

3rd May 2017

Market Announcements Platform
Australian Securities Exchange



UNMARKETABLE PARCEL SHARE SALE FACILITY & COMPANY RESTRUCTURE

Spectrum Rare Earths Limited (**SPX** or **Company**) is pleased to announce it has established a share sale facility for holders of unmarketable parcels of shares in the Company (**Facility**).

The ASX listing rules define an unmarketable parcel as those with a market value of less than \$500. As at the Record Date, being close of business on 2nd May 2017, of the 1,094 SPX shareholders, 755 held an unmarketable parcel of less than 62,500 shares.

SPX is providing the Facility to holders of unmarketable parcels to sell their shares without incurring any costs that could otherwise make a sale of their shares uneconomic. In addition the Company expects to reduce the administrative costs associated with maintaining a large number of small shareholders.

The shares are to be sold on market shortly after the Closing Date and each shareholder will receive their proportionate share of the sale proceeds for all shares sold through the Facility.

A summary of the Key Dates in relation to the Facility is as follows:

Unmarketable Parcels Record Date – 2 May 2017 at close of business

Unmarketable Parcels Announcement Date – 3 May 2017

Letter sent to Shareholders holding Unmarketable Parcels – 3 May 2017

Closing Date for receipt of Share Retention Form – 16 June 2017

Unmarketable Parcels Payment Date – expected to be on or before 30 June 2017

Attached is a copy of the letter and the Share Retention Form which will be sent on 3rd May 2017 to all shareholders holding an unmarketable parcel of SPX shares on the Record Date.

Yours faithfully

Spectrum Rare Earths Limited

A handwritten signature in black ink, appearing to read "G R Boden", is written over a white background.

G R Boden
Company Secretary

3rd May 2017

Dear Shareholder



IMPORTANT NOTICE

SALE OF YOUR UNMARKETABLE PARCEL OF SPECTRUM RARE EARTHS LIMITED SHARES

I am writing to advise you that Spectrum Rare earths Limited (**SPX**) has established a share sale facility (**Facility**) for holders of less than 62,500 shares (**Unmarketable Parcels**).

Following the recent share placements and director changes, the Board of SPX has determined to act on Clause 3 of the Company's Constitution, which permits the Company to sell the Unmarketable Parcel shareholdings of minority members.

Minority members are those whose shares are valued in aggregate at less than \$500, determined by reference to the WAP (Weighted Average Price) of the sale price of SPX shares on the Australian Securities Exchange (ASX) during a period of 5 consecutive trading days immediately preceding this Notice, rounded off to the nearest half cent or, if there are no sales of the relevant securities on ASX during that period the sale price which in the opinion of the directors is a fair and reasonable sale price for the relevant securities immediately prior to the relevant Notice Date.

SPX is offering the Facility to assist holders of Unmarketable Parcels to sell their shares. Holders of Unmarketable Parcels who take advantage of the Facility will have their shares sold by SPX (as agent). SPX will pay all costs associated with the sale (although any tax consequences from the sale of your shares will be your responsibility).

Our records show that you hold an Unmarketable Parcel. In accordance with Clause 3 of SPX's Constitution, unless you advise SPX that you **do not** wish to sell your shares, SPX intends to sell your shares through the Facility. The proceeds of the sale will be sent to you as soon as practicable following the completion of the sale.

What should you do if you do not wish to sell your shares?

If you do **not** wish to sell your shares through the Facility you must complete and return the enclosed Share Retention Form so that it is received by **4:00pm (WST) on 16 June 2017**.

If you want to sell your shares through the Facility you do not need to take any action.

If you need help deciding what to do, or if you require information regarding the financial, legal or tax consequences of participating in the Facility, you should consult your legal, financial or taxation adviser.

This letter sets out further details of the Facility, which you should read before making any decision. You can also contact SPX's share registry, Security Transfer Australia Pty Ltd, on 1300 992 916, if you have any queries about lodging your notice to exempt form or the practical operation of the Facility.

Yours faithfully

Spectrum Rare Earths Limited

A handwritten signature in black ink, appearing to read 'G Boden', written in a cursive style.

Graeme Boden

Company Secretary

MORE INFORMATION ON THE FACILITY

1. What is an Unmarketable Parcel of shares?

A parcel of 62,500 shares or less (as at the date of this letter).

2. What price will I receive for shares sold through the Facility?

The price that you receive for your shares under the Facility will be the “**Minimum Sale Price**” under the Company’s Constitution. This means the price per share equal to the simple average of the last sales price of SPX shares for each of the ten trading days immediately preceding the date of any offer received by the Company for the purchase of all of the SPX shares owned by the Minority Member. The offer will have to be after the 16th June date for 2017, the date by which Minority Members may opt out of the sale facility. If there are no sales of the relevant securities on ASX during that period the Minimum Sale Price will be the sale price which in the opinion of the directors is a fair and reasonable sale price for the relevant securities immediately prior to the date of the offer for the shares of the Minority Member.

3. When will the proceeds from the sale of shares be sent to me?

Payment will be sent to you as soon as practicable after your shares are sold. Payment will be made in Australian dollars by EFT or by cheque. Security Transfer Australia Pty Ltd (the Company’s Share Registry) will notify you, by way of a transaction confirmation advice, of the number of your shares sold and the price per share and total sale proceeds you have received. The transaction confirmation advice will be sent by post, to your address as shown in the share register, as will your cheque, if that is how you have elected to receive funds from the Company, otherwise funds will be remitted by EFT.

4. Where can I get further information?

If you have any questions concerning your shareholding or how the Facility will work, please contact our share registry, Security Transfer Australia Pty Ltd on 1300 992 916 or by email to registrar@securitytransfer.com.au.

5. What do I need to do if I wish to retain my shares?

To ensure your shares are not sold in the Facility, complete the enclosed ‘Notice to Exempt’ form and return it to SPX’s share registry. The form can be returned using the enclosed envelope:

- by post to Security Transfer Australia Pty Ltd at PO Box 52, Collins Street West, Victoria 8007 or
- by facsimile to Security Transfer Australia Pty Ltd on facsimile number (08) 9315 2233.

6. Important notes

If you currently have more than one holding on the SPX share register, you may wish to consider amalgamating them. This may result in your amalgamated holding no longer being an Unmarketable Parcel and therefore no longer eligible to participate in the Facility. For further advice in this regard, please contact SPX’s share registry on 1300 992 916.

This letter does not constitute advice or a recommendation to buy, sell or hold shares nor that the Facility is the best way to sell your SPX shares.

Whilst this Facility is in place, you may also sell any shares you hold on market, including any that constitute an Unmarketable Parcel for the purposes of the Listing Rules.

If you are in any doubt about what to do, you should consult your legal, financial or tax adviser.

NOTICE OF RETENTION OF SHARES FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

REGISTERED OFFICE:
15 LOVEGROVE CLOSE
MOUNT CLAREMONT WA 6010
AUSTRALIA

SPECTRUM RARE EARTHS LIMITED

ABN: 94 115 770 226

SHARE REGISTRY:
Security Transfer Australia Pty Ltd
All Correspondence to:
PO Box 52
Collins Street West VIC 8007
Suite 913, Exchange Tower
530 Little Collins Street
MELBOURNE VIC 3000
T: 1300 992 916 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au



«Post_zone»
«Company_code» «Sequence_number»

«Holder_name»
«Address_line_1»
«Address_line_2»
«Address_line_3»
«Address_line_4»
«Address_line_5»

Code:
Holder Number:
Shares Held:
Record Date:

RETENTION OF SHARES CLOSING AT 4:00PM WST 16 JUNE 2017.

I/We the Shareholder(s) described above by signing this form, hereby give notice that I/we wish to retain my/our shareholding in Spectrum Rare Earths Limited, pursuant to Section 3 of the Spectrum Rare Earths Limited Constitution.

Security Holder(s) Signature(s). This section must be signed for your instructions to be executed.

Individual or Security Holder	Individual or Security Holder	Individual or Security Holder
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director & Sole Company Secretary	Sole Director & Sole Company Secretary	Sole Director & Sole Company Secretary

Notes:

- For full details, please read the Notice dated 3 May 2017.
- If you wish to retain your shareholding in the Company, please sign this notice in the space provided and return it to the Company's share registry by 4:00pm WST 16 June 2017.
- Notice in respect of a corporation must be executed in accordance with the constitution of that corporation.
- Notices signed under power of attorney or by the executor of an estate must be accompanied by a copy of that power or letters of administration, as the case may be, unless previously lodged for noting.
- In the case of holdings held by two or more persons, all holders must sign.

My/Our contact details in case of enquiries are:

NAME **TELEPHONE NUMBER** ()

EMAIL ADDRESS

<p>IF YOU WISH TO RETAIN YOUR SHARES <u>PLEASE RETURN THIS NOTICE TO THE COMPANY'S SHARE REGISTRY:</u></p> <p>Security Transfer Australia Pty Ltd POST: PO Box 52 Collins Street West VIC 8007 DELIVERY: Suite 913, Exchange Tower 530 Little Collins Street MELBOURNE VIC 3000 Facsimile +61 8 9315 2233 Email: registrar@securitytransfer.com.au</p>	<p style="text-align: center;">REGISTRY DATE STAMP</p> <p style="text-align: center;">E & O.E.</p>
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PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.