

American Rare Earths Ltd

(ASX:ARR)

An Australian exploration company focused on the discovery & development of strategic technology mineral resources

Commodity Exposure

Rare Earth Elements, Heavy Mineral Sands, Cobalt, Base & Precious Metals, Industrial Metals

Directors & Management

Creagh O'Connor
Non-Executive Chairman
Keith Middleton
Executive Director
Geoff Hill
Non-Executive Director
Denis Geldard
Non-Executive Director
Jim Guilinger
Chief Technical Advisor
Wayne Kernaghan
Company Secretary

Capital Structure

Ordinary Shares on Issue (30/09/20) 291M
Market Cap (undiluted at 3.5 cps) $10.2M

American Rare Earths Ltd

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27 October 2020

September 2020 Quarterly Activities Report

Highlights

- Updated NI 43-101 Technical Report completed and published for the La Paz project in Arizona
- Wyoming Rare, agreement signed for the purchase of the Laramie Rare Earth project in Wyoming
- Sampling Program at La Paz, reports published
- Trenching Program at La Paz, reports published
- 176, U.S Department of the Interior, Bureau of Land Management, (BLM) mining claims renewed at La Paz
- 42, **New** U.S Department of the Interior, Bureau of Land Management, (BLM) mining claims granted at La Paz
- A JORC 2012 compliant Technical Report incorporating historical data and analysis of recent field work at La Paz is being undertaken by the technical team

La Paz Rare Earth Project: NI 43-101 Upgrade

The Report dated 23 July 2020 was prepared by Erik A. Ostensoe, a Qualified Person as defined in National Instrument 43-101. The report was prepared to provide written disclosure of the La Paz Rare Earth Project, located in La Paz County, Arizona, USA, a property that is material to La Paz Rare Earth LLC, and to recommend a staged program of exploration of that property.

For a copy of the NI 43-101 Report, click here

Wyoming Rare Strategic Acquisition

Wyoming Rare (USA), operates the Laramie Rare Earths Elements (REE) Project in Wyoming. The acquisition includes the Company acquiring all data, samples and maps, associated with the Laramie REE Project and the exploration permits. The purchase is subject to a condition precedent of the grant of one or more mineral leases, that Zenith will sell to ARR, or its nominee.

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Highlights of Sampling Program – La Paz Rare Earth Project

The significance of this report is the identification of the various rock types within the resource area. Petrographic analysis of all samples has provided details of the most prolific mineralized rocks containing Rare Earth Elements (REE) and Scandium which also resides within the mineralized zones.

Now with a better understanding of the genesis of the REE's together with the contained Scandium the resource geologists are producing 3D models which will provide a pathway to the next steps in planning drill targets to further define the resource within the expanded La Paz mineralized system.

Highlights of Trenching Program – La Paz Rare Earths Project

A trenching program was conducted between the 2 mineralization zones which have been divided by alluvium. The purpose of the trenching was to reach bedrock from which more samples could be taken and to identify the underlying rock types. Pending assay returns, the initial identification of rock types shows the potential of linking the original resource to the new expanded locations. Further work is being undertaken to support the belief that the two zones are in fact one very large mineralized system which significantly adds to the La Paz footprint.

Update on Australian Mining Claims

Following our strategic review, during the June 2020 quarter, the Company rationalized its Murray Basin tenement holdings - to focus on our North American rare earth elements holdings.

The following Victorian tenements, (EL 6614, EL6583, EL 6584, EL 6585) have been relinquished.

The Company's Broken Hill region tenements have not changed. (EL 8773, EL 8776, EL 8775).

Update on La Paz Mining Claims

During the quarter the company's Arizona mining claims (AMCs) have been overhauled (Map 1 attached).

Significantly, the State of Arizona, mineral exploration permit over 639 acres has been renewed. The 176, U.S Department of the Interior, Bureau of Land Management, mining claims were renewed. Which together with the 42, **New** U.S Department of the Interior, Bureau of Land Management, mining claims granted at La Paz gives the company over 20 square kilometers of continuous claim control. The current property position has been expanded to the Southwest due to favorable Rare Earths and Scandium sampling results. This presents the opportunity to increase the resource through additional drilling in this area in 2021. The current lode claims, and AZ State Exploration Permit Area held by the Company is 5,143 Acres (2,081 Hectares). The current defined resource sits within an area of approximately 525 of those acres (212 Hectares).

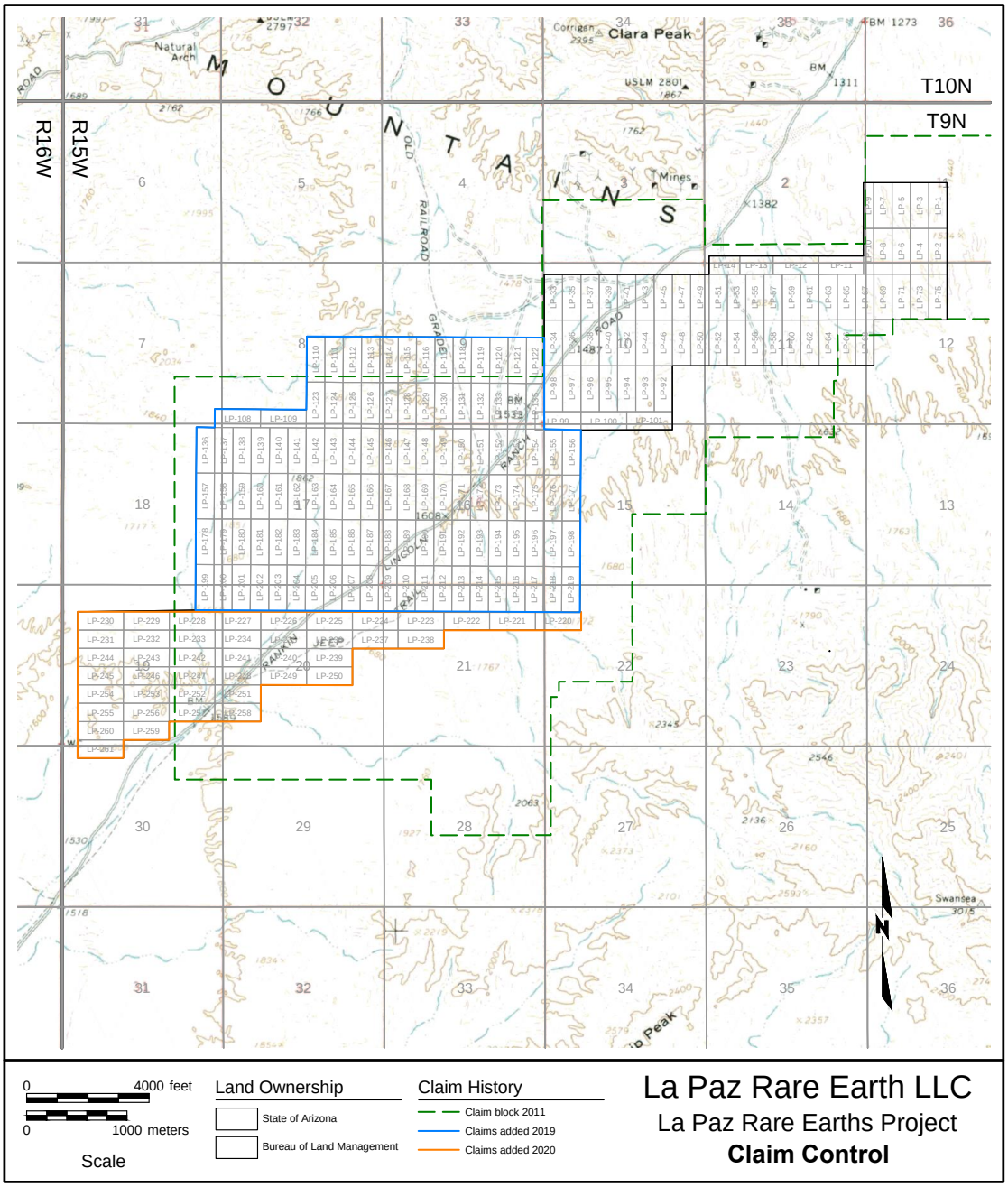
Update on Technical reporting; JORC 2012 and La Paz field work

A JORC 2012 compliant Technical Report, incorporating historical data and analysis of recent field work at La Paz is being undertaken by the technical team.

A limited 6-hole coring program has been proposed and is anticipated to begin in November 2020. The cost of this drilling program and associated metallurgical test work is estimated at $390,000. Initial metallurgical test work would begin post the drilling program in November or December. Pending the results of this work, more advanced metallurgical studies should be implemented in early 2021. The Wood Group in Perth recommended an advanced metallurgical testing program based on the test results to date. Pending the results of the late 2020 core test work the proposed Wood program should be evaluated in detail for delivery.

These activities undertaken by the Company will provide the backdrop for the planned Preliminary Economic Assessment (PEA) due for completion in late 2021.

Map 1



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Corporate Update

During the previous quarter a number of significant milestones were achieved in the ongoing development of the company and its focus on its Rare Earth Assets in North America.

During the quarter the company formalised the creation of Western Rare Earths (WRE) and the appointment of the board of directors. Australian based directors Creagh O'Connor,(Chairman), Geoff Hill and Denis Geldard joined with the American team of Clarence McAllister, Marty Weems,(CEO), Sten Gustafson and Melissa Sanderson to form a team who collectively bring with them the technical skills and political know-how that is required to succeed in this sector and oversee the development of this asset

The US based consulting geologist, John Peterson, was thanked for his commitment to the La Paz project and ARR welcomed Jim Guilinger as the new consulting geologist and author of technical reports since September 2020.

Mr. M Hill resigned as a director of the company on 24 September 2020. Mr. Ian Morgan resigned on September 25 from his position as Company Secretary and Mr. Wayne Kernaghan was appointed into this position. The company has paid directors fees and consulting fees of $110,000 to current and retiring directors for the quarter. Of which $75,875 was paid to retiring Director Matt Hill, and the remaining $34,298 was paid to executive and non-executive directors for the period.(previous period $45,846)

Exploration Expenditure for the reporting period was $137,000 which included the payment of annual rent on tenements and work on the La Paz Project.

In addition to our net cash position the company maintains a considerable holding via its shares in Cobalt Blue (ASX:COB) and deferred consideration via its convertible note (CN) and its promissory note (PN) from the transfer of its Thackaringa assets in February 2020.

This market announcement has been authorized for release to the market by the Board of American Rare Earths Limited.

F Creagh O'Connor AM

Chairman

This ASX announcement refers to information extracted from the market announcements, which are available for viewing on ARR's website **https://americanrareearths.com.au**

ARR confirms it is not aware of any new information or data that materially affects the information included in the original market announcements, and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. ARR confirms that the form and context in which the Competent Person's findings presented have not been materially modified from the original market announcements.

Competent Persons Statement: The information in this report that relates to Exploration Results is based on information compiled by Mr. Jim Guilinger. Mr. Guilinger is a Member of a Recognised Overseas Professional Organisation included in a list promulgated by the ASX (SME Registered Member of the Society of Mining, Metallurgy and Exploration Inc). Mr. Guilinger is Principal of independent consultants World Industrial Minerals LLC. Mr. Guilinger has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking 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. Guilinger consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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Annexure 1
American Rare Earths Limited Tenement Schedule as at 30 September 2020
Australia

Reference	Beneficial Interest %	Location	Reference	Location	Reference	Location
EL8773	100%	Broken Hill Region	-	-	EL8773	Broken Hill Region
EL8776	100%	Broken Hill Region	-	-	EL8776	Broken Hill Region
EL8775	100%	Broken Hill Region	-	-	EL8775	Broken Hill Region
EL006614	100%	Murray Basin Region	EL006614 relinquished	Murray Basin Region	-	-
EL006583	100%	Murray Basin Region	EL006583 relinquished	Murray Basin Region	-	-
EL006584	100%	Murray Basin Region	EL006584 relinquished	Murray Basin Region	-	-
EL006585	100%	Murray Basin Region	EL006585 relinquished	Murray Basin Region	-	-

Annexure 2
American Rare Earths Limited Tenement Schedule as at 30 September 2020
La Paz, Arizona, USA

Mining tenements at beginning of quarter				Mining tenements acquired or disposed/expired during the quarter		Mining tenements held at the end of the quarter		
Serial Number	Claim Name	Claimant Name	Beneficial Interest %	Reference	Location	Serial Number	Claim Name	Claimant Name
639 Acres	Lease Number 008-120965-00	LA PAZ RARE EARTH LLC	100%	-	-	639 Acres	Lease Number 008-120965-00	LA PAZ RARE EARTH LLC
AMC456814 - AMC456827	LA PAZ 1-14	LA PAZ RARE EARTH LLC	100%	-	-	AMC456814 - AMC456827	LA PAZ 1-14	LA PAZ RARE EARTH LLC
AMC456828 - AMC456845	LA PAZ 15-32	LA PAZ RARE EARTH LLC	100%	AMC456828 – AMC456845 disposed	La Paz, Arizona, USA	-	-	-
AMC456846 - AMC456882	LA PAZ 33-69	LA PAZ RARE EARTH LLC	100%	-	-	AMC456846 - AMC456882	LA PAZ 33-69	LA PAZ RARE EARTH LLC
AMC456883	LA PAZ-70	LA PAZ RARE EARTH LLC	100%	AMC456883 disposed	La Paz, Arizona, USA	-	-	-
AMC456884	LA PAZ-71	LA PAZ RARE EARTH LLC	100%	-	-	AMC456884	LA PAZ-71	LA PAZ RARE EARTH LLC
AMC456885	LA PAZ-72	LA PAZ RARE EARTH LLC	100%	AMC456885 disposed	La Paz, Arizona, USA	-	-	-
AMC456886	LA PAZ-73	LA PAZ RARE EARTH LLC	100%	-	-	AMC456886	LA PAZ-73	LA PAZ RARE EARTH LLC
AMC456887	LA PAZ-74	LA PAZ RARE EARTH LLC	100%	AMC456887 disposed	La Paz, Arizona, USA	-	-	-
AMC456888	LA PAZ-75	LA PAZ RARE EARTH LLC	100%	-	-	AMC456888	LA PAZ-75	LA PAZ RARE EARTH LLC
AMC456889 - AMC456904	LA PAZ 76-91	LA PAZ RARE EARTH LLC	100%	AMC456889 - AMC456904 disposed	La Paz, Arizona, USA	-	-	-
AMC456905 - AMC456914	LA PAZ 92 - 101	LA PAZ RARE EARTH LLC	100%	-	-	AMC456905 - AMC456914	LA PAZ 92 - 101	LA PAZ RARE EARTH LLC
AMC456915 - AMC456920	LA PAZ 102 – 107	LA PAZ RARE EARTH LLC	100%	AMC456915 - AMC456920 disposed	La Paz, Arizona, USA	-	-	-
AMC458543 - AMC458654	LA PAZ 108 - 219	LA PAZ RARE EARTH LLC	100%	-	-	AMC458543 - AMC458654	LA PAZ 108 - 219	LA PAZ RARE EARTH LLC
-	-	-	-	AMC461270 – AMC461311 acquired	La Paz, Arizona, USA	AMC461270 – AMC461311	LA PAZ 220 - 261	LA PAZ RARE EARTH LLC

Appendix 5B

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

Name of entity	
American Rare Earths Limited	
ABN	Quarter ended ("current quarter")
83 003 453 503	30 September 2020

	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	52	52
1.2	Payments for		
	(a) exploration & evaluation	(34)	(34)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	-	-
	(e) administration and corporate costs	(315)	(315)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(2)	(2)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(299)**	**(299**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(103)	(103)
	(e) investments	(14)	(14)
	(f) other non-current assets	-	-

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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): Lease payment	(15)	(15)
2.6	**Net cash from / (used in) investing activities**	**(132)**	**(132)**

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	-	-
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**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,434	1,434
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(299)	(299)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(132)	(132)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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	(28)	(28)
4.6	**Cash and cash equivalents at end of period**	**975**	**975**

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	932	1,391
5.2	Call deposits	43	43
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)**	**975**	**1,434**

6.	**Payments to related parties of the entity and their associates**	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1[1]	110
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

[1]Payment of fees and consulting fees to current and retiring directors

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	4,000[2]	-
7.4	**Total financing facilities**	4,000	-

7.5	**Unused financing facilities available at quarter end**	4,000

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(299)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(103)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(402)
8.4	Cash and cash equivalents at quarter end (item 4.6)	975
8.5	Unused finance facilities available at quarter end (item 7.5)	4,000
8.6	Total available funding (item 8.4 + item 8.5)	4,975
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	12.37

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 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

8.8.2 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

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8.8.3	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	
Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.	

[2] $1M three-year convertible note convertible on 18 January 2021 or on 17 January 2022 or on maturity, and a $3M five-year promissory note.

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: 27 October 2020

Authorised by: Wayne J Kernaghan (Company Secretary)
(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.

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