

AMERICAN RARE EARTHS LIMITED

REMUNERATION COMMITTEE CHARTER

1. Composition

The Remuneration Committee shall comprise a minimum of two members (this will increase to a minimum of 3 members as the company grows), the majority preferably being independent directors. The Committee shall be chaired by an independent director.

From time to time, non-Committee members may be invited by the Committee to attend meetings of the Committee if it is considered appropriate.

2. Operations

The Committee shall meet at least once a year and otherwise as required. Minutes of all meetings of the Committee are to be kept; and the minutes and a report of actions taken to be given at each subsequent meeting of the full Board. Committee meetings will be governed by the same rules as set out in the company's constitution as they apply to meetings of the Board.

3. Responsibilities

The responsibilities of the Remuneration Committee include a review of and recommendation to the Board on

- (a) the company's remuneration, recruitment, retention and termination policies and procedures for senior executives
- (b) senior executives' remuneration and incentives
- (c) superannuation arrangements
- (d) the remuneration framework for directors, including non-executive remuneration
- (e) Remuneration by gender
- (f) employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

The Remuneration Committee may seek input from individuals on remuneration policies, but no individual shall be directly involved in deciding their own remuneration.

The Remuneration Committee should ensure that the board is provided with sufficient information to ensure informed decision-making.

4. Executive and Non-Executive Remuneration

The structure of executive remuneration should be clearly distinguished from non-executive remuneration.

Executive Remuneration

In considering the company's remuneration Policy and levels of remuneration for executives, the Committee makes recommendations which:

- (a) motivates executive directors and senior executives to pursue the long-term growth and success of the company.
- (b) demonstrates a clear correlation between senior executives' performance and remuneration.
- (c) prohibits executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.

To the extent that the company adopts a different remuneration structure for its executive directors, the Committee shall document its reasons for the purpose of disclosure to stakeholders.

Non-Executive Remuneration

In considering the company's remuneration policy and levels of remuneration for non-executive directors, the Committee is to ensure that:

- (a) fees paid to non-executive directors are within the aggregate amount approved by shareholders and make recommendations to the Board with respect to the need for increases to this aggregate amount at the company's annual general meeting.
- (b) non-executive directors are remunerated by way of fees (in the form of cash).
- (c) non-executive directors are not provided with retirement benefits; and
- (d) non-executive directors are not entitled to participate in equity-based remuneration schemes designed for executives without due consideration and appropriate disclosure to the company's shareholders.

To the extent that the company adopts a different remuneration structure for its non-executive directors, the Committee shall document its reasons for the purpose of disclosure to stakeholders.

5. Incentive Plans and Benefit Programs

The Committee is to:

- (a) review and make recommendations concerning long-term incentive compensation plans including the use of share options and other equity-based plans. Except as otherwise delegated by the Board, the Committee will administer equity-based and employee benefit plans, and as such will discharge any responsibilities under those plans, including making and authorising issues of equity in accordance with the terms of those plans;
- (b) ensure that incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide rewards when they are achieved; and
- (c) continually review and if necessary, improve any existing benefit programs established for employees.
- (d) obtain shareholder approval for proposed equity-based incentive plans which involve the issue of new shares to senior executives.

6. Authority and Resources

The company is to provide the Committee with sufficient resources to undertake its duties. The Committee may seek input from individuals on remuneration policies, but no individual should be directly involved in deciding their own remuneration.

The Committee has the authority, as it deems necessary or appropriate, to obtain advice from external consultants or specialists in relation to remuneration related matters.