

12 July 2024

BY EMAIL: CriticalMineralsProductionTaxIncentive@treasury.gov.au

Dear Director,

Critical Minerals Production Tax Incentive: Consultation paper feedback

Australian Rare Earths Ltd (AR3) welcomes the opportunity to provide feedback on the Australian Government's Critical Minerals Production Tax Incentive: Consultation paper.

About AR3

AR3 is committed to the timely exploration and development of its 100% owned, flagship Koppamurra Project, located in southeastern South Australia and western Victoria. Koppamurra is a large ionic clay hosted rare earth deposit, uniquely rich in all the rare earth elements (Neodymium, Praseodymium, Dysprosium and Terbium) required in the manufacture of rare earth permanent magnets which are essential components in electric vehicles, wind turbines and domestic appliances.

As an ionic clay hosted rare earths deposit, Koppamurra benefits from a processing pathway with significantly lower construction lead times, and shorter ramp up to full commercial production, than other forms of rare earth deposits. As such, AR3's Koppamurra deposit has the potential to be one of the first of the next generation of rare earth producers in Australia. Supportive policy settings will significantly improve the prospects of this coming to fruition.

The project is an opportunity to bring diversity to global rare earths supply, strengthen international supply chains and contribute to Australia's Critical Minerals Strategy. The project will provide investment and potentially create a new industry in the south-east of South Australia. This project has capacity to provide Mixed Rare Earth Carbonate (MREC) for integration into new rare earth magnet manufacturing global supply chains, aiding an alternate supply chain of rare earth permanent magnet and reducing the reliance on current sources from China.

AR3 and the Australian Government's Critical Minerals Production Tax Incentive

AR3 commends the Albanese Government on its leadership and vision with the introduction of a Critical Minerals Production Tax Incentive (CMPTI) supporting the 'Future Made in Australia' strategy. A reduction in tax burden on the critical minerals industry is an important initiative as the nation aspires to unlock value by transitioning from a supplier of raw materials, to a nation that is viewed as a global supplier of choice of increasingly processed critical minerals required to meet the growing global demand for diversified clean energy supply chains.

Eligible Outputs

AR3 looks forward to the opportunity to engage with the Department of Industry, Science and Resources (DISR) as they develop a list of specific outputs through separate consultation with industry to ensure appropriateness for users and producers of Australian processed critical minerals.

Today, the Rare Earth supply chain is heavily reliant on China. In order to reduce Australia's economic reliance and national security risk the establishment of a globally diversified rare earth supply chain is critical. There are a range of value add products in the rare earth supply chain that should be considered as Eligible Outputs for the CMPTI to assist in the establishment of a globally diversified rare earth supply chain. Any Eligible Outputs list should be expanded beyond an individual Rare Earth element at a minimum purity of 99 percent by mass. Other value added products, including MREC, should be included as an Eligible Output.

AR3 is supportive of *mining* activities of an ionic clay hosted rare earth deposit not being eligible processing activities for the CMPTI in the production of MREC but strongly recommends that the chemical processing of the ionic clays to produce MREC are included. The below figure provides an illustration of the Koppamurra Conceptual Project Flow Sheet and what part of the process should be Eligible Expenditure.

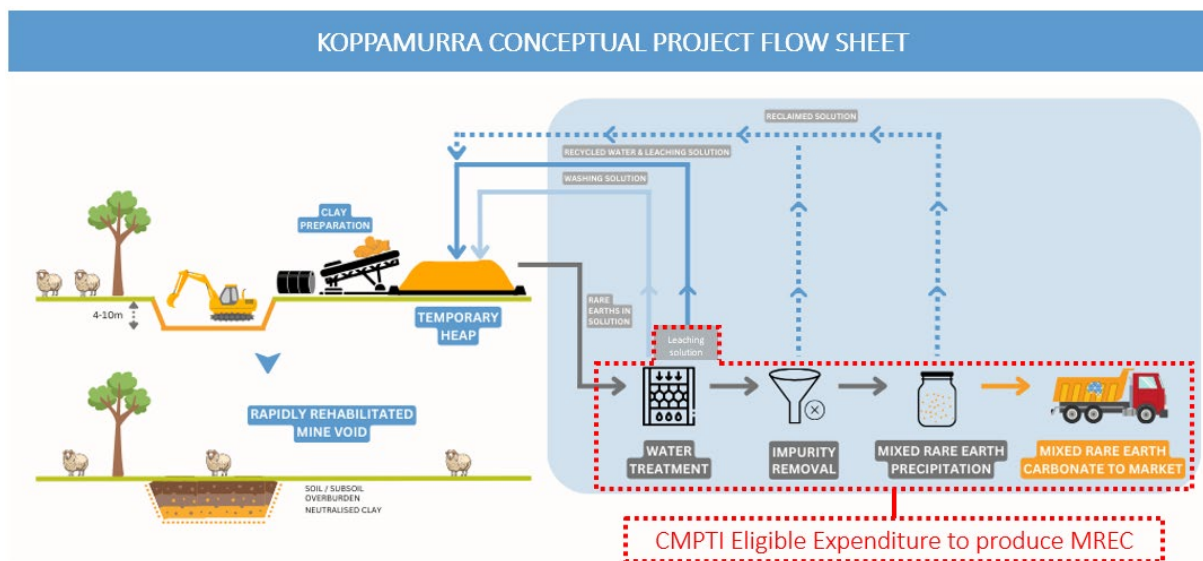


Figure 1: AR3's Koppamurra conceptual project flow sheet and proposed CMPTI Eligible Expenditure

A comparable and illustrative example would be rare earths from a monazite source. We do not propose that mining and beneficiating monazite from hard rock or mineral sands into a rare earth ore *concentrate* is an Eligible Output but that the chemical processing of the monazite concentrate to a mixed rare earth *carbonate* should be an Eligible Output. New and diversified supply of MREC from Australia will find a ready market among a range of customers in the EU, US, Japan and Korea.



AR3 would be pleased to provide Treasury or the Department of Industry, Science and Resources with further information about its Koppamurra project and any aspect of this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read "Travis Beinke".

Travis Beinke
Managing Director and CEO
Australian Rare Earths Ltd