

TARGET MARKET DETERMINATION

MADE BY: Heavy Rare Earths Limited (ABN 35 648 991 039) of c/o JM Corporate Services Pty Ltd, Level 21, 459 Collins Street, Melbourne VIC 3000 (**the Company** or **HRE**).

OFFERS: Unlisted options are proposed to be issued under the following offers made in a prospectus of the Company (**Prospectus**) dated 5 July 2022:

- An aggregate of 9,500,000 unlisted options (comprising 7,000,000 Class A Options and 2,500,000 Class B Options) (**Founder Option Offer**); and
- An aggregate of 4,700,000 unlisted options (comprising 2,850,000 Class A Options and 1,850,000 Class B Options) (**Advisor Option Offer**).

PRODUCTS: The classes of unlisted options proposed to be offered and issued under the Prospectus will have the exercise price and expiry dates set out below:

Class of option	Exercise Price	Expiry Date
Class A Options	\$0.30 (30 cents)	3 years from Listing
Class B Options	\$0.40 (40 cents)	3 years from Listing

EFFECTIVE DATE: 5 July 2022

This target market determination (**TMD**) has been prepared by the Company in relation to the offers of unlisted options made by the Company under the Prospectus. The Prospectus has been lodged with Australian Securities and Investments Commission (**ASIC**) and is available on the website of the Company. Capitalised terms not defined in this TMD are as defined in the Prospectus.

The Founder Option Offer is made to former or existing Directors of the Company (and/or their nominee(s)) in recognition of their role in the formation and development of the activities of HRE.

The Lead Advisor Option Offer is made to third party advisors including the Lead Managers (and/or their nominee(s)) as part consideration for advisory services provided to the Company.

The Founder Option Offer and the Advisor Option Offer are referred to collectively as the **Option Offers**. The Option Offers will only be made to and capable of acceptance by invitees who receive a personalised application form from the Company to apply under the Option Offers (or either of them).

The Option Offers will be made under, or accompanied by, a copy of the Prospectus. Any recipient of this TMD should carefully read and consider the Prospectus in full and consult their professional adviser if they have any questions regarding the contents of the Prospectus.

Any recipient of this TMD who wishes to participate in the Option Offers (or either of them) will need to complete the application form that will be in, or will accompany, the Prospectus. This TMD is not a disclosure document for the purposes of the Corporations Act and therefore has not been lodged, and does not require lodgement, with ASIC.

This TMD is not to be treated as a full summary of the product terms and conditions and is not intended to provide financial advice. Investors should refer to the Prospectus for the terms and conditions of the product and when making a decision in respect of the product.

Target market

Founder Options Offer

The target market for the Founder Option Offer is existing and former Directors of the Company (and/or their nominee(s)), in recognition of the role these existing and former Directors have performed in the formation and development of the activities of the Company.

Advisor Option Offer

The target market for the Advisor Option Offer are third party advisors including Lead Managers and/or their nominee(s) as part consideration for advisory services provided to the Company.

General

The information below summarises the overall general class of investors that fall within the target market for the Option Offers, based on the key attributes of the product and the objectives, financial situation and needs that they have been designed to meet.

The unlisted options offered pursuant to the Option Offers have been designed for investors whose likely objectives, financial situation and needs are aligned with the product.

The Company expects an investment in the securities the subject of the Option Offers will be suitable to investors who take a short to medium term outlook on their investment and are accustomed to making speculative investments in the mineral resources and exploration sector.

Investors with a short-term outlook for their investment will benefit from the opportunity to trade the underlying share on exercise of the unlisted options prior to the expiry date should there be a financial benefit in exercising an unlisted option if the exercise price is lower than the share price.

Investors with a medium term outlook will benefit from the opportunity to exercise the unlisted options prior to the expiry date and increase their shareholding and exposure to potential upside on the shares of the Company into the future.

An exercise price is required to be paid to acquire shares on exercise of unlisted options. As such, the capacity of the holder to realise the underlying value of the unlisted options could require that they be exercised on or before the expiry date. Investors in the target market will need be in a financial position to have sufficient available funds so as to facilitate an exercise of the unlisted options prior to the expiry date. Prior to the expiry date, the investors' ability to liquidate the unlisted options may be limited by a lack of liquidity in the trading and the price of the shares.

It is also expected that the target market of investors will be able to withstand potential fluctuations in the value of their investment. The unlisted options provide no income guarantee or capital protection for investors.

The Company considers that an investment in the unlisted options under the Option Offers (or either of them) and the Company generally is highly speculative, such that an investment in the Company may not be appropriate for an investor who would not be able to bear the loss of some or all of their investment. Investors should also have sufficient financial literacy and resources (including appropriate advisors) to understand and appreciate the potential risk of investing in the Company as an asset class generally and the more specific risks of investing in an ASX-listed mineral resources and exploration entity and should consider the Prospectus.

Distribution conditions

The Option Offers under the Prospectus are offers available to invitees who receive a personalised application form from the Company to apply under the Option Offers (or either of them). The

Company will include a copy of this TMD on its website and require proposed participants in the Option Offers (or either of them) to confirm they meet the eligibility criteria of the expected target market outlined in this TMD before they apply under the Option Offers (or either of them).

Review triggers

The Option Offers are open for acceptance for a limited offer period set out in the Prospectus and only invitees determined by the Company will be able to participate. The Option Offers will no longer be available for investment following close of the offer period. Accordingly, this TMD applies between the commencement of the Option Offers and the issue of the unlisted options (**Offer Period**).

To allow the Company to determine whether circumstances exist indicating this TMD is no longer appropriate to the unlisted options, the following review triggers apply for the Offer Period:

- new offers of unlisted options that requires preparation of a disclosure document is made after completion of the Offer Period;
- any event or circumstance occurs that materially changes a factor that was taken into account in making this TMD;
- the existence of a significant dealing of the unlisted options that is not consistent with this TMD;
- ASIC raises concerns with the Company regarding the adequacy of the design or distribution of the unlisted options or this TMD; and
- Material changes to the regulatory environment that applies to an investment.

Review period

If a review trigger occurs during the Offer Period, the Company will review this TMD in light of the review trigger. The Company will otherwise complete a review of the TMD immediately prior to the issue of the unlisted options under the Option Offers.

Information reporting

The reporting requirements of all distributors is set out below:

Whether the distributor received complaints

- During the Offer Period, the distributor is to make a report within 10 business days after the end of each quarter. Report also to be made 10 business days after the end of the Offer Period.
- Report to include the number of complaints received and a summary of the nature of each complaint or a copy of each complaint.

A significant dealing that is not consistent with this TMD

- Report as soon as reasonably practicable (and in any event no more than 10 business days) after the significant dealing occurs.
- Report to include details of the significant dealing and reasons the distributor considers the significant dealing is not consistent with this TMD.

Summary of steps to be taken by the distributor to ensure its conduct was consistent with this TMD

- Within 10 business days after close of the Option Offers.
- Report to include a summary of steps taken by the distributor to ensure its conduct was consistent with this TMD.

Contact

For further information please contact the Company by email to justin@jmcop.com.au.