) are all exercised for cash consideration, payment of 2,500,000 multiplied by the exercise price of the Options will be made.

### ***Directors' interest in the outcome***

Mr Hewlett's interest in the outcome of Resolution 4 is 10,000,000 Director Options.

Mr Bosio's interest in the outcome of Resolution 5 is 10,000,000 Director Options.

Mr El Sayed's interest in the outcome of Resolution 6 is 7,500,000 Director Options.

Mr Charuckyj's interest in the outcome of Resolution 7 is 2,500,000 Director Options.

### ***Relevant Director's remuneration package***

Mr Hewlett currently receives annual remuneration (inclusive of superannuation) of \$71,175. Mr Hewlett received \$16,425 from the Company in the 2017 financial year. He was appointed on 8 March 2017.

Mr Bosio currently receives annual remuneration (inclusive of superannuation) of \$32,850. Mr Bosio was appointed on 22 December 2017.

Mr El Sayed currently receives annual remuneration (inclusive of superannuation) of \$32,850. Mr El Sayed was appointed on 25 October 2017.

Mr Charuckyj was receiving an annual remuneration (exclusive of superannuation) of \$32,850. Mr Charuckyj received \$14,450 and \$43,800 respectively from the Company in the two preceding financial years.

### ***Related party's existing interest***

The following tables sets out interests as at the date of this Notice:

<b>Related Party</b>	<b>Shares</b>	<b>Options</b>
Mr Hewlett	14,500,000	-
Mr Bosio	-	-
Mr El Sayed	-	-
Mr Charuckyj	28,685,000	-

### ***Dilution***

The maximum dilutive effect if all Options are exercised (and assuming no other Options are exercised and no other Shares are issued) will be 5.8% on Shareholders.

### **Trading history**

In the last 12 months before the date of this Notice, the highest, lowest and latest trading prices (as at 23 March 2018) of the listed Shares on ASX are as set out below:

	Shares (ASX: SPX)
Highest (16 January 2018)	\$0.020
Lowest (various dates September & October 2017)	\$0.005
Latest (29 March 2018)	\$0.014

### **Valuation of financial benefit**

The value of the financial benefits to be provided to Messrs Hewlett, Bosio, El Sayed and Charuckyj is set out in the table below, it has been calculated by management using a Black and Scholes model:

	Financial Benefit	Value of Financial Benefit
<b>Mr Alexander Hewlett</b>	10,000,000 Options	\$66,094.35
<b>Mr Davide Bosio</b>	10,000,000 Options	\$66,094.35
<b>Mr Nader El Sayed</b>	7,500,000 Options	\$49,570.76
<b>Mr Leonid Charuckyj</b>	2,500,000 Options	\$16,523.59
<b>Totals</b>	<b>30,000,000 Options</b>	<b>\$198,283.05</b>

The value of each financial benefit has been calculated based on the following assumptions:

1. Issued for an issue price of Nil
2. The valuation date was 29 March 2018.
3. The Black and Scholes option valuation methodology was used as the basis for the calculation.
4. The Share price as at the valuation date was \$0.014.
5. Exercise price 1.5 cents.
6. The risk free interest rate used was 1.95%.
7. A volatility factor of 70% was used.
8. There are no vesting conditions.
9. The expected dividend yield is 0%.
10. The value of each Option is \$0.00661
11. The value obtained via the Black and Scholes option valuation method is not the valuation that would be obtained pursuant to the relevant Australian tax legislation.

### **Terms and Conditions of Options**

The terms and conditions of the Options proposed to be granted are set out in Annexure B.

### **Directors' recommendation and basis of recommendation**

The number of Options to be issued to Directors has been determined having given consideration to the input and value provided to the Company, their respective remuneration packages, and also, the level of incentive being provided to each recipient by virtue of their respective Option packages.

Given the speculative nature of the Company's activities and the small management team responsible for its running, the performance of the team and the performance and value of the Company are closely related. As such, the Options will generally only be of benefit if the value of the Company increases sufficiently to warrant exercising those Options.

Because Directors and former Directors are related parties of the Company, Shareholder approval for the purpose of Listing Rule 10.11 is required before any Shares or Attaching Options can be issued.

Each of the Directors and Mr Charuckyj abstain from making a recommendation in respect of the Resolutions that relate to the issue of Options to themselves (or their nominees).

Alexander Hewlett recommends that Shareholders vote in favour of the Resolutions relating to the issue of Options to each other Director on the basis that the Director Options are to be issued in order to retain their valuable services and provide incentives linked to the performance of the Company.

Davide Bosio recommends that Shareholders vote in favour of the Resolutions relating to the issue of Options to each other Director on the same basis as Mr Hewlett's recommendation.

Nader El Sayed recommends that Shareholders vote in favour of the Resolutions relating to the issue of Options to each other Director on the same basis as Mr Hewlett's recommendation.

With the exception of any resolution involving the Chairman, it is intended that the Chairman votes all available proxies in favour of Resolution 4 to 7.

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#### **4. RESOLUTION 8 – GRANT OF OPTIONS TO MARK PITTS**

##### **Background**

Approval is sought for the issue of 2.5 million unlisted options to Mr Mark Pitts, in order to provide an incentive for management, to keep cash payments to a minimum and to link reward to the performance of the Company.

Given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of management and the performance and value of the Company are closely related. As such, the Options proposed to be granted will generally only be of benefit if the management perform to the level whereby the value of the Company increases sufficiently to warrant exercising those Options.

The Options will have an expiry date of 30 June 2021 and an exercise price equal to 1.5 cents. The 5 day VWAP up to and including the date of this Notice is \$0.013.

The Option terms are set out in Annexure B.

##### **Listing Rules Chapter 7**

The Shareholder approval sought under Resolution 8 for the Option issue means that the Company's 15% placement capacity under listing Rule 7.1 will not be reduced and the Company will retain the flexibility to issue equity securities in the future in accordance with Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

##### **Resolution 8 - Information Required by Listing Rule 7.3**

Listing Rule 7.3 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval for Resolution 8:

- (a) The total number of Options to be issued is 2,500,000;
- (b) The unlisted Options will be issued not later than 3 months after the date of the Meeting (or such other later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that allotment will occur on the same date;
- (c) The unlisted Options will be issued for nil cash consideration and will be exercisable by payment of 1.5 cents on or before expiry on 30 June 2021;
- (d) The Options are to be issued to Mark Pitts, who is not a related party of the Company;
- (e) No funds will be raised from the issue as the Options are to be issued for nil cash consideration.

The Chairman intends to vote all available proxies in favour of Resolution 8.

**ANNEXURE A – TERMS AND CONDITIONS OF BROKER OPTIONS THE  
SUBJECT OF RESOLUTION 3**

A summary of the terms and conditions of the Options the subject of Resolution 3 are set out below:

The Options entitle the holder to subscribe for Shares on the following terms:

- a) Each Option entitles the holder to subscribe for and be allotted one Share at an exercise price of 1 cents.
- b) The Options are exercisable prior to 5.00 pm WST time on the date which is five years from the date of issue by notice in writing to the Company accompanied by:
  - (i) A properly executed Notice of Exercise;
  - (ii) payment of the exercise price;
- c) Subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Options are transferable.
- d) Shares will be allotted and issued pursuant to the exercise of Options within 10 business days following receipt of a properly executed notice of exercise of the Options.
- e) Shares issued upon exercise of the Options will rank equally in all respects with the other quoted Shares then on issue. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options, subject to the requirements of the Listing Rules.
- f) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered or made to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes for determining entitlements to any such issue, the record date will be the date as is prescribed by the Listing Rules. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- g) In the event of any new or bonus issues, there are no rights to a change in the exercise price or the number of underlying securities over which the Options can be exercised. Except that the exercise price of an Option may be reduced in accordance with the ASX listing rules in the event that a pro-rata issue is made to the holders of the underlying securities in the Company.
- h) In the event of any re-organisation (including a consolidation, sub-division, reduction or return) of the issued capital of the Company on or prior to the expiry date, the rights of the optionholder will be changed to the extent necessary to comply with the applicable Listing Rules at the time of re-organisation.
- i) The Company will as required by the Listing Rules send notice to the optionholders stating the name of the optionholder, the number of the Options held and the number of Shares to be issued on exercise of the Options, the exercise price, the due date for payment, and the consequence of non-payment.
- j) The Company will not apply for quotation of the Options on ASX.

**ANNEXURE B – TERMS AND CONDITIONS OF OPTIONS THE SUBJECT OF  
RESOLUTIONS 4, 5, 6, 7 AND 8**

A summary of the terms and conditions of the Options the subject of Resolutions 4, 5, 6, 7 and 8 are set out below:

The Options entitle the holder to subscribe for Shares on the following terms:

- a) Each Option entitles the holder to subscribe for and be allotted one Share at an exercise price of 1.5 cents.
- b) The Options are exercisable at any time prior to 5.00 pm WST time on 30 June 2021 by notice in writing to the Company accompanied by:
  - (iii) A properly executed Notice of Exercise;
  - (iv) payment of the exercise price;
- c) Subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Options are not transferable.
- d) Shares will be allotted and issued pursuant to the exercise of Options within 10 business days following receipt of a properly executed notice of exercise of the Options.
- e) Shares issued upon exercise of the Options will rank equally in all respects with the other quoted Shares then on issue. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Director Options, subject to the requirements of the Listing Rules.
- f) There are no participating rights or entitlements inherent in the Director Options and holders will not be entitled to participate in new issues of capital offered or made to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes for determining entitlements to any such issue, the record date will be the date as is prescribed by the Listing Rules. This will give optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- g) In the event of any new or bonus issues, there are no rights to a change in the exercise price or the number of underlying securities over which the Director Options can be exercised. Except that the exercise price of an Option may be reduced in accordance with the ASX listing rules in the event that a pro-rata issue is made to the holders of the underlying securities in the Company.
- h) In the event of any re-organisation (including a consolidation, sub-division, reduction or return) of the issued capital of the Company on or prior to the expiry date, the rights of the optionholder will be changed to the extent necessary to comply with the applicable Listing Rules at the time of re-organisation.
- i) The Company will as required by the Listing Rules send notice to the optionholders stating the name of the optionholder, the number of the Director Options held and the number of Shares to be issued on exercise of the Director Options, the exercise price, the due date for payment, and the consequence of non-payment.
- j) The Company will not apply for quotation of the Options on ASX.
- k) Subdivision 83A-C of the Income Tax Assessment Act 1997 applies to these Options except to the extent an Offer provides otherwise.

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## 5. GLOSSARY

\$ means Australian dollars.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**Company** or **SPX** means Spectrum Rare Earths Limited (ACN 115 770 226).

**Constitution** means the Company's constitution.

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

**Directors** means the current directors of the Company.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an unlisted option to acquire an Share on the terms and conditions as set out in this Explanatory Statement and the Annexures thereto.

**Ordinary Securities** has the meaning set out in the ASX Listing Rules.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Section** means a section of the Explanatory Statement.

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

**Shareholder** means a registered holder of a Share.

**VWAP** means Volume Weighted Average Price, calculated over the specified number of Business Days.

**WST** means Western Standard Time as observed in Perth, Western Australia.

**PROXY FORM**

**SPECTRUM RARE EARTHS LIMITED  
ACN 115 770 226  
GENERAL MEETING**

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

**OR:**  the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 10.00 am WST, on Friday, 4 May 2018 at Suite 8, 7 The Esplanade Mt. Pleasant WA 6153, and at any adjournment thereof.

**AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS**

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 4,5,6,7 and 8 (except where I/we have indicated a different voting intention below or where the resolution involves the Chair) even though Resolutions 4,5,6,7 and 8 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

**CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES**

The Chair intends to vote undirected proxies in favour of all Resolutions with the exception of the resolution involving himself. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Ratification of prior Issue of shares under LR 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of prior Issue of shares under LR 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval to issue options to DJ Carmichael Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to issue options to Alexander Hewlett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval to issue options to Davide Bosio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval to issue options to Nader El Sayed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval to issue options to Leonid Charuckyj	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval to issue options to Mark Pitts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: \_\_\_\_\_ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: \_\_\_\_\_

Contact name: \_\_\_\_\_

Contact ph (daytime): \_\_\_\_\_

E-mail address: \_\_\_\_\_

Consent for contact by e-mail in relation to this Proxy Form: YES  NO

## Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
  - **(Individual):** Where the holding is in one name, the Shareholder must sign.
  - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
  - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (d) post to Suite 8, 7 The Esplanade Mt. Pleasant WA 6153; or
  - (e) facsimile to the Company on facsimile number +61 8 9315 5475; or
  - (f) email to the Company at [info@spectrumrareearths.com.au](mailto:info@spectrumrareearths.com.au),so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy Forms received later than this time will be invalid.**