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ARAFURA
RARE EARTHS LIMITED

ANNUAL REPORT 2025

30 June 2025

Arafura Rare Earths Limited | ABN 22 080 933 455



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CORPORATE DIRECTORY

Directors	Mark Southey | Chair & Non-Executive Director Darryl Cuzzubbo | Managing Director & Chief Executive Officer Cathy Moises | Non-Executive Director Michael Spreadborough | Non-Executive Director Roger Higgins | Non-Executive Director Ian Murray | Non-Executive Director
Company Secretary	Lewis Lowe and Matthew Foy
Annual General Meeting to be held at	BDO Audit Pty Ltd Level 9, Mia Yellagonga Tower 2 5 Spring Street Perth WA 6000
Time	10:00am (AWST)
Date	Thursday, 30 October 2025
Closing date for director elections	10 September 2025 Nominations must be received at Company's registered office by 5:00pm (AWST) on this day.
Principal registered office in Australia	Level 6, 432 Murray Street Perth WA 6000
Share Registry	MUFG Corporate Markets QV1 Building, Level 12, 250 St Georges Terrace Perth WA 6000
Auditors	BDO Audit Pty Ltd Level 9, Mia Yellagonga Tower 2 5 Spring Street Perth WA 6000
Solicitors	Johnson Winter and Slattery Level 49, 152-158 St Georges Terrace Perth WA 6000
Bankers	Commonwealth Bank of Australia Level 6 300 Murray Street Perth WA 6000
Stock Exchange Listings	Arafura Rare Earths Limited shares are listed on the Australian Stock Exchange under the ticker code "ARU".
Website	www.arultd.com

ABOUT THIS REPORT

All references to our, we, us, the Group, the Company and Arafura refer to Arafura Rare Earths Limited (ABN 22 080 933 455) and its subsidiaries. All references to a year are to the financial year ended 30 June 2025 unless otherwise stated. All references to Project, The Project or Nolans refer to Arafura's Nolans Project located in the Northern Territory. All references to NdPr refer to Neodymium and Praseodymium collectively. All references to Dy refer to Dysprosium and references to Tb refer to Terbium.

The financial statements are presented in Australian dollars (A$ or $) which is the Group's reporting currency and functional currency. All references are A$ unless otherwise stated.

This report has been approved for release by Arafura's Board of Directors.

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Dear Shareholders,

On behalf of the Board of Arafura Rare Earths Limited, I am pleased to present the Company's 2025 Annual Report.

As I reflect on the past 12 months, we have achieved some significant milestones as we enter a pivotal chapter in our evolution. We have witnessed a fundamental shift in the geopolitical and global trade environment. We have seen unprecedented disruptions to global trade which has exposed critical dependencies and vulnerabilities in the rare earths value chain.

Rare earths are not just economic commodities, they are strategic enablers. They have become a linchpin of economic leverage, technical authority and national security. These rare earth elements are no longer obscure minerals. They are essential to enable the energy transition, the production of personal devices, medical applications and advanced military systems. They are strategic assets, reshaping global order as the world races to establish rare earth independence.

Governments and industry around the world have taken a proactive approach to support the development of our nascent sector. The G7 Critical Minerals Action Plan, the Mineral Security Partnership, the European Union's Critical Raw Materials Act all serve to facilitate investment and innovation, foster collaboration and enable independent standards-based markets.

Export control measures introduced by China through 2025 continue to present an ongoing supply chain risk. The United States automotive industry is struggling with supply chain issues as we saw a year-on-year decline of 93.3 per cent in rare earth magnet exports to the US in May of this year. We have seen the European Association of Automotive Suppliers report the shutdown of several production lines and plants across Europe. Risks within the magnet supply chain, driven by concentrated market dominance, have been building over several years and recent control measures have underscored the seriousness of this threat.

Export controls and suppressed pricing created significant barriers to entry, impacting the economic viability of rare earth projects outside of China. With changing market dynamics, we are now seeing the emergence of independent indexes such as Benchmark Minerals Intelligence and the recently announced US Department of Defense floor price. These initiatives provide a platform on which price bifurcation can evolve to incentivise western rare earth supply.

Against this backdrop, Arafura stands out as the most advanced, construction ready ore-to-oxide project. Our early works programme at our Nolans Project sees us ready to move into full-scale development. Our Project benefits from its Australian domicile and its proximity to critical water, energy and transport infrastructure. Our phosphate hosted resource will drive operating costs into the lowest quartile, insulating the Company from market volatility, delivering value to our shareholders and stakeholders for more than three decades.

In July 2024 we announced more than US$1 billion in debt funding, completion support and loan guarantees from commercial banks and export credit agencies from Australia, Korea, Germany and Canada.

Securing the debt has allowed the Company to attract a high calibre of cornerstone investors and government seeded funds. In January we finalised a binding term sheet with the National Reconstruction Fund Corporation (**NRFC**) for an A$200m Convertible Note and most recently we entered due diligence with both the German Raw Materials Fund (**GRMF**) and the Australian Export Finance Australia. Collectively these investments highlight the geostrategic importance of Arafura's role in a diversified global supply chain, setting the stage for the Company to secure the remaining equity and announce a final investment decision (**FID**).

As financing advances, our attention is on the delivery of the Nolans Project and ensuring we have the requisite construction and operational capability. Our refreshed Board and Executive Leadership Team (**ELT**) has brought a step change in expertise and a renewed focus on delivering sustainable and tangible outcomes.

We are committed to delivering our vision to redefine responsible rare earths processing to enable the global energy transition. Our values underpin everything we do – they guide the decisions we make, the way we operate and how we approach delivery of the Nolans Project. They keep us focused on what is most important and assist us in defining what sustainable delivery and responsible mining and processing operations look like for our business.

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We have an opportunity to be a catalyst in helping to transform Australia's rare earths sector as well as establishing the Northern Territory as a central processing and logistics hub through vital collaboration between government, industry, and local communities. We are committed to positively impacting the communities where we live and work, deeply respecting that our social licence to operate is essential for a sustainable value proposition.

In the spirit of engagement and collaboration, we are working closely with our Traditional Owners, local communities, Central Land Council and key stakeholders. Exploring opportunities to build Workforce and Community Development Programmes that will deliver real meaningful employment opportunities and sustainable community development projects. We are planning with our Traditional Owners and local communities, not just for them.

While our focus is on delivering Phase 1 of the Nolans Project, we haven't lost sight of future growth opportunities. Our advanced engineering and design work ensures the foundations are laid to deliver value now and into the future at the lowest capital intensity.

As nations build resilient and independent supply chains, the balance of power is tilting. The next decade will be defined not just by who innovates fastest, but by who can capitalise on these raw materials that make innovation possible.

This sector has endured significant challenges over the past three decades and collectively we have faced adversity head-on. We have been stoic in the knowledge that we have the right strategy in place, with the right people on board, to develop the Nolans Project and seize this opportunity.

As we approach FID, our focus is clear: secure the remaining capital, commence full-scale construction. The strategic imperative for diversified rare earth supply chains has never been stronger—and we are ready.

On behalf of your board, I would like to thank all our shareholders for your continued support. We are proud of our ambition to play a key role as a responsible producer of rare earths. Together, we are building a company that will play a defining role in the world's transition for decades to come.



Mark Southey

Chair

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Having made meaningful progress over financial year 2025 and with market forces shifting in our favour, Arafura is better placed than ever to deliver on its vision of joining the handful of companies worldwide offering a vital, sustainable alternative to China-sourced rare earths products.

The progress made through to June 30 has only served to reinforce our company's unique position in the global rare earths sector: we are the owner of the most advanced, construction-ready and scalable project that envisages processing ore all the way through to an oxide, therefore bypassing radiation issues other companies have to contend with.

At the top of the list of recent achievements was securing an A$200 million funding commitment from the National Reconstruction Fund Corporation (**NRFC**) for the development of Nolans, the first investment of its kind by the agency established to facilitate finance for priority areas of the Australian economy.

Following on from the finalisation of the senior debt facilities for the Nolans Project financing – a total of US$775 million in conditional commitments from export credit agencies and commercial lenders – in July 2024, the NRFC commitment was an important foundational cornerstone for the accompanying US$793 million equity component.

Since that announcement in March 2025, we have made further inroads on the equity piece, which remains the primary focus of management and the last step to complete before we make a Final Investment Decision (**FID**).

In early July, Nolans became only the second project to proceed to the appraisal phase of assessment for funding from the €1 billion GRMF. Arafura is seeking €100 million (A$175 million) through this process, with funding to be tied to the supply of Neodymium and Praseodymium (**NdPr**) oxide from Nolans. Our existing offtake agreement with German manufacturer Siemens Gamesa – for 520 tonnes of NdPr oxide a year – will count towards this.

Little more than a month later, Arafura received a non-binding, conditional Letter of Interest from Export Finance Australia (**EFA**) for further investment to support the development of Nolans, potentially adding equity to the debt it has pledged through the Critical Minerals Facility and its commercial account.

Combined with the NRFC investment, the additional funding we anticipate from EFA and GRMF will put us very close to achieving our target of having cornerstone investors contribute 60 per cent of the equity component.

Our view is that the willingness of government agencies to take equity positions after completing extensive due diligence should lend a great deal of confidence to the institutional and private investors from whom we will be looking to as we raise the remaining capital.

We have long said that projects such as Nolans require risk-sharing between private sector investors and like-minded governments to make them happen, and that is exactly what Australia and Germany have indicated they are prepared to do through the NRFC, EFA and GRMF. We are grateful for their support.

Of course, recent geopolitical events have given governments added incentive to back rare earths projects with the potential to bypass the Chinese supply chain.

Manufacturers in the United States (**US**), Korea, the European Union and elsewhere got a glimpse of the cost of not having an independent source of rare earths supply in April, when China, which controls nearly 90 per cent of global rare earths processing capacity, imposed export restrictions on seven strategically chosen rare earths as well as the high-strength permanent magnets they are used to make.

The restrictions were in response to tariffs applied to Chinese goods entering the US by President Donald Trump and had serious implications for the automotive industry: Ford had to shut down a production line at a Chicago factory, while other car makers warned the White House they would be forced to do the same if the situation wasn't resolved quickly.

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This stark example of what's at stake prompted decisive action. In July, the Trump administration paid US$400 million for a 15 per cent stake in MP Materials, operator of Mountain Pass, the country's only rare earths mine, and agreed to guarantee a minimum price of US$110 per kilogram for NdPr oxide from MP Materials, almost double the prevailing price at the time.

The significance of this move by the US government should not be underestimated. I genuinely believe we will look back on it as an important turning point in the evolution of the global rare earths market.

China's dominance in rare earths has long afforded it an oversized influence on pricing. This being the case, it has retained the power to make it extremely difficult for new players in other jurisdictions to bring mines online and develop additional processing capacity.

Financial year 2025 demonstrated this. Despite the clear need to bring new projects online to address a looming supply gap, the price of NdPr oxide hovered between $US48 and US$60 a kilogram, a long way off what we view as the incentive price required to justify investment in new capacity – US$130-160 a kilogram.

That the US government has agreed to a floor price with MP Materials not far below that incentive price is incredibly encouraging. Australia's Resources Minister, the Hon. Madeleine King has said she is actively considering doing the same as part of the proposed strategic reserve.

Another positive development on the pricing front has been the recent addition of North American and European rare earths prices to the monthly price assessment published by Benchmark Mineral Intelligence (**Benchmark or BMI**).

We share Benchmark's view that these ex-China indices could be transformative for developers seeking to enter the market, as they will track any natural delta that might emerge between prices for Chinese and western material as global rare earths supply chains are reshaped.

During the financial year, Arafura was pleased to add Traxys Europe SA to our group of offtake partners, joining Siemens Gamesa and Hyundai and Kia.

Luxembourg-based Traxys, which specialises in marketing metals and minerals, has signed a binding agreement to purchase 100 tonnes of NdPr oxide a year from Nolans for five years. The agreement includes an option to sell Traxys an additional 200 tonnes a year at our discretion over the same period.

With the Traxys deal, 66 per cent of Nolans' initial nameplate capacity is now spoken for under binding offtake agreements. As stated publicly, our target is 80 per cent. We intend to use those remaining volumes to attract additional partners that bring strategic value, including potential equity investment. And we are seeing this play out as the GRMF considers supporting further equity investment to secure supply into their manufacturing sector.

Early in the financial year, we completed a preliminary study on a Phase Two expansion of Nolans, indicating the potential to lift output and process third-party feedstock. A preliminary feasibility study on Phase Two will only be commissioned once FID is taken, but we see this initiative as further unlocking Australia's rare earths potential as it may provide owners of rare earths resources around the country with a low-capital route to market.

I'd like to acknowledge the frustration that some shareholders have felt over delays to FID; I assure you we are doing everything in our power to reach that milestone as soon as possible. This is a challenging and complicated sector, with China controlling nearly 90 per cent of downstream processing, with an ability to influence what are already significant barriers to entry. When faced with these challenges, you can understand why only one non – China rare earths company has reached oxide production over the past three decades. A second project is progressing on the back of significant Government support. That leaves us as the third Project ready to develop and deliver NdPr oxide to customers globally.

Currently, we see the due diligence process and subsequent finalisation of an investment decision by the GRMF as being on the critical path. It is expected that will be completed around the end of the calendar year. A final investment decision by the GRMF along with successful outcomes with other significant initiatives should put us in a position to secure the remaining equity shortly thereafter.

Based on our cash position and anticipated burn rate, we have the runway to see us through to that point. We will continue to look at areas where we can reduce costs in the lead-up to FID. Part of that exercise has included a restructuring of the executive team to its current form, which we think is appropriate to lead the Company forward. Chief Projects Officer Tommie van der Walt, who began in the role in January 2025, has been an excellent addition in particular.

We enter FY2026 with confidence, discipline, and a clear path to becoming a material NdPr supplier that supports international supply diversification and illustrates Australia's emerging sovereign capability.

On behalf of the Board and team, thank you for your continued support.



Darryl Cuzzubbo

Managing Director and CEO

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Nolans Project Update

The Nolans Project is on track to become Australia's first ore-to-oxide rare earths processing facility that will produce responsibly mined and processed NdPr. The Company's investment in early earthworks through FY2024 has the Project well positioned to commence construction very soon after reaching a final investment decision (**FID**). The Project execution schedule will be firmed up when Arafura is able to enter into binding construction contracts post FID.

Strategically located within proximity of critical infrastructure in the Northern Territory, the Project has access to existing rail, road, gas pipeline and port infrastructure which will enable it to deliver product to its customers globally.

The Project is based on the Nolans Definitive Feasibility Study (undertaken in early 2019), an extensive metallurgical pilot programme, a Feasibility Study Update released in 2021 and 2022, and front-end engineering and design (**FEED**) work.

The Nolans Project economics remain robust - underpinned by a long-life, high-margin operation – and reflecting capital cost guidance released in October 2023. The value of the Project has been elevated in recent months as geopolitical dynamics evolve and trade tensions shine a spotlight on the fragility of the rare earths sector.

The updated Base Case pricing scenario includes average life of mine NdPr pricing of US$133 per kilogram, with a net present value (**NPV**) (8% discount rate) of US$1,729 billion, an Internal Rate of Return (**IRR**) of 17.2% and average EBITDA of US$460 million over a 38-year life of mine.

The Incentive Case pricing scenario includes average life of mine (**LOM**) NdPr pricing of US$163 per kilogram, with an NPV (8% discount rate) of US$2,549 billion, IRR of 20.6% and average EBITDA of US$592 million over a 38-year life of mine.

On 23 July 2024, the Company announced it had received conditional approval for more than US$1 billion in debt funding and completion support for Nolans. In January 2025, the Company announced it had signed a binding A$200 million Convertible Note with the NRFC. Subsequent to the financial year end, the Company announced investment by the German Raw Materials Fund and Export Finance Australia.

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Key project information and financial metrics are detailed below.

Key Project Information[1]		
Mining and Production		
Mine Life (years)	**38**	
NdPr Oxide (tpa)	**4,440**	
SEG/HRE Oxide (tpa)	**573**	
Phosphoric Acid (tpa 54% P_2O_5 MGA)	**144,393**	
Realised Product Pricing	**Base (US$/kg)**	**Incentive (US$/kg)**
NdPr Oxide price – offtake period	**104**	**130**
NdPr Oxide price – LOM	**133**	**163**
Financial	**Base (US$m)**	**Incentive (US$m)**
Capital Cost		
Pre-Production Capital	1,044	1,044
Other Pre-Production Costs and Escalation	90	90
Contingency	92	92
Total	1,226	1,226
Revenue		
Rare Earth Sales Revenue (per annum)	610	747
Phosphoric Acid Sales Revenue (per annum)	79	79
Operating Costs		
Mining Costs (per annum)	(30)	(30)
Processing Costs (per annum)	(139)	(139)
General and Administration Costs (per annum)	(24)	(24)
Product transport, royalties and selling costs (per annum)	(35)	(40)
EBITDA (per annum)	460	592
Post Tax Free Cash Flows (LOM)	**10,229**	**13,480**
KPI Analysis	**Base**	**Incentive**
Operating Cost US$/kg NdPr	**43.7**	**43.7**
Operating Cost US$/kg NdPr net of P_2O_5 credit	**28.6**	**28.6**
NPV_8 after tax (US$m)	**1,729**	**2,549**
IRR after tax (%)	**17.2%**	**20.6%**

[1] Refer to ASX Presentation dated 23 July 2024 Appendix 2 for key Project Economic Assumptions

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Project Delivery

Positioned as the only shovel ready ore-to-oxide project globally, our early earthworks and ongoing detailed planning and preparation has us well positioned to accelerate the return to on-site activities post an investment decision being made.

The consolidation of our team through 2025 has brought about a renewed focus on the refinement and optimisation of the process flow sheet and, where possible, identification of opportunities to advance engineering and design work. This has resulted in the development of a well-defined scope of works with a view improving capital and schedule while minimising execution risks.

Our project management team continues to manage engineering, procurement activities and early contractor involvement, particularly with preferred construction partners. Our attention has been firmly directed on those activities that are necessary to finalise the funding strategy, manage critical path items, site security and surveillance and activities necessary to meet our ongoing compliance and environmental obligations to maintain good standing.

Procurement planning and preparation continued with regular market testing for the supply of specific equipment packages. As we get closer to FID and the resumption of activities, attention has turned to key site-based services including paramedic services and camp management.

Operational Readiness and Licensing

As part of our operational readiness work, Arafura continued along the pathway to obtain Workplace Health and Safety Accreditation from the Office of the Federal Safety Commissioner. Following the initial Systems Verification Audit in February 2025, the Company is updating the applicable management systems in preparation of the full Systems Verification Audit in late 2025.

The Company has also commenced a gap analysis review for the Nolans Project safety case and its required inputs. This work will provide the outline of the obligations required from the Company and its lead engineer in the two-year period following the lodgment of the Major Hazard Facility Notification once FID is announced.

Subsequent to the period end, Arafura's revised Radiation Protection and Radioactive Waste Management Plan (**RPRWMP**) was approved by the Department of Climate Change, Energy, the Environment and Water. The approved plan will now be implemented.

Technology Development

Recent China export restrictions on heavy rare earths have increased the focus on the strategic importance of Dy and Tb, which are contained within Arafura's SEG/HRE product. As such, the Company will advance the assessment of recovery opportunities and is currently progressing an initial programme of test work, leveraging earlier version of the flowsheet.

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Environment and Sustainability

Reporting, disclosures and compliance

Arafura's FY2024 Sustainability Report, published on December 3, 2024, provides an updated account of the Company's progress against its core sustainability pillars and demonstrates measurable advances in environmental, social, and governance (**ESG**) performance across the Nolans Project. Last year, Arafura commenced aligning its public climate-related reporting with the Taskforce for Climate-related Financial Disclosures (**TCFD**) framework, and in FY2024 has continued to make strong progress in developing systems and processes to meet these requirements.

As part of this broader approach to climate risk management and disclosure, Arafura has maintained its commitment to ESG objectives and advanced the actions identified through the Environmental and Social Due Diligence (**ESDD**) and the Environmental and Social Action Plan (**ESAP**), in close consultation with lending partners and key stakeholders. Most critical pre-construction requirements have now been completed or submitted for independent review, with remaining actions at advanced stages and on track for finalisation within expected timeframes.

Arafura's Environmental and Social Management System (**ESMS**) is now well advanced, providing a robust platform that reinforces compliance, promotes safe work practices, and supports the effective delivery of Environmental Management Plans across the project.

The Company's environmental monitoring programme has also continued throughout the year, including monthly dust and groundwater monitoring and quarterly water quality assessments. These initiatives support technical project design and compliance, reinforcing Arafura's ongoing accountability and transparency to shareholders, stakeholders, and lending partners.

Energy and emissions reduction

In FY2025, Arafura continued to progress its energy and emissions reduction strategy, building on the Greenhouse Gas Emissions Reduction Pathway released in 2023. The Company is actively exploring innovative short- and long-term solutions, from immediate energy efficiency measures to emerging renewable energy and decarbonisation technologies, to minimise the Nolans Project's environmental footprint.

Engagement remains ongoing with the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) and the Clean Energy Regulator to establish a suitable Safeguard Mechanism emissions baseline, with Arafura contributing internal expertise to help set best-practice standards for rare earths processing. As we prepare for the introduction of mandatory climate-related reporting, the Company is aligning its disclosures with the AASB reporting framework and strengthening emissions monitoring to ensure transparency and accountability for all stakeholders.

Domestic Stakeholder Engagement

The Company continued to engage with the outgoing Northern Territory Government (**NTG**) and has built strong relationships with the new CLP Northern Territory Government.

The Board met the new NTG Ministers in Darwin and also the newly appointed Territory Coordinator. Strong support for the Project has been displayed by the Chief Minister and her cabinet as well as Federal Representatives.

Arafura engaged with the NTG in their process for developing the new Territory Coordinator Legislation designed to help Projects of Significance develop in the Territory through coordination of all government agencies and approvals.

The Company engaged with the new owner of Aileron Station and the pastoralists managers and staff. A strong rapport between the Company and pastoralist has been developed with both parties working together to benefit each other's operations.

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Further progress has been made on our Local and Indigenous Workforce Development working together with our Traditional Owners, Land Council, government agencies, service providers and commercial stakeholders in the true spirit of co-design.

A skills assessment study with the Industry Skills Advisory Council Northern Territory (**ISACNT**) has been launched to identify all the necessary skills, training and education required to develop the Nolans construction and operational workforce. The results of this study funded by the NTG will contribute to the Workforce Development Programme.

The Company continued to engage with local stakeholders and communities and represented at numerous conferences and events.

Operational Licencing

The Company registered the Nolans Project Native Title Agreement (**NTA**) dated 25 June 2020, as an Indigenous land use agreement on the Register of Indigenous Land Use Agreements (**ILUA**) in accordance with the Native Title Act 1993 (Cth). The ILUA records the consent of the relevant native title parties (being Kwaty Aboriginal Corporation RNTBC, Irretyepwenty Ywentent Pwert Aboriginal Corporation RNTBC and Alherramp Ilewerr Mamp Arrangkey Tywerl Aboriginal Corporation RNTBC) and the Central Land Council (**CLC**) in undertaking the Nolans Project.

In FY2025, Arafura continued to progress the Nolans Project through key regulatory milestones. All major Federal and Northern Territory environmental approvals remain in place, and the Company has maintained active engagement with DCCEEW to meet outstanding obligations under the Environment, Protection and Biodiversity Conservation (**EPBC**) Act.

Significant achievements during the year included the approval of both the Radiation Protection and Radiation Waste Management Plan and the Biodiversity Management Plan by DCCEEW, further strengthening project compliance and environmental safeguards. As well as approval of the Kerosene Camp Creek diversion permit by the Northern Territory (**NT**) Department of Lands, Planning and Environment (**DLPE**). The Central Land Council also granted updated Sacred Sites clearance certificates during the year, which cover all key project areas for the life of the mine.

The Water Abstraction Management Plan continues to remain current. The Acid and Metalliferous Drainage Management Plan is in its final stages of preparation, with ongoing refinement to ensure alignment with best practice standards and regulatory expectations prior to submission.

The NT regulatory Mining Authorisation was deemed an Environmental (Mining) Licence by DLPE at the commencement of FY2025. This is in alignment with legislative changes in the Northern Territory to better manage mining projects in an environmentally sustainable manner. An update to the project scope included in the Licence is currently under assessment by DLPE and nearing completion. This will allow for updates to project planning, including inclusion of an on-site landfill to ensure responsible on-site waste management.

Development of the Kerosene Camp Creek Management Plan is focused on optimising current designs and incorporating stakeholder input to leverage local knowledge and experience. This collaborative approach seeks to deliver a best-practice plan that reflects site-specific considerations and community expectations.

Arafura remains committed to fulfilling and complying with all regulatory requirements, while maintaining open communication with regulators and stakeholders as the project moves towards construction.

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Forward Looking Statements

This report contains certain statements which may constitute "forward-looking statements." Such statements are only expectations or beliefs and are subject to inherent risks and uncertainties which could cause actual values, results or performance achievements to differ materially from those expressed or implied in this report. No representation or warranty, express or implied is made by Arafura that any forward-looking statement contained in this report will occur, be achieved or prove to be correct. You are cautioned against relying upon any forward-looking statement.

Content presented in this report is provided as at the time of this annual report (unless otherwise stated). Reliance should not be placed on information or opinions contained in this annual report and, subject only to any legal obligation to do so, Arafura accepts no responsibility to update any person regarding any inaccuracy, omission or change in information in this report or any other information made available to a person, nor any obligation to furnish the person with any further information.

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Competent Person and Compliance Statement

Nolans Project Exploration Results, Mineral Resources and Ore Reserves

The information in this report that relates to Exploration Results was released in an announcement dated 9 March 2020 (Drilling Confirms Deep Extensions to Mineralization) and was completed in accordance with the guidelines of the JORC Code (2012). The information in this report that relates to Mineral Resources was released in an ASX announcement dated 7 June 2017 (Detailed Resource Assessment Completed) and was completed in accordance with the guidelines of the JORC Code (2012). The information in this report that relates to Ore Reserves was released in an ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project) and was completed in accordance with the guidelines of the JORC Code (2012).

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

Mineral Resources

	Tonnes (m)	Rare Earths TREO %	Phosphate P_2O_5 %	NdPr Enrichment %
Measured	4.9	3.2	13	26.1
Indicated	30	2.7	12	26.4
Inferred	21	2.3	10	26.5
TOTAL	**56**	**2.6**	**11**	**26.4**

As announced on 7 June 2017. 1.0% TREO cut-off grade. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd2O3 and Pr6O11.

The stated TREO grade is based on the sum of the estimated grades for La_2O_3, CeO_2, Pr_6O_{11}, Nd_2O_3, Sm_2O_3, Eu_2O_3, Gd_2O_3, Tb_4O_7, Dy_2O_3, Ho_2O_3, Er_2O_3, Tm_2O_3, Yb_2O_3, Lu_2O_3 and Y_2O_3.

The Mineral Resources were further classified by geometallurgical material types based on logging and analysis. Details of the material classification are contained in the DFS.

Ore Reserves

	Tonnes (m)	Rare Earths TREO %	Phosphate P_2O_5 %	NdPr Enrichment %
Proved	5.0	3.0	13	26.2
Probable	24.6	2.8	13	26.5
TOTAL	**29.5**	**2.9**	**13**	**26.4**

As announced on 16 March 2020. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd_2O_3 and Pr_6O_{11}.

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Mineral Resources and Ore Reserves

The information in this report that relates to Mineral Resources is based on information compiled by Mr Kelvin Hussey, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Hussey is a full-time employee of Arafura Rare Earths Limited. Mr Hussey has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify 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 Hussey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Mineral Resources statement included in the Annual Report is based on, and fairly represents, information and supporting documentation prepared by Mr Hussey. The Mineral Resources statement as a whole has been approved by Mr Hussey. The Mineral Resources statement is issued with the prior consent of Mr Hussey as to the form and context in which it appears in the Annual Report. Further information that relates to the Mineral Resource estimate is available in the Company's ASX Announcement dated 7 June 2017 (Detailed Resource Assessment Completed), which was completed in accordance with the guidelines of the JORC Code 2012 and is available to view on the Company's website, www.arultd.com, and at www.asx.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the original market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report that relates to Ore Reserves is based on information compiled by Mr Joel van Anen, BEng (Mining), a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (MAusIMM). Mr van Anen is a full-time employee of TME Mine Consulting. Mr van Anen has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify 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 van Anen consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. The Ore Reserves statement included in the Annual Report is based on, and fairly represents, information and supporting documentation prepared by Mr van Anen. The Ore Reserves statement as a whole has been approved by Mr van Anen. The Ore Reserves statement is issued with the prior written consent of Mr van Anen as to the form and context in which it appears in the Annual Report. Further information that relates to the Ore Reserve estimate is available in the Company's ASX Announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project), which was completed in accordance with the guidelines of the JORC Code 2012 and is available to view on the Company's website, www.arultd.com, and at www.asx.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the original market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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Production Targets and Forecast Financial Information

The information in this report that relates to production targets is extracted from the Company's ASX announcement dated 11 November 2022 (Nolans Project Update). The Company's mineral resources includes 9% Measured Resources, 54% Indicated Resources and 37% Inferred Resources. The production target is based on 12% Proved Reserves, 62% Probable Reserves and 26% inferred resources as reported in the Company's ASX announcement dated 11 November 2022. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. Arafura confirms that, all material assumptions underpinning the production target set out in the Company's ASX announcement dated 11 November 2022 (including any assumptions referred to in the Company's ASX announcement dated 11 November 2022 that were used from the DFS as set out in the Company's ASX announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study) or from the Updated Mining Study as set out in the Company's ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project)), continue to apply and have not materially changed.

The information in this announcement that relates to forecast financial information (including forecast financial information derived from the production target) is extracted from the Company's ASX presentation dated 23 July 2024 (Arafura achieves major debt funding milestone). Arafura confirms that all material assumptions underpinning the forecast financial information (and forecast financial information derived from the production target) set out in the announcement released on 23 July 2024 continue to apply and have not materially changed.

Corporate Governance and Internal Controls in relation to its estimates of Mineral Resources and Ore Reserves

Arafura has ensured that the Mineral Resource and Ore Reserve estimates stated are subject to appropriate governance arrangements and internal controls. Arafura reports its Mineral Resources and Ore Reserves in accordance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the "JORC Code 2012"). The Mineral Resource estimates have been generated by a Competent Person (as defined in the JORC Code 2012) who is an internal employee of the Company and a member of the Australian Institute of Geoscientists. The Ore Reserve estimates have been generated by a Competent Person (as defined in the JORC Code 2012) who is a third-party contractor and a member of the Australian Institute of Mining and Metallurgy (**MAusIMM**). Each Competent Person is experienced in best practices in modelling and estimation methods, and where applicable, has also undertaken review of the quality and suitability of the underlying information used to generate the resource estimations. The Mineral Resource and Ore Reserve estimates follow standard industry methodology using geological interpretation and assay results from samples obtained through drilling.

All Mineral Resource and Ore Reserve estimates that are disclosed by the Company (including the Competent Person report and sign off) are subject to review and approval by the Company's Board of Directors whose qualifications are disclosed in the Directors Report.

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Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Arafura Rare Earths Limited and the entities it controlled at the end of, or during, the year ended 30 June 2025.

Directors

The following persons were Directors of Arafura Rare Earths Limited during the financial year or up to the date of this report:

- M. Southey
- D. Cuzzubbo
- C. Moises
- M. Spreadborough
- R. Higgins
- I. Murray[1]
- C. Tonkin[2]

Principal activities

During the year, the principal continuing activities of the Group consisted of advancing the Nolans Project toward a final investment decision, including:

- Continuation of engineering design and development with a focus on optimising capital expenditure, risk and schedule;
- Advancing remaining funding and offtake negotiations; and
- Complying with environmental licensing conditions.

Dividends

No dividends were paid during the year and the Directors do not recommend the payment of a dividend.

Operating and financial review

The Group incurred a loss of $19,242,337 for the year ended 30 June 2025 (2024: $100,974,432). The current financial year loss is significantly lower than the prior financial year primarily due to following:

- The prior financial year loss included the final stages of the early works construction programme for the Nolans Project which was expensed to the profit and loss under AASB 116 Property, Plant and Equipment.
- There was significantly reduced operating expenditure in the current financial year following a review to rationalise development activities, resources and site and corporate overheads.

[1] Mr Murray was appointed a Non-Executive Director on 10 September 2024.
[2] Mr Tonkin resigned as a Non-Executive Director on 26 July 224.

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Significant changes in the state of affairs

During the period the Group:

- Completed the debt-led funding strategy for its Nolans Project following receipt of more than US$1 billion in conditional credit approvals from nine export credit agencies and commercial lenders.
- Secured its first cornerstone investment commitment for Nolans of A$200 million from the NRFC.
- Was one of only two groups selected to progress to the appraisal phase under the GRMF, with Arafura pursuing up to €100 million in funding linked to NdPr oxide supply from Nolans.
- Completed an operational expenditure review to rationalise development resources and overheads.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Subsequent to the end of the financial year:

- The Company continued to demonstrate progress against its equity funding strategy for Nolans through:
  - Being selected for the appraisal phase for potential equity investment from the GRMF.
  - Receiving a non-binding conditional Letter of Interest from EFA relating to potential further investment to support Arafura's Nolans Project.
- The Company received firm commitments for an $80 million two-tranche institutional placement at A$0.190 per share. Tranche one of the placement to raise $70.2 million and tranche two of the placement, which is subject to shareholder approval, to raise ~A$9.8 million. Proceeds from the Placement and Share Purchase Plan provide Arafura with the necessary cash runway to finalise its equity funding strategy, while de-risking the overall equity funding requirement, for Nolans.

No other matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

Likely developments and expected results of operations

During the upcoming financial year, the Group will continue to prioritise finalising its equity funding strategy and securing the remaining NdPr offtake necessary to ensure Nolans is fully funded and facilitate a FID.

These activities are subject to various risk factors which are detailed in the section titled 'Material Business Risks'.

Environmental regulation

The Group is subject to and is compliant with all aspects of environmental regulation relevant to its exploration and development activities. The Directors are not aware of any environmental law that is not being complied with.

Greenhouse gas and energy data reporting requirements

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The Directors have assessed that there are no current reporting requirements, but the Group may be required to do so in the future.

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Material Business Risks

For the purposes of section 299A(1) of the Corporations Act 2001 (Cth), this section summarises the material business risks and uncertainties that the Group considers could adversely affect the operating and financial performance or position of the Group, and which are relevant to the expectations of the directors that the Group has adequate financial resources to continue as a going concern.

The risk and uncertainties described below are not an exhaustive list of the risks facing the Group. Additional risk and uncertainties may also become important factors that adversely affect the Group's operating and financial performance or position.

Company specific risks

Funding risk

The Nolans Project is a large and complex project with total capital expenditure currently estimated at US$1.2 billion (refer to the Company's ASX announcement "Arafura achieves major debt funding milestone presentation" dated 23 July 2024). The business of the Company and its subsidiaries (Group), and the ability of the Group to procure the finance required to develop the Nolans Project, relies on access to debt and equity funding.

As rare earths (including NdPr) are not traded on any commodity exchange, traditional debt and equity market sources may not be available which may make it difficult for financiers and investors to assess and understand market risk. Therefore, the Group has sought to fund a significant portion of the Nolans Project's capital expenditure through Export Credit Agencies. There can be no assurance that additional debt, equity or other forms of funding (including by way of government grants) will be available to the Group (over any timeframe) on favourable terms or at all.

The Company has received conditional credit approvals from several financiers for US$775 million in senior debt facilities, an additional US$80 million for a cost overrun facility (**COF**) and a further US$200 million in the form of a standby liquidity facility (**SLF**). The COF and SLF are to be used to manage any increases in capital expenditure and operating costs incurred during ramp up. The credit approvals received for these facilities have expiry dates and, while a number have been extended, there remains a risk that further extensions may not be obtained as and when required.

Customary terms of the debt financing require the Company to raise a significant portion of the capital cost required to fund the Nolans Project from the equity market before debt drawdowns will be available. No assurance can be given that the required equity component of the Nolans Project financing will be raised by the Company in full or at all. Failure to obtain sufficient funds from the equity market or failure to achieve other conditions precedent customary for secured project financing arrangements of this nature, such as final loan documentation and satisfaction of other conditions to drawdown (including providing an updated financial model based off, amongst other things, independent commodity price forecasts which demonstrate compliance with financial ratios and debt sizing criteria, entry into material project contracts with associated tripartite agreements, project authorisations, representations and undertakings), may preclude the Company from being able to drawdown on the financing facilities it has secured. Any additional equity financing, if secured, may dilute existing shareholdings.

Failure to obtain debt, equity and/or other forms of financing may cause the Group to postpone any development plans, forfeit rights to some or all of its projects or reduce its operating structures, including staff and overhead levels, which may delay or suspend the Group's business strategy, have a material adverse effect on the Group's activities or require the Group to sell down an interest in its projects or assets. This may adversely impact the Group's financial condition and the value of the Company's shares, and could ultimately result in the Group being unable to develop Nolan. In addition, any delays in obtaining debt, equity and/or other forms of financing, or any delays in receiving (or the non-receipt of) anticipated government grants, may require the Company to decrease its planned expenditure on certain project related activities while such funding is being secured. This may lead to scheduling disruptions, timetable overruns and an overall delay in the execution of the Nolans Project.

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Offtake

The Company must secure sufficient binding offtake volumes to comply with the project finance offtake policy, which requires that at least 80% of planned production be covered by binding offtake agreements (**Binding Offtake Target**). Compliance with the offtake policy is a condition precedent to the financing facilities for the Nolans Project. Additionally, certain financing facilities which have been conditionally approved by export credit agencies require offtake volumes to be placed into specific jurisdictions. Failure to comply with the offtake policy or to meet the jurisdictional placement requirements may preclude the Company from accessing these financing facilities.

To date, the Company has secured binding offtake agreements covering 66% of its Binding Offtake Target. These agreements are subject to conditions precedent, including the delivery of first product by specified sunset dates. There is a risk that the Company may be unable to satisfy these conditions. The Group may also fail to meet the product quality requirements and material specifications of its offtake partners.

Communicable disease outbreaks

The outbreak of communicable diseases around the world (such as COVID-19) may lead to interruptions in operations, exploration, development and production activities, inability to source supplies or consumables and higher volatility in the global capital markets and price of rare earth elements or demand for the product of the Group, which may materially and adversely affect the Group's business, financial condition and results of operations.

In addition, such outbreaks may result in restrictions on travel and public transport and prolonged closures of facilities or other workplaces which may have a material adverse effect on the Group and the global economy more generally. Any material change in the Group's operating conditions, the financial markets or the economy as a result of these events or developments may materially and adversely affect the Group's business, financial condition and results of operations.

Exploration, production and project development

The future profitability of the Group is directly related to the results of exploration, development and production activities and costs. Exploration, project development and production involves significant risk.

Exploration is a speculative endeavour with an associated risk of not discovering NdPr and other products in economic quantities and/or grades. There are also risks associated with development of a project to exploit any discovery of NdPr or other products. No assurances can be given that funds spent on exploration and development will result in discoveries or projects that will be commercially viable. During each stage of a project's development there is a risk that forecast capital or operating expenditure estimates may increase, rendering a discovery uneconomic.

Development and production of NdPr and other mining projects may be exposed to low side reserve outcomes, cost and timetable overruns, production decreases or stoppages, which may be the result of commissioning, facility shutdowns, mechanical or technical failure, scheduling disruptions (which may result from delays to funding or decreased spend while funding is secured), technical risks and other unforeseen events. Few rare earths processing plants have been constructed and commissioned outside of the People's Republic of China and, as a result, there may be increased execution risk for the Nolans Project. A significant poor development outcome or failure to maintain production could result in the Group lowering reserve and production forecasts, loss of revenue, increased working capital requirements, and additional operating costs to restore production.

In some instances, a loss of production may result in additional capital expenditure being incurred, which could require the Group to seek additional funding, which may not be available on favourable terms (or at all).

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Volatility of the price of rare earth elements

NdPr and other rare earth products are not exchange traded commodities. The Group will require contracts for sale of these mineral commodities. There is no guarantee the Group will secure contracts on terms favourable to the Group or at all.

NdPr and other rare earth product prices will depend on available markets at acceptable prices and distribution and other costs. Pricing of NdPr can also be impacted by government intervention in NdPr markets, such as through direct or indirect support of producers and exporters of NdPr, stockpiling of NdPr, and trade policies, barriers and sanctions. Historically (and at present), the supply of NdPr has been dominated by producers in the People's Republic of China. Policy changes, actions or events that affect that supply may have a significant effect on NdPr prices. Further uncertainty in the forecast price of NdPr has been introduced by recent geopolitical activity including trade tariffs imposed by the United States of America (**US**), the transaction between the US Department of Defense and US-based rare earths producer MP Materials, and rare earth export controls introduced by the People's Republic of China.

Additionally, technological developments may result in substitution risk and decrease the demand for (and therefore the price of) NdPr and other rare earth products. Demand for NdPr and other rare earth products may also be impacted by demand for downstream products incorporating rare earths, including (but not limited to) hybrid and electric vehicles, wind turbines, robotics, permanent magnets, medical equipment, military equipment and other high-growth advanced motion technologies as well as demand in the general automotive and electronic industries.

Any substantial variation in the price of NdPr and other rare earth products or an increase in the cost of production could have a material impact on the Group.

Metallurgy and hydrometallurgy

Metallurgical testwork is used to develop the mineral processing and hydrometallurgical processes required to convert ore into final products. Scale up, technology and materials handling risks remain as the Group moves from development to construction, commissioning and production. Product recoveries are dependent upon the mineral processing and hydrometallurgical processes, and by their nature contain elements of significant risk such as:

- developing and identifying mineral processing and hydrometallurgical processes through testwork to produce a saleable product;
- scale-up and design of novel processes into a commercial flowsheet based on laboratory and pilot scale testwork results;
- the representative nature of the samples used for the metallurgical testwork of the ore that is mined for processing over the life of mine;
- developing an economic process route to produce a saleable product; and
- changes in mineralogy in the ore deposit result in inconsistent product recovery, adversely affecting the economic viability of the Nolans Project.

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Capital cost risk

While the Group has completed Front End Engineering and Design activities and is continuing detailed design and tendering activities for procurement and construction contracts (including infrastructure contracts) as part of advancing the design and cost of the Nolans Project. Until such time a design definition is complete and construction contracts are signed, there is a risk that the capital expenditure for the Nolans Project increases above the previous disclosed capital requirements (refer to the Company's ASX announcements "Nolans Project Update" dated 11 November 2022 and "Arafura achieves major debt funding milestone presentation" dated 23 July 2024) due to various macro-economic factors that have directly or indirectly impacted the construction industry.

In addition, even following the completion of design and the execution of construction contracts, there is a risk of a cost overrun on the Nolans Project given the inflationary environment which may impact on labour costs, supply costs, transport costs and other costs associated with the construction of the Nolans Project. The Group is following an industry standard contracting approach to execution which will likely include the use of a specialised project management organisation. There are cost and schedule risks to a successful project outcome if the project management organisation does not effectively manage all aspects of the project delivery.

The Company continues to monitor capital cost market trends.

Operating cost risk

As the Nolans Project progresses towards production, there is a risk that ongoing operating costs may exceed prior estimates (refer to the Company's ASX announcements "Nolans Project Update" dated 11 November 2022 and "Arafura achieves major debt funding milestone presentation" dated 23 July 2024). This may arise due to sustained inflationary pressure on inputs such as reagents, consumables, energy, labour, and logistics. Any significant increase in operating costs could adversely impact the economic performance of the Nolans Project and its ability to meet financing and offtake obligations.

The Company continues to monitor operating cost market trends.

Operating risks

Industry operating risks include, but are not limited to, fires, explosions, environmental hazards, technical failures, unusual or unexpected geological conditions, adverse weather conditions and other accidents. The occurrence of any of these risks could result in substantial losses to the Group due to:

- injury or loss of life;
- damage to or destruction of property, natural resources or equipment;
- pollution or other environmental damage;
- clean-up responsibilities;
- regulatory investigation and penalties; or
- suspension of operations.

Damages occurring to third parties as a result of such risks may also give rise to claims against the Group.

The occurrence of any of these circumstances could result in the Group not realising its operational or development plans or in such plans costing more than expected or taking longer to realise than expected. Any of these outcomes could have an adverse effect on the Group's financial and operational performance.

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Reliance on key personnel and advisors

The ability of the Group to achieve its objectives depends on the engagement of key employees, directors and external contractors that provide management and technical expertise.

If the Group cannot secure external technical expertise (for example to carry out development activities) or if the services of the present management or technical team cease to be available to the Group, this may affect the Group's ability to achieve its objectives either fully or within the timeframes and the budget that it has forecast. Additionally, industrial disruptions, work stoppages and accidents in the course of operations may adversely affect the Group's performance.

Reliance on third party infrastructure

The Group will rely on third party transportation and other infrastructure, primarily in order to deliver its products to the market and incoming reagents and supplies to the Nolans Project site. Any delay or failure to access or properly maintain operating infrastructure or shared facilities may have a material adverse effect on the Group.

Ore Reserves and Mineral Resource estimates

Ore Reserves and Mineral Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates may change or become uncertain when new information becomes available on the tenements through additional exploration, investigations, research, testing or engineering over the life of a project. This applies equally to the Group's production targets in relation to the Nolans Project and any forecast financial information derived from a production target.

In addition, Ore Reserves and contingent Mineral Resource estimates (and production targets and forecast financial information derived from a production target) are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. The actual reserves or contingent resources may differ from those estimated which may result in the Group altering its plans which could have either a positive or negative effect on its operations.

Changes in Ore Reserve or Mineral Resource estimates could also impact the Group's ability to maintain its borrowing capacity with lenders.

Native Title

The *Native Title Act 1993* (Cth), Northern Territory Native Title legislation, Aboriginal land rights and Aboriginal heritage legislation may affect the Group's ability to gain access to prospective exploration areas or obtain any additional mineral leases required. The Group has entered into a Native Title Agreement with the Nolans Project's native title holders and the Central Land Council under which the native title holders provide their consent to the grant of the primary mineral lease, ancillary mineral leases and related access authorities for the Nolans Project (refer to the Company's ASX announcement "Native Title Agreement Executed for Nolans Project" dated 26 June 2020). An amendment to the Native Title Agreement was subsequently executed with the native title holders to cover the mineral leases and extractive mineral permits, the explosives magazine, the proposed stage 1 solar farm, the borrow pits and to effect minor changes to various access authorities.

On 22 July 2020, the Company announced that the mineral leases for the Nolans Project had been granted by the Northern Territory Government and, on 9 February 2021, the Company announced that the mineral leases for areas supporting the Nolans Project (which will host the Nolans borefield) had been granted by the Northern Territory Government (refer to the Company's ASX announcements "Nolans Mineral Leases granted by NT Government" dated 22 July 2020 and "Mineral Leases granted by NT Government secures Borefield" dated 9 February 2021). The Group will need to comply with the Native Title Agreement to avoid any potentially adverse consequences.

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The Group may, from time to time, need to negotiate with native title claimants for access rights to certain tenements, or for certain activities or granting of additional leases, outside those covered by the Native Title Agreement. There may be significant delays and costs associated with these negotiations and to reach agreement acceptable to all relevant parties. At this stage, it is not possible to quantify the potential impact that these developments may have on the operations of the Group.

Environmental

The Group's exploration, development and production activities are subject to legislation regarding environmental matters.

The legal framework governing this area is complex and constantly developing. There is a risk that the environmental regulations may become more onerous, making the Group's operations more expensive and/or subject to potential delays. The Group may become subject to liability for pollution, CO2 emissions or other hazards against which it is not insured or cannot insure, including those in respect of past activities for which it was not responsible.

The Group's operations are subject to the Northern Territory and Commonwealth laws and regulations regarding the environment, including hazards and discharge of hazardous waste and materials. The mining and processing of Normally Occurring Radioactive Materials (**NORM**) and the disposal of radioactive waste is subject to additional laws and regulations regarding environmental matters. The cost of compliance with these laws and regulations may impact the cost of exploration, development, construction, operation of the production facilities and mine closure costs and may result in these costs exceeding what has been allowed for in the estimates used to develop forward looking statements around the economic performance of the Nolans Project.

Tenure

Securing and maintaining tenure over mining tenements is critical to the future development of the Group's projects. All mining tenements which the Group may acquire either by application, sale and purchase or by way of farm-in arrangements are regulated by the applicable state or territory mining legislation.

There is no guarantee that future applications for ungranted tenements will be granted as applied for (although the Group has no reason to believe that any tenements required for the Nolans Project or identified as being required in the future will not be granted in due course). Various conditions may also be imposed as a condition of grant. In addition, the relevant minister may need to consent to any transfer of a tenement to the Group.

Renewal of titles is made by way of application to the relevant department. There is no guarantee that a renewal will be automatically granted other than in accordance with the applicable state or territory mining legislation. In addition, the relevant department may impose conditions on any renewal, including relinquishment of ground.

Under the *Mineral Titles Act 2010* (NT) (**MT Act**), a 'person who has an interest in land' (as defined in the MT Act) is entitled to compensation from the holder of a mineral title for:

- damage to the land, and any improvements on the land, caused by activities conducted under the title; and
- any loss suffered as a result of that damage.

The compensation to which a person is entitled depends upon the type of land in question (for example, whether it is freehold land or a pastoral lease) and the nature of the activities that caused the damage to the land (for example, whether they were exploration activities or mining activities). The MT Act does not require the Group to enter into landholder agreements with all or any of the persons who have interests in the land, prior to the commencement of development of, or operations for, the Nolans Project.

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The Group has a right of access to its mineral titles and a right to occupy and use its mineral titles in accordance with their terms, the MT Act, the *Mining Management Act 2001* (NT) and the *Environmental Protection Act 2019* (NT). Should the Group not be able to enter into a landholder agreement with a person who has an interest in any relevant land, that person will be entitled to compensation as described above. Such persons will be able to apply to the Northern Territory Civil and Administrative Tribunal for a decision in respect of the compensation payable to the person (and associated matters) in the event that the parties are unable to reach agreement on the compensation payable by the Group to the person. There is a risk that the compensation payable to the persons who have interests in the relevant land may exceed the estimates included in the operating cost estimates used to develop forward looking statements around the Nolans Project's economic performance.

Legislative changes, government policy and approvals

The Group requires government regulatory approvals for its operations. Changes in government, monetary policies, taxation and other laws in Australia or internationally may impact the Group's operations.

The impact of actions by state, territory and federal governments may affect the Group's activities including such matters as access to lands and infrastructure, compliance with environmental regulations, production and exploration activities. This may from time to time affect timing and scope of work to be undertaken. No guarantee can be given that all necessary permits, authorisations, agreements or licences will be provided to the Group by government bodies, or if they are, that they will be renewed or not revoked if already granted.

The Group has received environmental approval from the Australian Government and the Northern Territory Environment Protection Authority under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth).

The Group has received approval from the Northern Territory Government for its Mining Management Plan, which provides its Mining Authorisation for the Nolans Project.

The Group's Groundwater Extraction Licence relating to the water supply for the Nolans Project was approved in March 2023 for a period of 10 years after which extension of the approval is required.

There is a risk that non-compliance by the Group with all issued approvals will result in fines, disciplinary action and/or loss of social licence to operate, and a risk that all approvals or licences with expiry dates will not be able to be extended or re-negotiated.

Occupational health and safety

Exploration and production activities may expose the Group's staff and contractors to potentially dangerous working environments. Occupational health and safety legislation and regulations differ in each jurisdiction. If any of the Group's employees or contractors suffers injury or death, compensation payments or fines may be payable and such circumstances could result in the loss of a licence or permit required to carry on the business. Such an incident may also have an adverse effect on the Group's business (including financial position) and reputation.

Third party risk

The Group will rely significantly on strategic relationships with other entities and on a good relationship with regulatory and government departments and other interest holders. The Group will also rely on third parties to provide essential contracting services. There can be no assurance that its existing relationships will be maintained, or that new ones will be successfully formed. The Group could be adversely affected by changes to such relationships or difficulties in forming new ones.

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Insurance

Insurance of all risks associated with mineral exploration and production is not always available and, where available, the cost can be high. The Group maintains insurance within a coverage range that it considers to be consistent with industry practice and appropriate for its needs and will update this insurance as required as Group activities evolve through the development and operation of the Nolans Project. The occurrence of an event that is uninsurable, not covered, or only partially covered by insurance could have a material adverse effect on the Group's business and financial position.

Litigation risks

The Company is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employment claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

Climate change risk

Climate change is a risk the Group has considered, particularly related to its operations in the mining industry. A key climate change risk particularly attributable to the Group is the emergence of new or expanded regulations associated with transitioning to a lower-carbon economy and market changes related to climate change mitigation.

The Group may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Group and its profitability.

While the Group will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Group will not be impacted by these occurrences; and climate change may cause certain physical and environmental risks that cannot be predicted by the Group, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks such as shifting climate patterns.

All risks associated with climate change may significantly change the industry in which the Group operates.

Financial risks

The Group's activities expose it to a variety of financial risks, including:

- *Market risk:* The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, interest rate risk, price risk, credit risk and liquidity risk (maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities). The Group's future activities will be subject to volatility and fluctuations in those particular areas.
- *Foreign exchange/currency risk:* The Group will operate internationally and is exposed to foreign exchange risk arising from currency exposures with respect to changes in foreign exchange rates. The Group's future commercial transactions include product sales, capital expenditure, purchase of foreign sourced inputs and debt facilities. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.
- *Interest rate and credit risk:* This relates to the risk that interest rates applicable to the Group may fluctuate and have an impact on the value of the Group's assets and liabilities.
- *Liquidity risk:* This relates to the ability of the Group to maintain sufficient cash and the availability of funding through an adequate amount of committed credit facilities to support the Group's operations.

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General risks

General market and economic factors

The operating and financial performance of the Group is influenced by a number of general economic and business conditions.

Generally applicable factors which may affect the operating and financial performance of the Group include:

- general movements in Australian and international stock markets;
- investor sentiment;
- Australian and international economic conditions and outlook;
- commodity prices;
- changes in interest rates and the rate of inflation;
- changes in government legislation and policies, including taxation laws, the imposition of tariffs and foreign investment legislation;
- announcement of new technologies; and
- geo-political instability, including international hostilities and acts of terrorism.

Further, the effect of these conditions on the Group's ability to obtain new debt financing, and the terms on which any such financing can be obtained, is uncertain. If these conditions result in the Group being unable to obtain new debt financing, or to do so on reasonable terms, this may have an adverse impact on its financial position, financial performance and/or share price. The Group's operational and financial performance and position may be adversely affected by a worsening of international economic and market conditions and related factors. It is also possible that new risks might emerge as a result of global markets experiencing extreme stress, or existing risks may manifest themselves in ways that are not currently foreseeable.

Dividends

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

Competition

The Company will compete with other companies, including major mining companies in Australia and internationally. Some of these companies will have greater financial and other resources than the Group and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Group can compete effectively with these companies.

Force majeure

The Group's projects now or in the future may be adversely affected by risks outside the control of the Group, including fires, labour unrest, civil disorder, war, subversive activities or sabotage, floods, pandemics, explosions or other catastrophes, epidemics or quarantine restrictions.

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Russia-Ukraine and Israel-Palestine conflict

The ongoing Russia-Ukraine and Israel-Palestine conflicts have had and will continue to have a significant impact on global economic markets. Although the Group considers the current impact of the conflicts on the Group to be limited, given that the conflicts are ongoing and volatile in nature, the future effect of the conflicts on the Group is uncertain. The conflicts may have an adverse effect on the Company's share price or operations which will likely be out of the Group's control.

Data and information technology

The Group's computer systems are subject to the risks of unauthorised access, computer hackers, computer viruses, malicious code, organised cyber-attacks and other security problems and system disruptions, including possible unauthorised access to proprietary or classified information. Any of these events could damage the Group's reputation and have a material adverse effect on its business, reputation, results of operations and financial condition. There is also a risk that the Group's systems for capturing data and intellectual property for project development are ultimately not effective.

Speculative investment

The above list of risk factors ought not to be taken as an exhaustive list of the risks faced by the Group or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Group and the value of the Company's securities. An investment in the Company is speculative and investors should consult their professional adviser before applying for or disposing of securities in the Company.

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Information on Directors

MARK SOUTHEY

Non-Executive Chair

Qualifications: BSc (Hons) in Engineering with Business Studies, an MBA from the University of Sydney Business School and is a Fellow of the Australian Institute of Company Directors (**FAICD**) and a member of Engineers Australia (MIEAust).

Mr Southey has extensive global experience in the industrial and natural resources sectors covering all aspects of asset management, maintenance, design and engineering, and major capital project development and execution. He is well versed in public company board and institutional investor engagement and has a background in both senior operational and financial roles.

Mr Southey has previously held senior executive positions with Honeywell and ABB both in Australia and internationally and was a long-term member of the global executive leadership team within Worley, a leader in the engineering, procurement and construction of projects in the energy and resources sector where he held the position of Group Managing Director for the Minerals, Metals and Chemicals Sector. Mr Southey is also a Non-Executive Director of Fleetwood Corporation (ASX: FWD) and an advisory board member for Gas Cleaning Technologies LLC (Dallas).

Mr Southey was appointed as the Chair of Arafura Rare Earths Limited on the 14th of February 2019.

First Appointed

30 January 2018

Other current Directorships

Fleetwood Limited – Independent Non-Executive Director

Gas Cleaning Technologies LLC (Dallas) - Advisory board member

Former Directorships in the last 3 years

None

Special responsibilities

Member of the Risk Committee

Member of the Sustainability Committee

Member of the Audit Committee

Interests in shares, performance rights and options

332,140 ordinary shares in Arafura Rare Earths Limited (Direct)

705,760 ordinary shares in Arafura Rare Earths Limited (Indirect)

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DARRYL CUZZUBBO

Managing Director and Chief Executive Officer

Qualifications: BEng Mechanical (Hons 1), Masters of Science (Total Quality Management), MBA

Mr Cuzzubbo has over 30 years' experience in global roles in multicommodity resources, services and manufacturing holding both Senior Executive and Executive Director roles. He brings extensive knowledge and experience in both the resources and manufacturing sectors having run large complex operational assets and has led the development and execution of a range of major projects. Mr Cuzzubbo, appointed as a Non-Executive Director for Arafura in November 2021, previously served as Chief Manufacturing and Supply Officer as well as Group Executive and President of Auspac Asia while at Orica Pty Ltd.

He held various senior positions during his 24-year career with BHP, including 3 years as President of Olympic Dam with responsibility for operations, expansion projects and organisation wide transformational change programmes. He has a broad international perspective, having experience in running operations across over 30 countries.

First Appointed

1 November 2021 (Non-Executive Director) and 5 February 2024 (Managing Director and CEO)

Former Directorships in the last 3 years

SolGold Plc - Managing Director

Interests in shares, performance rights and options

637,500 ordinary shares in Arafura Rare Earths Limited (indirect)

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CATHY MOISES

Non-Executive Director

Qualifications: BSc (Hons) in Geology from the University of Melbourne and a Diploma of Finance and Investment from the Securities Institute of Australia.

Cathy Moises has extensive experience in the resources sector having worked as a senior resources analyst for several major stockbroking firms including McIntosh (now Merrill Lynch), County Securities (now Citigroup) and Evans and Partners where she was a partner of that firm. More recently in 2017-2019, Ms Moises was Head of Research at Patersons Securities Limited.

Ms Moises brings substantial experience to Arafura in company management, capital markets and institutional investor engagement. Her key areas of industry experience include gold, base metals, mineral sands and the rare earths sector.

First Appointed

1 December 2019

Other current Directorships

APC Minerals Limited - Non-Executive Chair

Podium Minerals Limited – Non-Executive Director

Former Directorships in the last 3 years

WA Kaolin Limited – Non-Executive Director

Eastern Metals Limited – Non-Executive Director

PacGold Limited - Non-Executive Chair

Special Responsibilities

Chair of the Sustainability Committee

Member of the Audit Committee

Member of the People, Remuneration and Nomination Committee

Member of the Risk Committee

Interests in shares, performance rights and options

363,601 ordinary shares in Arafura Rare Earths Limited (indirect)

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ROGER HIGGINS

Non-Executive Director

Qualifications: BE (Hons) Civil, MSc, PhD, FIEAust, FAusIMM.

Dr Higgins has over 50 years experience in areas of engineering, project management, mineral and water resources and environmental management. He has lived and worked in the resources industries in Australia, Chile, Canada, Papua New Guinea and the USA, and has worked on operations and projects and several additional country locations.

Dr Higgins has held senior management and executive positions including Senior Vice President Copper with Teck, VP and COO Australia with BHP Base Metals and Managing Director at Ok Tedi Mining. He is a member of Advisory Board at the University of Queensland, and an Adjunct Professor with the Sustainable Minerals Institute at the University of Queensland.

First Appointed

8 April 2024

Other current Directorships

Worley Limited – Non-Executive Director

Hillgrove Resources Limited – Non-Executive Director

Former Directorships in the last 3 years

Newcrest Mining Limited – Non-Executive Director

Demetallica Limited – Chair and Non-Executive Director

Special Responsibilities

Chair of the Risk Committee

Member of the People, Remuneration and Nomination Committee

Member of the Sustainability Committee

Interests in shares, performance rights and options

500,000 ordinary shares in Arafura Rare Earths Limited (indirect)

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MICHAEL SPREADBOROUGH

Non-Executive Director

Qualifications: Bachelor Mining Engineering, MBA, WA First Class Mine Manager's Certificate of Competency, AusIMM, AICD.

Mr Spreadborough has a mining engineering background with more than 30 years' experience in mining lead, zinc, uranium, copper, gold and iron ore. He has held roles across the scope of the industry from business and project development to operations and exploration. He held positions as the General Manager – Mining for WMC and Vice President – Mining for BHP Billiton at the world-class Olympic Dam Mine in South Australia, General Manager – Coastal Operations for Rio Tinto, responsible for port operations and Pannawonica mine site, Chief Operating Officer for Inova Resources Ltd (formerly Ivanhoe Australia) and Sandfire Resources.

First Appointed

8 April 2024

Other current Directorships

Novo Resources Corp - Executive Co-Chairman

Former Directorships in the last 3 years

Evolution Energy Minerals Limited - Non-executive Chair

Special Responsibilities

Chair of the People, Remuneration and Nomination Committee

Member of the Audit Committee

Member of the Risk Committee

Interests in shares, performance rights and options

797,500 ordinary shares in Arafura Rare Earths Limited (indirect)

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IAN MURRAY

Non-Executive Director

Qualifications: B Com, GradDipAcc, OAMLP, FCA, FAICD

Mr Murray brings more than 30 years of experience in financial, corporate, project development, mergers and acquisitions, and operational experience across Australia, Africa, Asia Pacific and North America.

Mr Murray was most recently CEO and Managing Director of Gold Road as it transitioned from small market capitalisation explorer to large scale plus billion-dollar gold producer. Today he is a non-executive director with Black Rock Mining Limited and is non-executive chair of Jupiter Mines Limited.

Mr Murray is a Fellow of the Chartered Accountant Australia and New Zealand, a Fellow of the Australian Institute of Company Directors, and holds qualifications in commerce, accounting and taxation, as well as a post-graduate Advanced Management and Leadership Programme from the University of Oxford's Saïd Business School.

First Appointed

10 September 2024

Other current Directorships

Black Rock Mining Limited – Non-Executive Director

Jupiter Mines Limited – Non-Executive Chair

Former Directorships in the last 3 years

Geopacific Resources Limited – Non-Executive Director

Matador Mining Limited – Non-Executive Director

Miners Promise Limited (Charity and Not-for-Profit) – Volunteer Non- Executive Director

Special Responsibilities

Chair of the Audit Committee

Member of the People, Remuneration and Nomination Committee

Member of the Risk Committee

Interests in shares, performance rights and options

Nil

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Matthew Foy

Joint Company Secretary

Qualifications: BCom, GradDipAppFin, GradDipACG, SAFin, FGIA, FCG

Mr Foy is a chartered secretary and a Fellow of Governance Institute of Australia. Mr Foy is a professional company secretary and director with over 17 years' experience facilitating public company compliance with core strengths in the ASX Listing Rules, transactional and governance disciplines.

Lewis Lowe

Joint Company Secretary

Qualifications: BSc, CA

Mr Lowe is a member of the Chartered Accountants Australia and New Zealand with over 8 years' experience in public practice and commercial roles. Mr Lowe commenced with Arafura in 2019 and is also the Company's Financial Controller.

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Meeting of Directors

As at 30 June 2025 the Committees of Arafura are comprised of the following:

Director	Audit Committee	Risk Management Committee	Sustainability Committee	People. Remuneration and Nomination Committee
M Southey	Member	Member	Member	-
C Moises	Member	Member	Chair	Member
R Higgins	-	Chair	Member	Member
M Spreadborough	Member	Member	-	Chair
I Murray	Chair	Member	-	Member

The number of meetings of the Company's Board of Directors, the number of meetings each Board Committee held, and the number of meetings attended by each Director throughout the year ended 30 June 2025 were:

			Committee Meetings							
	Board Meetings		Audit Committee		People. Remuneration and Nomination Committee		Sustainability Committee		Risk Management Committee	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M Southey	12	12	4	4	-	-	4	4	4	4
C Tonkin[1]	1	-	-	-	-	-	-	-	-	-
C Moises	12	12	4	4	4	4	4	4	4	4
D Cuzzubbo	12	12	-	-	-	-	-	-	-	-
R Higgins	12	11	-	-	4	4	4	3	4	4
M Spreadborough	12	12	4	4	4	4	-	-	4	4
I Murray[2]	10	10	3	3	3	3	-	-	4	4

[1] Mr Tonkin resigned as Non-Executive Director effective 26 July 2024.
[2] Mr Murray was appointed as Non-Executive Director on 10 September 2024.

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Remuneration Report (audited)

Dear Shareholder,

On behalf of the People, Remuneration and Nomination Committee I am pleased to present the Remuneration Report for the year ended 30 June 2025.

Significant progress continued to be made over the financial year to advance the Nolans Project and prepare to be a significant rare earths organisation with uncompromising ESG credentials.

In January 2025 the National Reconstruction Fund Corporation (**NRFC**) chose Arafura for its first equity investment, announcing a $200 million investment. In July 2025 Arafura was the second company referred to the German Raw Materials Fund (**GRMF**) for appraisal by Germany's Interministerial Committee and Export Finance Australia (**EFA**) has now entered into a non-binding conditional Letter of Interest marking its first planned equity investment. These milestones placing Arafura at the forefront of newly created state-backed funds are the result of an exceptional push by the Arafura team to coordinate an inter-government response to China's orchestrated discouragement of supply chain diversification.

The above progress along with supply chain pressures and the emergence of a European and North American rare earth oxide pricing index is now accelerating momentum for the economic and strategic imperative of Nolans.

As we move ever closer to our next major phase as an organisation we continued the focus on ensuring the Board and Executive Leadership Team have the requisite mix of skills and capabilities. Ian Murray joined the Board as a Non-Executive Director and Tommie van der Walt joined the Executive team as Chief Projects Officer. The strengthened Board and Executive group refreshed the Vision for Arafura and built a Values-based behavioural framework that will form the foundation for the organisation as it grows.

Remuneration outcomes in FY2025

- Upon review of benchmark remuneration data no adjustments were made to Key Management Personnel (**KMP**) base salaries with a minor adjustment only in Total Fixed Remuneration (**TFR**) to reflect the increase to the statutory superannuation contributions cap. As a result, the Managing Director & CEO Darryl Cuzzubbo's TFR was amended to $692,600 and the Chief Financial Officer Peter Sherrington's TFR was amended to $502,600.
- Chief Projects Officer Tommie van der Walt commenced January 2025 on a TFR of $570,000.
- No changes were made to Non-Executive Director remuneration.
- No short-term incentive bonuses were paid.
- No long-term incentive plan performance rights vested.

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Remuneration changes for FY2026

- Arafura's remuneration philosophy is to attract and retain high performing Executives and incentivise them in a manner aligned to shareholder value creation. China's control of the rare earth value chain and suppression of NdPr pricing at multi-year lows have temporarily changed the funding landscape and Executive focus is now firmly on building upon the current momentum to secure all remaining equity funding and accelerate construction readiness.

  In light of this a comprehensive review of the FY2024 Long Term Incentive Plan grant designed around construction and commissioning milestones was undertaken. The Board has determined it to be no longer fit for purpose and intend to propose to shareholders that it be lapsed it in its entirety. An FY2026 Incentive Plan grant will be issued subject to shareholder approval at the October 2025 AGM. This plan will align management and shareholder's interests, reflect typical remuneration levels in the resources sector whilst acting as an effective retention mechanism.

- Upon review of benchmark remuneration data the Board resolved to make an inflationary adjustment to KMP FY2026 base salaries with a further minor adjustment to reflect the increase to the statutory superannuation contributions cap. As a result, the Managing Director & CEO Darryl Cuzzubbo's TFR will increase from $692,600 to $709,234, the Chief Financial Officer Peter Sherrington's TFR will increase from $502,600 to $514,484 and the Chief Projects Officer Tommie van der Walt's TFR will increase from $570,000 to $583,569.

The above changes fully align the organisation to the immediate priorities of funding and commencement of main construction.

We remain committed to consistently challenging our remuneration framework to drive performance and create long term value and I thank you for your support of Arafura both to date and moving forward.

Yours Sincerely,



Mike Spreadborough

Chair

People, Remuneration and Nomination Committee

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The Directors of Arafura Rare Earths Limited present the Remuneration Report for the Group for the year ended 30 June 2025. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001.

Key Management Personnel

The Group's KMP for the year ended 30 June 2025 are listed in Table 1 and consist of the Executive KMP and Non-Executive Directors (**NED**) who are accountable for planning, directing and controlling the affairs of the Company.

Table 1: KMP during FY2025

Name	Position	Period as KMP during FY2025
Executive KMP		
Darryl Cuzzubbo	Managing Director & CEO	All of FY2025
Peter Sherrington	Chief Financial Officer	All of FY2025
Stuart Macnaughton	Chief Operating Officer	Until 31 December 2024
Tommie van der Walt	Chief Projects Officer	From 20 January 2025
Non-Executive Directors		
Mark Southey	Independent Chair	All of FY2025
Cathy Moises	Independent NED	All of FY2025
Roger Higgins	Independent NED	All of FY2025
Michael Spreadborough	Independent NED	All of FY2025
Ian Murray	Independent NED	From 10 September 2024
Chris Tonkin	Independent NED	Until 26 July 2024

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Remuneration Governance

The People, Remuneration and Nomination Committee is a Committee of the Board. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework,
- operation of the incentive plans which apply to the executive team, including key performance indicators and possible performance hurdles,
- remuneration levels of Executive Directors and other KMP,
- Non-Executive Directors' fees.

Its objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company and its shareholders. Further information is provided within the remuneration report.

The remuneration report is set out under the following main headings:

1 Remuneration Strategy

2 Company Performance and Executive KMP Remuneration

3 Non-Executive Director Remuneration

4 Executive KMP Employment Arrangements

5 Additional information

Voting and comments made at the Group's FY2024 Annual General Meeting

Arafura Rare Earths Limited received more than 85% of "for" votes on its remuneration report for the year ended 30 June 2024.

The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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1 Remuneration Strategy

For the year ended 30 June 2025, all compensation arrangements for Directors and the Group's Executives were determined at Board level after taking into account the competitive rates prevailing in the marketplace.

Remuneration levels of the Directors and the Group's Executives were set by reference to other similar resources and chemical companies with similar scale and risk profiles. They are set to attract and retain Executives capable of delivering the Group's strategic vision.

Remuneration of Non-Executive Directors is determined by the Board within the amount approved by shareholders. The Board undertakes an annual review of its performance. No bonuses are paid to Non-Executive Directors.

The Group's Executive remuneration framework aligns Executive remuneration with the achievement of strategic objectives and the creation of value to shareholders and conforms to market practice for delivery of reward. The Board ensures that Executive remuneration is competitive, reasonable, aligned with performance and acceptable to shareholders**.**

1.1 Remuneration Framework

The Executive pay and reward framework has three components which comprise the Executive's total remuneration:

- Total Fixed Remuneration (**TFR**)
- Short-Term Incentives (**STI's**):
- Long-term Incentives (**LTI's**):

1.1.1 Total Fixed Remuneration (TFR)

What is included in TFR?

An Executive KMP's TFR comprises salary, certain other benefits (including statutory superannuation contributions) and salary sacrificed benefits (provided that no extra cost is incurred by the Company for these benefits).

When and how is TFR reviewed?

TFR is reviewed annually. Any adjustments to the TFR for the Managing Director & CEO and other Executive KMP must be approved by the Board after recommendations from the People, Remuneration and Nomination Committee. Market benchmarking of Executive remuneration was conducted in FY2025, mindful of the need to continue to retain our key employees in a competitive market whilst staying alert to the need to manage the cost base of the organisation.

Are there any changes to how TFR is determined?

No changes to our approach to determine TFR were implemented in FY2025. We will continue to review our Executive remuneration levels annually to ensure we attract, motivate and retain Executives with the requisite skills and experience to deliver the next stage of the Company's growth.

1.1.2 Short-term Incentives (STI's)

Short-term incentives are used on occasion and selectively to encourage and reward the performance of Group Executives and senior management for their role in achieving corporate objectives.

The People, Remuneration and Nomination Committee is responsible for assessing whether performance conditions linked to an STI are met.

Was an STI offered in FY2025?

No STI's were offered to Executive KMP's in FY2025.

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1.1.3 Long-term Incentives (LTI's)

Long-term variable remuneration aligned to performance is designed for Group Executives, senior management and staff for their role in achieving corporate objectives and is directly linked to the progressive derisking of the organisation and creation of shareholder value.

Long term incentives are provided as options or performance rights issued either under the terms and conditions of the Arafura Incentive Plan or otherwise under the terms and conditions determined at the time of issue by the Board.

Why does the Board consider that an LTI is an appropriate element of remuneration?

It is the view of the Board that an appropriately structured LTI;

- focuses and motivates Executives to achieve superior longer term performance outcomes,
- ensures that business decisions and strategic planning take into account the Group's long-term performance,
- is consistent with contemporary remuneration governance standards and guidelines,
- is consistent and competitive with current practices across comparable companies,
- creates an ownership mindset amongst Executives, aligning them with shareholders by linking a substantial portion of their potential total reward to the successful delivery of the Nolans Project and the creation of shareholder value.

How is the award delivered?

Awards under the LTI are granted using options or performance rights.

Options

Share options currently on issue in Arafura Rare Earths Limited were granted by the Board under the Arafura Employee Option Plan as approved by shareholders at the 2020 Annual General Meeting. Options are granted for no consideration and generally have a term of three years.

Vesting of options is not subject to any conditions other than it be at or subsequent to the vesting date and before the expiry date. When exercisable, each option is convertible into one ordinary share of Arafura Rare Earths Limited.

The options expire on the earlier of their expiry date or one month after resignation of the employee (whether vested or not) or upon termination of their employment (unless the Board decides otherwise).

Was a grant of options made in FY2025?

No grants of options were made during FY2025.

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Performance Rights

Performance rights in Arafura Rare Earths Limited are granted by the Board under the Incentive Plan Rules approved by shareholders at the 2023 Annual General Meeting.

Performance rights are issued for no consideration and vest according to a set of performance conditions being met. The Board has ultimate discretion on whether the conditions have been met.

Was a grant of performance rights made in FY2025?

No grants of performance rights were made during FY2025.

What is the status of the FY2024 LTI grant?

A Long-Term Incentive Plan aligned to the delivery of major construction and commissioning milestones for the Nolans Project was issued in the 2024 financial year. A grant of 40,213,506 performance rights was made to staff in December 2023 and 9,000,000 to Executive KMP, Peter Sherrington, in April 2024.

Since then, China's control of the rare earth value chain and suppression of NdPr pricing at multi-year lows have temporarily changed the funding landscape. Management's focus has been on enabling a coordinated response between partner countries. Working with newly created state-backed funds Arafura has positioned itself as one of the first two projects to receive equity investments from both NRF and GRMF (subject to due diligence) and the first to receive equity investment from EFA (subject to due diligence).

Within this context the current FY2024 Long Term Incentive Plan is no longer seen as fit for purpose and the Board has determined that, subject to shareholder approval at the October 2025 AGM, all existing performance rights be lapsed in their entirety with an appropriate adjustment for any unamortised grant value to be made in the Company' financial statements.

1.1.4 Use of remuneration consultants

The Board of Directors and the People, Remuneration and Nomination Committee seek and consider advice from independent remuneration consultants to ensure that they have all of the relevant information at their disposal to determine Executive KMP remuneration. Remuneration consultant engagement is governed by internal protocols that set the parameters around the interaction between Management and consultants to minimise the risk of any undue influence and ensure compliance with the Corporations Act 2001.

The Board and the People, Remuneration and Nomination Committee use remuneration consultants' advice and recommendations from time to time. The Board makes its decisions after it considers the issues and the advice from the People, Remuneration and Nomination Committee and consultants. During the year ended 30 June 2025 Godfrey Remuneration Group (**GRG**) were engaged to provide insight on market practice for the purposes of market benchmarking and developing the FY2026 Incentive Plan grant. The analysis and insight from GRG was considered by the Board and People, Remuneration and Nomination Committee in forming their views on remuneration matters. The work completed did not constitute a remuneration recommendation in accordance with the Corporations Act 2001.

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2 Company Performance and Executive KMP Remuneration Outcomes

A summary of the Group's earnings and movements in share price over the last five years is detailed below:

Table 2: Group Earnings and Share Price Movement

	2025	2024	2023	2022	2021
Loss for the year attributable to owners of Arafura Rare Earths Limited ($'000)	(19,242)	(100,974)	(96,380)	(35,558)	(6,480)
Basic loss per share (cents)	(0.79)	(4.56)	(5.05)	(2.33)	(0.55)
Increase/(decrease) in share price	0%	(43%)	7%	128%	119%

Our remuneration framework is designed to reward Executives for the creation of value for our shareholders. We recognise the importance of clearly demonstrating the link between business performance and value creation over time and Executive remuneration outcomes.

In FY2025 Arafura;

- announced more than US$1 billion in debt funding, completion support and loan guarantees from commercial banks and export credit agencies from Australia, Korea, Germany and Canada,
- finalised a binding term sheet with the National Reconstruction Fund Corporation for an A$200 million Convertible Note,
- entered due diligence with the German Raw Material Fund and the Australian Export Finance Australia.

2.1 STI performance and outcomes

2.1.1 FY2025 STI

No STI's formed part of the remuneration framework for Executive KMP's for the year ended 30 June 2025.

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2.2 LTI performance and outcomes

2.2.1 Options

No options were converted into shares by KMP during the year ended 30 June 2025. No grants of options were made during the year ended 30 June 2025.

2.2.2 FY2024 performance rights

No performance rights related to the FY2024 LTI grant vested during the year ended 30 June 2025 and, subject to Shareholder approval at the October 2025 AGM, all performance rights related to this grant will be lapsed.

2.3 LTI Awards on foot

Options

For options affecting Executive KMP remuneration in current or future reporting period, 100% of each tranche vests and is exercisable in accordance with the table below.

Table 3: LTI Awards (Options) on Foot

Grant date	Date vested and exercisable	Expiry date	Exercise price	Model option value	% Vested
31-Aug-21	31-Aug-24	31-Aug-25	$0.20	$0.081	100%
2-Sep-22	2-Sep-25	5-Sep-26	$0.43	$0.174	0%

Vesting of the options is not subject to any conditions other than it be at or subsequent to the vesting date and before the expiry date. When exercisable, each option is convertible into one ordinary share of Arafura Rare Earths Limited.

The options expire on the earlier of their expiry date or one month after resignation of the employee (whether vested or not) or upon termination of their employment (unless the Board decides otherwise).

The assessed fair value at grant date of the options given to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables in this report. Fair values at grant date are determined using the Black Scholes option pricing model that take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate of the term of the option. The options are probability weighted for management's best estimate of staff turnover taking into account the period of time to vesting date.

Performance Rights

For performance rights affecting Executive KMP remuneration in the current or future reporting period, each tranche vests and is exercisable in accordance with Table 9. It is the Board's intention to lapse all existing performance rights related to the tranches within Table 9, subject to shareholder approval at the October 2025 AGM. These performance rights are currently evenly weighed across five tranches which are subject to the following vesting conditions:

- Tranche 1: Commencement of main construction
- Tranche 2: First draw down of debt
- Tranche 3: First ore delivered to run-of-mine pad
- Tranche 4: First NdPr oxide production
- Tranche 5: Project close out

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The assessed fair value at grant date of the performance rights given to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables in this report. Fair values at grant date are determined based on the market price of the Company's shares at grant date. The performance rights are probability weighted for management's best estimate of achieving the attaching performance conditions.

2.4 KMP Remuneration

Details on the remuneration of KMP of the Group (as defined in AASB 124: *Related Party Disclosures*) are set out in the following tables.

Table 4: Actual FY2025 remuneration paid to Key Management Personnel

	Short–term benefits			Post–employment benefits	Long-term benefits		Share-based payments		
2025	Cash salary and fees	Bonus	Non-monetary benefits	Super-annuation	Long service leave	Termination benefits	Options and Performance Rights	Total	% Performance based
Name	$	$	$	$	$	$	$	$	%
Non-Executive Directors									
M Southey	154,798	-	-	17,802	-	-	-	172,600	-
C Tonkin[1]	6,726	-	2,339	774	-	-	-	9,839	-
C Moises	80,718	-	-	9,282	-	-	-	90,000	-
R Higgins	90,000	-	-	-	-	-	-	90,000	-
M Spreadborough	80,718	-	-	9,282	-	-	-	90,000	-
I Murray[2]	65,247	-	-	7,503	-	-	-	72,750	-
Executive Directors									
D Cuzzubbo	662,668	-	8,058	29,932	-	-	-	700,658	-
Other KMP									
P Sherrington	472,668	-	-	29,932	9,060	-	340,747	852,407	40%
T van der Walt[3]	245,800	-	-	14,966	-	-	-	260,766	-
S Macnaughton[4]	250,034	-	-	17,362	-	7,002	-	274,398	-
Total	**2,109,377**	**-**	**10,397**	**136,835**	**9,060**	**7,002**	**340,747**	**2,613,418**	**40%**

[1] Mr Tonkin resigned as Non-Executive Director on 26 July 2024.
[2] Mr Murray was appointed as Non-Executive Director on 10 September 2024.
[3] Mr van der Walt was appointed as Chief Projects Officer on 20 January 2025.
[4] Mr Macnaughton resigned as Chief Operating Officer on 31 December 2024.

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Table 5: Actual FY2024 remuneration paid to Key Management Personnel

	Short–term benefits			Post–employment benefits	Long-term benefits		Share-based payments		
2024	Cash salary and fees	Bonus	Non-monetary benefits	Super-annuation	Long service leave	Termination benefits	Options and Performance Rights	Total	% Performance based
Name	$	$	$	$	$	$	$	$	%
Non-Executive Directors									
M Southey	155,496	-	-	17,104	-	-	-	172,600	-
C Tonkin[1]	65,676	-	-	24,324	-	-	-	90,000	-
D Cuzzubbo[2]	99,730	-	-	10,970	-	-	-	110,700	-
C Moises	81,081	-	-	8,919	-	-	-	90,000	-
R Higgins[3]	18,694	-	-	2,056	-	-	-	20,750	-
M Spreadborough[4]	18,694	-	-	2,056	-	-	-	20,750	-
Executive Directors									
G Lockyer[5]	348,894	-	-	20,608	-	698,343	(192,193)	875,652	(21.9%)
D Cuzzubbo[6]	307,749	-	-	12,957	-	-	-	320,706	-
Other KMP									
P Sherrington	472,601	-	-	27,399	23,777	-	80,519	604,296	13.3%
S Watkins[7]	192,354	-	-	17,769	-	67,570	(120,947)	156,746	(77.2%)
S Macnaughton	134,890	-	-	6,850	-	-	-	141,740	-
Total	**1,895,859**	**-**	**-**	**151,012**	**23,777**	**765,913**	**(232,621)**	**2,603,940**	**(8.9%)**

[1] Mr Tonkin resigned as Non-Executive Director on 26 July 2024.
[2] Mr Cuzzubbo served as Non-Executive Director up to 4 February 2024, the cash salary and fees reflects the director's fees paid up to this date in addition to approximately six months of special exertion payments in respect services provided in addition to his services as Non-Executive Director.
[3] Mr Higgins was appointed as Non-Executive Director on 8 April 2024.
[4] Mr Spreadborough was appointed as Non-Executive Director on 8 April 2024.
[5] Mr Lockyer resigned as Managing Director on 5 February 2025.
[6] Mr Cuzzubbo was appointed as Managing Director and CEO on 5 February 2024, the payments made from this date are reflected in these amounts.
[7] The amounts reflected in the table are balances as at 31 December 2023.

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3 Non-Executive Director Remuneration

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of the Directors. Non-Executive Directors' fees and payments were reviewed by the People, Remuneration and Nomination Committee. Non-Executive Directors' remuneration consists of Base Fees only (inclusive of superannuation) which were last adjusted in FY2022 from $78,000 to $90,000. This was the first change to Base Fees since FY2011. The Committee considered market conditions and determined no increase in remuneration of Non-Executive Directors' fees and payments for the year ended 30 June 2025.

The Chair's fee is determined independently to the fees of Non-Executive Directors based on comparative roles in the external market. In FY2023 there was an increase in the Chair's Base Fee from $151,200 to $172,600. This was the first change in Base Fee for the Chair since FY2013. The Committee considered market conditions and determined no increase in remuneration of the Chair's fees and payments for the year ended 30 June 2025.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders and currently stands at $1,000,000 per annum.

Directors are expected to serve on Board sub-committees on a reasonable and appropriate basis. No additional fees are paid in respect of these services.

Table 6: Details of Board fees and payments

Fees	Year ended 30 June 2025	Year ended 30 June 2024	Year ended 30 June 2023
Base Fees			
Chair	$172,600	$172,600	$172,600
Other Non-Executive Directors	$90,000	$90,000	$90,000

The above fees are per annum and include superannuation.

The Non-Executive Directors do not receive retirement allowances or performance-based bonuses.

There is no direct link between remuneration paid to any Non-Executive Directors and corporate performance as Arafura expects Non-Executive Directors to carry out their duties to the best of their ability. There is no termination, retirement or accumulating and vesting annual leave benefits for Non-Executive Directors.

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office or Director.

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4 Executive KMP Employment Arrangements

Remuneration and other terms of employment for the Managing Director & CEO and other KMP are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses and other benefits including participation where eligible in Arafura Incentive Plans. Other major provisions of the agreements relating to remuneration are set out below for the year ended 30 June 2025:

Table 7: Executive KMP Employment Arrangements

Name	Contract term	FY2025 TFR $	Notice Period	Termination Benefit
Current				
Darryl Cuzzubbo	Permanent – ongoing until notice given by either party.	$692,600	Six months' notice by either party. Company may elect to make payment in lieu of notice. No notice period required for termination by Company for cause.	Six months fixed remuneration in the case of termination by the Company, excluding termination for cause.
Tommie van der Walt[1]	Permanent – ongoing until notice given by either party.	$570,000	Six months' notice by either party. Company may elect to make payment in lieu of notice. No notice period required for termination by Company for cause.	Three months fixed remuneration in the case of termination by the Company, excluding termination for cause.
Peter Sherrington	Permanent – ongoing until notice given by either party.	$502,600	Three months' notice by either party. Company may elect to make payment in lieu of notice. No notice period required for termination by Company for cause.	Six months fixed remuneration in the case of termination by the Company, excluding termination for cause.
Former				
Stuart Macnaughton[2]	Permanent – ongoing until notice given by either party.	$530,000	Six months' notice by either party. Company may elect to make payment in lieu of notice. No notice period required for termination by Company for cause.	Three months fixed remuneration in the case of termination by the Company, excluding termination for cause.

[1] Mr van der Walt was appointed as Chief Projects Officer on 20 January 2025.

[2] Mr Macnaughton resigned as Chief Operating Officer on 31 December 2024.

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5 Additional information

5.1 Other transactions with KMPs

There were no loans or other transactions made to Executive KMP, NEDs or their related parties during the year ending 30 June 2025.

5.2 Movements in equity interests of KMPs

Table 8: Movements in option interests of KMP for 30 June 2025

Name	Balance at start of the year	Granted as compensation	Exercised	Other changes (expiry)	Balance at end of year	Vested during the year	Vested and exercisable at end of year
Directors of Arafura Rare Earths Limited							
M Southey	-	-	-	-	-	-	-
D Cuzzubbo	-	-	-	-	-	-	-
C Tonkin[1]	-	-	-	-	-	-	-
C Moises	-	-	-	-	-	-	-
R Higgins	-	-	-	-	-	-	-
M Spreadborough	-	-	-	-	-	-	-
I Murray[2]	-	-	-	-	-	-	-
KMP of the Group							
P Sherrington	1,824,000	-	-	-	1,824,000	880,000	880,000
S Macnaughton[3]	-	-	-	-	-	-	-
T van der Walt[4]	-	-	-	-	-	-	-
Total	**1,824,000**	**-**	**-**	**-**	**1,824,000**	**880,000**	**880,000**

[1] Mr Tonkin resigned as Non-Executive Director on 26 July 2024.
[2] Mr Murray was appointed as Non-Executive Director on 10 September 2024.
[3] Mr Macnaughton resigned as Chief Operating Officer on 31 December 2024.
[4] Mr van der Walt was appointed as Chief Projects Officer on 20 January 2025.

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Table 9: Movements in performance rights of KMP for 30 June 2025

Name	Balance at the start of the year	Granted as compensation	Exercised	Other Changes (expiry)	Balance at end of the year	Vested during the year	Vested and exercisable at end of year
Directors of Arafura Rare Earths Limited							
M Southey	-	-	-	-	-	-	-
D Cuzzubbo	-	-	-	-	-	-	-
C Tonkin[1]	-	-	-	-	-	-	-
C Moises	-	-	-	-	-	-	-
R Higgins	-	-	-	-	-	-	-
M Spreadborough	-	-	-	-	-	-	-
I Murray[2]	-	-	-	-	-	-	-
KMP of the group							
P Sherrington	9,000,000	-	-	-	9,000,000	-	-
S Macnaughton[3]	-	-	-	-	-	-	-
T van der Walt[4]	-	-	-	-	-	-	-
Total	**9,000,000**	-	-	-	**9,000,000**	**-**	**-**

[1] Mr Tonkin resigned as Non-Executive Director on 26 July 2024.
[2] Mr Murray was appointed as Non-Executive Director on 10 September 2024.
[3] Mr Macnaughton resigned as Chief Operating Officer on 31 December 2024.
[4] Mr van der Walt was appointed as Chief Projects Officer on 20 January 2025.

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Table 10: Movements in share interests of KMP for 30 June 2025

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year (on market trades)	Balance at the end of the year
Directors of Arafura Rare Earths Limited				
M Southey	912,900	-	125,000	1,037,900
C Tonkin[1]	463,185	-	-	463,185
D Cuzzubbo	450,000	-	187,500	637,500
C Moises	363,601	-	-	363,601
R Higgins	-	-	500,000	500,000
M Spreadborough	610,000	-	187,500	797,500
I Murray[2]	-	-	-	-
KMP of the Group				
P Sherrington	3,445,549	-	31,250	3,476,799
S Macnaughton[3]	-	-	-	-
T van der Walt[4]	-	-	-	-
Total	**6,245,235**	**-**	**1,031,250**	**7,276,485**

This is the end of the audited remuneration report.

[1] Mr Tonkin resigned as Non-Executive Director on 26 July 2024.
[2] Mr Murray was appointed as Non-Executive Director on 10 September 2024.
[3] Mr Macnaughton resigned as Chief Operating Officer on 31 December 2024.
[4] Mr van der Walt was appointed as Chief Projects Officer on 20 January 2025.

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Insurance of officers

During the 2024 and 2025 financial year, the Group paid an insurance premium in respect of a Directors' and Officers' Liability Insurance. The insurance premium relates to liabilities that may arise from an officer's position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The officers covered by the insurance policies are Directors and officers of the Group.

The contract of insurance prohibits the disclosure of the nature of the liabilities and the amount of premium.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* nor the principles set out in *APES110 Code of Ethics for Professional Accountants*.

As a result, the Board is satisfied that the auditor is compatible with, and did not compromise, the auditor's independence requirements of the Corporations Act 2001.

As disclosed in Note 17, no fees for non-audit services were paid or payable to the Company's external auditors for the year ended 30 June 2025.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 56.

Signed in accordance with a resolution of the Directors.

Darryl Cuzzubbo

Managing Director and CEO

Mark Southey

Chair

Perth, Western Australia

22 August 2025

COPORATE GOVERNANCE STATEMENT

The Company has established a corporate governance framework, the key features of which are set out in its Corporate Governance statement which can be found on the Company's website at arultd.com, under the section marked "Corporate Governance".

In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th edition (**Principles & Recommendations**).

The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

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Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000
PO Box 700 West Perth WA 6872
Australia

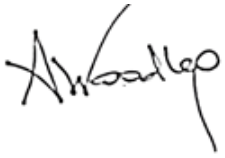
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DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF ARAFURA RARE EARTHS LIMITED

As lead auditor of Arafura Rare Earths Limited for the year ended 30 June 2025, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Arafura Rare Earths Limited and the entities it controlled during the period.



Ashleigh Woodley

Director

BDO Audit Pty Ltd

Perth

22 August 2025

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2025

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	Notes	2025 $	2024 $
Non-capitalised portion of Research and Development (**R&D**) tax incentive rebate	4(a)	-	50,678
Other income	4(b)	14,008,325	5,333,417
Employee benefits expense	5(a)	(5,503,720)	(5,496,502)
Project costs expensed	5(b)	(18,272,107)	(77,899,056)
Other expenses	5(c)	(7,151,349)	(14,188,302)
Depreciation and amortisation	5(d)	(677,376)	(8,411,483)
Finance costs	5(e)	(108,820)	(107,775)
Share-based payments	5(f)	(1,051,261)	(255,409)
Impairment of assets	5(g)	(486,029)	-
Loss before income tax		**(19,242,337)**	**(100,974,432)**
Net loss after income tax for the year		**(19,242,337)**	**(100,974,432)**
Total comprehensive loss for the year attributable to owners of Arafura Rare Earths Limited		**(19,242,337)**	**(100,974,432)**
Loss per share attributable to owners of Arafura Rare Earths Limited			
Basic loss per share (cents per share)	19	(0.79)	(4.56)
Diluted loss per share (cents per share)	19	(0.79)	(4.56)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025

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	Notes	2025 $	2024 $
CURRENT ASSETS			
Cash and cash equivalents	7	27,178,291	42,170,343
Trade and other receivables		468,767	569,131
Total Current Assets		**27,647,058**	**42,739,474**
NON-CURRENT ASSETS			
Property, plant and equipment		1,199,692	327,550
Right-of-use assets		224,735	1,208,087
Deferred exploration and evaluation expenditure	8	123,594,541	122,363,994
Other assets		3,186,176	3,451,186
Total Non-Current Assets		**128,205,144**	**127,350,817**
TOTAL ASSETS		**155,852,202**	**170,090,291**
CURRENT LIABILITIES			
Trade and other payables	9	2,337,703	6,956,682
Deferred revenue	10	-	12,288,689
Lease liabilities		237,623	496,698
Provisions	11	728,044	2,912,690
Total Current Liabilities		**3,303,370**	**22,654,759**
NON-CURRENT LIABILITIES			
Lease liabilities		-	252,833
Provisions	11	3,284,891	3,068,396
Total Non-Current Liabilities		**3,284,891**	**3,321,229**
TOTAL LIABILITIES		**6,588,261**	**25,975,988**
NET ASSETS		**149,263,941**	**144,114,303**
EQUITY			
Contributed equity	12	519,475,707	496,134,993
Reserves	13	14,880,594	13,829,333
Accumulated losses	14	(385,092,360)	(365,850,023)
TOTAL EQUITY		**149,263,941**	**144,114,303**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2025

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Consolidated	Notes	Contributed equity $	Equity - reserves $	Accumulated losses $	Total equity $
Balance at 30 June 2023		**466,203,376**	**13,573,924**	**(264,875,591)**	**214,901,709**
Loss for the 2024 financial year	14	-	-	(100,974,432)	(100,974,432)
Other comprehensive income		-	-	-	-
Total Comprehensive loss for the year		**-**	**-**	**(100,974,432)**	**(100,974,432)**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs and tax	12	29,931,617	-	-	29,931,617
Share-based payments	13	-	255,409	-	255,409
Balance at 30 June 2024		**496,134,993**	**13,829,333**	**(365,850,023)**	**144,114,303**
Loss for the 2025 financial year	14	-	-	(19,242,337)	(19,242,337)
Other comprehensive income		-	-	-	-
Total Comprehensive loss for the year		**-**	**-**	**(19,242,337)**	**(19,242,337)**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs and tax	12	23,340,714	-	-	23,340,714
Share-based payments	13	-	1,051,261	-	1,051,261
Balance at 30 June 2025		**519,475,707**	**14,880,594**	**(385,092,360)**	**149,263,941**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2025

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	Notes	2025 $	2024 $
Cash flows from operating activities			
Payments to suppliers and employees		(13,150,806)	(16,262,334)
Payments for project costs		(23,447,909)	(104,097,808)
Other income		1,719,636	2,620,119
R&D Incentive rebate - non-capitalised portion		-	50,678
Interest paid		(38,958)	(338,524)
Government grants		-	8,986,192
Net cash outflow from operating activities	15	**(34,918,037)**	**(109,041,677)**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,033,418)	(124,078)
Payments for term deposits		-	(1,678,794)
Proceeds from term deposits		265,000	1,817,702
Payments for security deposits		-	(1,125,750)
Proceeds from disposal of fixed assets		-	25,000
Payments for exploration and evaluation		(1,974,301)	(2,894,035)
R&D Incentive rebate - capitalised portion		-	161,242
Net cash outflow from investing activities		**(2,742,719)**	**(3,818,713)**
Cash flows from financing activities			
Proceeds from issue of shares		24,644,240	31,510,000
Payments for transaction costs		(1,437,472)	(1,578,383)
Repayment of lease liabilities		(530,944)	(3,577,538)
Net cash inflow from financing activities		**22,675,824**	**26,354,079**
Net decrease in cash and cash equivalents		**(14,984,932)**	**(86,506,311)**
Cash at the beginning of the financial year		42,170,343	128,848,075
Effects of exchange rate changes on cash and cash equivalents		(7,119)	(171,421)
Cash and cash equivalents at the end of the financial year		**27,178,291**	**42,170,343**

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

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Note 1: Summary of material accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Arafura Rare Earths Limited and its subsidiaries.

Basis of preparation

This general-purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001*. Arafura Rare Earths Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the Arafura Rare Earths Limited Group also comply with the International Financial Reporting (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

Early adoption of standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2025.

Historical cost convention

These financial statements have been prepared on a historical cost basis.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are material to the financial statements are disclosed in Note 3.

Going concern

Arafura's financial statements have been prepared on a going concern basis. There does not currently appear to be either any material impact upon the financial position of the Group or any material uncertainties with respect to events or conditions which may impact the financial position of the Group unfavourably as at the reporting date or subsequently.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Arafura Rare Earths Limited (**Parent Entity**) as at 30 June 2025 and the results of all controlled entities for the year then ended. Arafura Rare Earths Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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Note 1: Summary of material accounting policies (continued)

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Project Cost Expenditure

During the period the Company advanced detailed design for the Nolans hydrometallurgical plant, engineering activities on other aspects of the Nolans Project and completed early works construction. Expenditure associated with these activities has been expensed to the profit and loss as 'project costs' under *AASB 116 Property, Plant and Equipment*. These activities were determined to be development activities outside the scope of *AASB 6 Exploration for and Evaluation of Mineral Resources*.

Accounting standards and interpretations issued but not yet mandatory

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2025. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

New or amended standards adopted by the Company

The Group has not adopted any new or amended standards during the year ended 30 June 2025.

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Note 2: Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (which can include currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The Group holds the following financial instruments:

	2025 $	2024 $
Financial assets		
Cash and cash equivalents	27,178,291	42,170,343
Trade and other receivables	468,767	569,131
	27,647,058	**42,739,474**
Financial liabilities		
Trade creditors	540,576	1,246,042
Trade and other accruals	1,749,599	5,675,458
PAYG and payroll tax liabilities	47,528	35,180
Lease liabilities	237,623	749,531
	2,575,326	**7,706,211**

Market risk

Foreign exchange risk

The Group is not currently exposed to material foreign exchange risk arising from contract exposure in relation to the provisions of goods and services by outside organisations.

Price risk

The Group was not exposed to equity securities price risk. This typically arises from investments held by the Group and classified on the statement of financial position as financial assets held at fair value. At 30 June 2025, Arafura had no such investments (2024: nil).

Cash flow and fair value interest rate risk

The Group has no significant long-term borrowings and hence, is not exposed to any significant interest rate risk.

Credit risk

The Group has no significant concentrations of credit risk.

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Note 2: Financial Risk Management (continued)

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings:

	2025 $	2024 $
Cash at bank and short-term bank deposits		
Standard & Poor's rating AA-	**27,178,291**	**42,170,343**

The Group's exposure to credit risk on financial assets that cannot be assessed by reference to external credit ratings is immaterial.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities for the ability to fund future commitments. Due to the dynamic nature of the underlying businesses, the finance team aims at maintaining flexibility in funding to achieve this goal.

Financing arrangements

The Group has no financing arrangements as at the reporting date.

Maturities of financial liabilities

The table below illustrates the Group's financial liabilities at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – At 30 June 2025	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amounts of liabilities
	$	$	$	$	$	$	$
Non-derivatives							
Non-interest bearing	2,337,703	-	-	-	-	2,337,703	2,337,703
Fixed rate	145,787	97,191	-	-	-	242,978	237,622
Total non-derivatives	**2,483,490**	**97,191**	**-**	**-**	**-**	**2,580,681**	**2,575,325**

Group – At 30 June 2024	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amounts of liabilities
	$	$	$	$	$	$	$
Non-derivatives							
Non-interest bearing	6,956,681	-	-	-	-	6,956,681	6,956,681
Fixed rate	265,606	271,776	242,978	-	-	780,360	749,530
Total non-derivatives	**7,222,287**	**271,776**	**242,978**	**-**	**-**	**7,737,041**	**7,706,211**

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Note 3: Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstance.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the following section.

Continued recognition of Exploration and evaluation expenditure

Details of the Group's policy regarding the capitalisation of mining, evaluation and development expenditure are found in Note 8.

Income taxes

The R&D Tax Incentive is administered jointly by AusIndustry (on behalf of Innovation Australia) and the Australian Taxation Office (**ATO**).

The R&D Tax Incentive is a self-assessment programme and as at the date of the signing of this report Arafura has received no notification from AusIndustry and/or the ATO rejecting the registered R&D activities as ineligible R&D or the associated eligible R&D expenditures claimed.

The Group is currently in the process of claiming for expenditure on the eligible registered R&D activities for the 2025 financial year.

Share-based payments

The Parent Entity issued share-based payments in the form of performance rights during the year to staff and KMP. Assumptions and estimates made in relation to these share-based payments to KMP are detailed in the Remuneration Report on pages 38 to 53.

Rehabilitation provision

A provision has been made for the present value of anticipated costs for future rehabilitation of land disturbed during construction of the Nolans Project. The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

Critical judgments in applying the entity's accounting policies

The following critical judgements have been made when applying the entity's accounting policies for the 2025 financial year:

Impairment assessment of Exploration and Evaluation Expenditure carried forward

Details of the Group's impairment assessment of Exploration and Evaluation Expenditure carried forward are found in Note 8.

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Note 4: Revenue

Accounting Standard

Revenue Recognition

Government grants relating to depreciable assets are recognised in profit or loss over the periods and in the proportions in which depreciation expense on those assets is recognised. Income recognition of the Grant reflects the amount the Group is entitled to keep should a repayment notice be served.

Interest revenue is recognised as earned.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (**GST**).

	2025 $	2024 $
(a) Non-capitalised portion of R&D Tax Incentive rebate		
Non-capitalised portion of R&D Tax Incentive rebate	**-**	**50,678**
(b) Other Income		
Interest received	1,251,767	2,341,076
Government grants[1]	12,756,558	2,967,341
Gain on sale of assets	-	25,000
Total other income	**14,008,325**	**5,333,417**

[1] As announced to the ASX on 30 April 2025, in announcing a revised target date for the Nolans FID it became apparent a number of the key Modern Manufacturing Initiative Grant milestones may not be achieved in the required time frame to satisfy the grant agreement conditions. Arafura jointly agreed with the Australian Government to cease the grant. The A$15million that was already received under the grant agreement up until the date of cessation was acquitted in line with the grant requirements and was recognised as income during the period.

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Note 5: Expenses

	Notes	2025 $	2024 $
(a) Employee benefits expense			
Employee benefits expense		**5,503,720**	**5,496,502**
(b) Project costs expensed[1]			
Consultants		10,600,675	49,671,614
Employee benefits expense		1,632,857	2,110,786
Computer software		83,129	113,827
Early works and site overheads		4,229,129	17,302,688
Equipment procurement		332,826	6,681,312
Rehabilitation expense		124,424	399,779
Other project costs		1,269,067	1,619,050
Total project costs expensed		**18,272,107**	**77,899,056**
(c) Other expenses			
Accounting and other professional fees		459,952	227,979
Audit fees		85,296	75,563
Consultants' fees		932,866	4,547,629
Insurance		468,364	455,594
Legal fees		1,237,059	1,526,809
Share registry and stock listing fees		370,281	380,819
Loss on lease modification		-	3,689,339
Other expenses		3,597,531	3,284,569
Total other expenses		**7,151,349**	**14,188,302**
(d) Depreciation and amortisation			
Depreciation – office furniture and fittings		3,635	3,707
Depreciation – office and computer equipment		91,257	137,097
Depreciation – plant & equipment		66,384	34,517
Depreciation – right-of-use assets		516,100	8,236,162
Total depreciation		**677,376**	**8,411,483**

[1] Expenditure relates to detailed design on the Project's hydrometallurgical plant, other engineering activities on various aspects of the Project, early works construction and site overheads.

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(e) Finance costs		
Interest expense – lease liability	95,335	46,257
Interest expense - other	13,485	61,518
Total finance costs	**108,820**	**107,775**
(f) Share-based payments		
Employee benefits expense	**1,051,261**	**255,409**
(g) Impairment of assets		
Capitalised exploration expenditure	**486,029**	**-**
Total expenses	**33,250,663**	**106,358,527**

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Note 6: Income Tax

Accounting Standard

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for by using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which any deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Arafura Rare Earths Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under the Tax Consolidation Regime. Arafura Rare Earths Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated Group. The entities in the tax consolidated Group have not yet entered into a tax sharing agreement or a tax funding arrangement but may enter into these types of agreements in the future if it is considered beneficial to the Group to do so.

The reconciliation between tax expense and the product of accounting loss before tax multiplied by Group's applicable income tax rate is as follows:

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Note 6: Income Tax (continued)

	2025 $	2024 $
Income tax expense		
Current tax		-
Loss before income tax	**19,242,337**	**100,974,432**
Income tax benefit @ 30%	5,772,701	30,292,330
Tax effect of amounts which are not deductible in calculating taxable income:		
• Entertainment	(8,879)	(13,077)
• Share-based payments	(315,378)	(76,623)
• Sundry items not deductible (assessable)	-	15,203
• Deferred tax assets relating to tax losses not recognised	(1,423,465)	(24,800,526)
• Temporary differences not recognised	(4,024,979)	(5,417,307)
Total income tax benefit	-	**-**

The franking account balance at year end was nil (2024: nil).

Deferred tax assets and liabilities not recognised relate to the following:

Tax losses	74,341,727	73,106,696
Other temporary differences	65,320,272	60,838,908
Total deferred tax assets	139,661,999	133,945,604
Total deferred tax liabilities	(32,773,448)	(32,586,532)
Net deferred tax assets	**106,888,551**	**101,359,072**

Net deferred tax assets have not been bought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

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Note 7: Current assets – cash and cash equivalents

Accounting Standard

For statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

	2025 $	2024 $
Cash at bank and in hand	27,178,101	42,170,153
Bank deposits	190	190
	27,178,291	**42,170,343**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Reconciliation to cash at the end of the year		
Balances as above and per statement of cash flows	**27,178,291**	**42,170,343**

The Group's exposure to interest rate risk is discussed in Note 2.

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Note 8: Non-current assets – deferred exploration and evaluation expenditure

Accounting Standard

Exploration

Exploration expenditure incurred is accumulated in respect of each identifiable area of interest. The expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated capitalised exploration expenditure in relation to an abandoned area of interest and/or an area where no mineable ore body is discovered are expensed in the period in which it is determined the area of interest has no future economic benefit.

Evaluation

Evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. The expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When the technical feasibility and commercial viability of extracting and processing mineral resources have been demonstrated, then any capitalised evaluation expenditure will be classified to mine development and mineral processing development expenditure. Prior to reclassification, capitalised evaluation expenditure is assessed for impairment.

Accumulated capitalised evaluation expenditure in relation to an abandoned area of interest and/or an area where no mineable ore body is discovered are expensed in the period in which it is determined the area of interest has no future economic benefit. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

	2025 $	2024 $
Deferred exploration and evaluation expenditure		
Balance at beginning of year	122,363,994	119,346,203
Capitalised exploration expenditure	369,019	826,439
Capitalised evaluation expenditure[1]	1,347,557	2,352,594
R&D Tax Incentive rebate receipted against capitalised exploration and evaluation expenditure	-	(161,242)
Impairment of exploration expenditure	(486,029)	-
Balance at end of year	**123,594,541**	**122,363,994**

[1] Capitalised evaluation expenditure is expenditure on the Nolans Project, its proposed design and engineering including pilot plant activities, environmental impact assessments to evaluate, formulate and demonstrate the technical feasibility and commercial viability in developing a rare earths processing plant to process and treat the ore to be mined from the Nolans Project. It excludes expenditure associated with FEED, detailed design, other such engineering programmes and early works construction which have been treated as development activities under AASB 116 Property, Plant and Equipment.

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Note 8: Non-current assets – deferred exploration and evaluation expenditure (continued)

At each reporting date, the Group assesses whether there is an indication of impairment for Exploration and Evaluation assets. In assessing the recoverable value, the following key impairment indicators are used:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development on the area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from the successful development or sale.

Other than the Jervois tenement discussed below, no factors were identified in the period that could result in the carrying amount of the asset exceeding the recoverable amount. The ultimate recoverability of capitalised exploration and evaluation expenditure is dependent on the successful development of the area of interest and/or project or subsequent sale.

During the year, the Group recognised an impairment of $486,029 relating to its 60 per cent interest in the Jervois tenement (EL32167), a joint venture with Thor Mining PLC. The impairment reflects a reduction in carrying value from $756,029 to the recoverable amount of $270,000 based on a reliable estimate of fair value less costs to sell in accordance with AASB 6 and AASB 136.

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Note 9: Current liabilities – trade and other payables

Accounting Standard

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. The amounts are unsecured, non-interest bearing and are usually paid within 30 days of recognition.

	2025 $	2024 $
Current		
Trade creditors[1]	540,576	1,246,044
Trade and other accruals[1]	1,749,599	5,675,458
PAYG and payroll tax liabilities	47,528	35,180
	2,337,703	**6,956,682**

Information about the Group's exposure to foreign exchange risk is provided in Note 2. Carrying amounts equal fair values due to the short-term nature.

Note 10: Current liability - deferred revenue

	2025 $	2024 $
Current		
Modern Manufacturing Initiative (**MMI**) Government Grant[2]	-	12,288,689
	-	**12,288,689**

Accounting Standard

Deferred revenue relates to funding received under the Commonwealth Government's MMI Collaboration Stream. Government grants relating to expenditure are deferred and recognised in profit or loss over the period necessary to match them with the expenditure that they are intended to compensate. Government grants relating to depreciable assets are recognised in profit or loss over the periods and in the proportions in which depreciation expense on those assets is recognised. Income recognition of the Grant reflects the amount the Group is entitled to keep should a repayment notice be served.

[1] Decrease in trade creditors and accruals over the period is reflective of a rationalisation of development activities, resources and site and corporate overheads during the period.
[2] As announced to the ASX on 30 April 2025, in announcing a revised target date for the Nolans FID it became apparent a number of the key Modern Manufacturing Initiative Grant milestones may not be achieved in the required time frame to satisfy the grant agreement conditions. Arafura jointly agreed with the Australian Government to cease the grant. The A$15million that was already been received under the grant agreement up until the date of cessation was acquitted in line with the grant requirements and was recognised as revenue during the period.

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Note 11: Current and non-current liabilities – provisions

	2025 $	2024 $
Current		
Annual and long service leave	663,044	584,253
Provision for restoration of evaluation expenditure	65,000	107,488
Provision for onerous contract[1]	-	2,220,949
	728,044	**2,912,690**
Non-current		
Long service leave	53,739	31,530
Provision for rehabilitation	3,231,152	3,036,866
	3,284,891	**3,068,396**

Accounting Standard

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 12: Equity – contributed equity

Accounting Standard

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

	2025 Shares	2024 Shares	2025 $	2024 $
Share capital				
Fully paid ordinary shares	**2,464,328,691**	2,310,302,192	**519,475,707**	496,134,993

[1] In prior year, an onerous liability was recognised for the termination fees of the construction camp facility contract. During the period this liability was settled with the construction camp facility provider.

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Note 12: Equity – contributed equity (continued)

Movements in ordinary share capital

Movements in ordinary share capital over the past two years are as follows:

Date	Details	Number of shares	Issue Price	$
30-Jun-23	**Balance**	**2,113,364,692**		**466,203,376**
20-Dec-23	Share Capital	156,250,000	0.16	25,000,000
25-Jan-24	Share Capital	40,687,500	0.16	6,510,000
30-Jun-24	Capital Raising Costs			(1,578,383)
30-Jun-24	**Balance**	**2,310,302,192**		**496,134,993**
31-Jul-24	Share Placement – Tranche 1	88,732,000	0.16	14,197,120
06-Sep-24	Share Placement – Tranche 2	36,268,000	0.16	5,802,880
11-Sep-24	Share Purchase Plan	29,026,499	0.16	4,644,240
31-Dec-24	Capital Raising Costs			(1,303,526)
30-Jun-25	**Balance**	**2,464,328,691**		**519,475,707**

Capital risk management

The Group's objectives when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as current borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

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Note 13: Equity – reserves

Accounting Standard

Share-based payments compensation benefits are provided to employees via the Arafura Rare Earths Limited Incentive Plan.

The fair value of options and performance rights granted is recognised as an expense with a corresponding increase in equity over the relevant vesting period. The fair value is measured at grant date using the Black-Scholes or Binomial option pricing model. The cumulative charge to profit or loss is calculated based on the grant date fair value, the best estimate of the number of options and performance rights that are likely to vest and the expired portion of the vesting period. The number of options and performance rights expected to vest is estimated based on the attaching service and/or performance conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and equity.

Market vesting conditions are taken into consideration in determining fair value of the option or performance right at grant date. Non-market vesting conditions are included in assumptions about the number of options and performance rights that are expected to vest. At the end of each period, the entity revises its estimates of the number of options and performance rights that are expected to vest based on non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

	2025 $	2024 $
Equity - reserves		
Share-based payments reserve	14,880,594	13,829,333
	14,880,594	**13,829,333**
Movements		
Share-based payments reserve		
Balance at beginning of year	13,829,333	13,573,924
Share-based payments expense	1,051,261	255,409
Balance at end of year	**14,880,594**	**13,829,333**

Nature and purpose of reserves

The share-based payments reserve is used to recognise the fair value of options and performance rights issued to employees and key management personnel.

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Note 14: Equity – accumulated losses

	2025 $	2024 $
Balance at beginning of year	(365,850,023)	(264,875,591)
Net loss for the year	(19,242,337)	(100,974,432)
Balance at end of year	**(385,092,360)**	**(365,850,023)**

Note 15: Statement of cash flows reconciliation

	2025 $	2024 $
Net loss	(19,242,337)	(100,974,432)
Adjustments for:		
Depreciation and amortisation	677,376	8,411,483
Impairment of exploration expenditure	486,029	-
Rehabilitation expense	194,286	-
Gain on disposal of fixed assets	-	(25,000)
Foreign exchange	7,119	171,421
Loss/(Gain) on lease modification	601,198	(107,833)
Share-based payments expense	1,051,261	255,409
Change in operating assets and liabilities:		
Deferred revenue	(12,288,689)	6,297,894
Trade & other receivables	88,797	(655,064)
Trade & other payables	(4,373,556)	(24,831,315)
Provisions	(2,119,521)	2,415,759
Net cash outflow from operating activities	**(34,918,037)**	**(109,041,677)**

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Note 16: Key Management Personnel compensation

	2025 $	2024 $
Short-term employee benefits	2,119,774	1,895,859
Post-employment benefits	136,835	151,012
Long-term benefits	9,060	23,777
Termination benefits	7,002	765,913
Share-based payments	340,747	(232,621)
	2,613,418	**2,603,940**

Detailed remuneration disclosures are provided in sections 1-5 of the remuneration report on pages 38 to 53.

Options provided as remuneration and shares issued on exercise of such options

During the 2024 and 2025 financial year, there were no options provided as remuneration or shares issued on the exercise of such options to the Directors or other KMP.

Loans to KMP

During the 2024 and 2025 financial year, there were no loans to the Directors or other KMP.

Other transactions with KMP

During the 2025 financial year, there were no other transactions with the Directors or KMP.

During the 2024 financial year, special exertion services were provided by Darryl Cuzzubbo for a period of approximately six months prior to being appointed Managing Director and CEO of the Company on 5 February 2024. The services provided by Mr Cuzzubbo were in addition to his services as Non-Executive Director. Amounts paid to Mr Cuzzubbo are included in the 2024 remuneration figures above and in the Table 5 of the Remuneration Report.

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Note 17: Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the Company.

	2025 $	2024 $
1. Audit services		
BDO Audit Pty Ltd		
Audit and review of financial reports	70,551	89,608
2. Non-audit services		
Non-audit services	-	-
Total audit and non-audit services	**70,551**	**89,608**

Note 18: Commitments and contingencies

Capital Commitments

	2025 $	2024 $
Within one year[1]	154,664	20,250,100
Later than one year but not later than five years	2,882,120	47,520
	3,036,784	**20,297,620**

Lease commitments - operating

	2025 $	2024 $
Within one year	62,122	65,870
	62,122	**65,870**

Mining tenement commitments

In order to maintain current rights of tenure to exploration and mining tenements, the Group has the following discretionary exploration expenditure requirements up until expiry of the tenements. These obligations are not provided for in the financial statements.

If the Group decides to relinquish certain tenements and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

	2025 $	2024 $
Within one year	199,809	126,415
Later than one year but not later than five years	439,056	397,045
Later than five years	110,983	106,755
	749,848	**630,215**

[1] Decrease in capital commitments over the period is reflective of a rationalisation of development activities, resources and site and corporate overheads during the period.

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Note 18: Commitments and contingencies (continued)

Contingencies

During the 2024 financial year, the Company and NT Link Pty Ltd (**NT Link**) executed an agreement to reduce the monthly rates charged for Stage 1 and Stage 2 of the Nolans construction camp facility over the seven months ending 31 December 2024. The cumulative reduction in rates realised by Arafura became due and payable during the period and were settled with NT Link.

There are no contingencies as at 30 June 2025.

Note 19: Earnings per share

Accounting Standard

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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Note 19: Earnings per share (continued)

	2025 Cents	2024 Cents
Basic loss per share		
Basic loss per share (cents per share)	(0.79)	(4.56)
Diluted loss per share		
Diluted loss per share (cents per share)	(0.79)	(4.56)

	2025 $	2024 $
Net loss	(19,242,337)	(100,974,432)
Loss used to calculate basic earnings per share	(19,242,337)	(100,974,432)
Loss used to calculate diluted earnings per share	(19,242,337)	(100,974,432)

	2025 Number of shares	2024 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	2,444,111,267	2,213,485,754
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,444,111,267	2,213,485,754
Weighted average number of ordinary shares from option conversions which are dilutive and potential ordinary shares that are not used in calculation of diluted earnings per share	-	-

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion to these options would result in a decrease in the net loss per share.

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Note 20: Related party transactions

Parent entity

The parent entity within the Group is Arafura Rare Earths Limited.

Consolidated Entity Disclosure

Interests in subsidiaries are set out in the Consolidated Entity Disclosure on page 87.

Key Management Personnel

Disclosures relating to KMP are set out in Note 16.

Transactions with related parties

Other transactions with related parties are set out in Note 16.

Outstanding balances arising from sale/purchases of goods and services

There were no outstanding balances at the end of the reporting period in relation to transactions with related parties.

Loans to/from related parties

Other than loans held between subsidiaries of the Group, there were no other loans entered into or agreed upon with related parties of the Group.

Terms and conditions

All transactions were made at cost. Outstanding balances with subsidiaries of the Group are unsecured and repayable in cash.

Note 21: Events occurring after the reporting date

Subsequent to the end of the financial year:

- The Company continued to demonstrate progress against its equity funding strategy for Nolans through:
  - Being selected for the appraisal phase for potential equity investment from the GRMF.
  - Receiving a non-binding conditional Letter of Interest from EFA relating to potential further investment to support Arafura's Nolans Project.
- The Company received firm commitments for an $80 million two-tranche institutional placement at A$0.190 per share. Tranche one of the placement to raise $70.2 million and tranche two of the placement, which is subject to shareholder approval, to raise ~A$9.8 million. Proceeds from the Placement and Share Purchase Plan provide Arafura with the necessary cash runway to finalise its equity funding strategy, while de-risking the overall equity funding requirement, for Nolans.

No other matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

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Note 22: Segment information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of Directors in assessing performance and determining the allocation of resources. The reportable segment is represented by the primary statements forming this financial report.

At the end of the financial year, the Group was operating primarily in one segment, as an exploration business in Australia.

Note 23: Parent Entity financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

Arafura Rare Earths Limited (Parent)	2025 $	2024 $
Total current assets	**26,258,752**	**26,522,079**
Total assets	**122,899,061**	**123,465,384**
Total current liabilities	**1,618,596**	**1,899,028**
Total liabilities	**1,672,335**	**2,275,666**
Shareholders' equity		
Issued capital	519,475,706	496,134,993
Equity - reserves	14,880,594	13,829,332
Accumulated loss	(413,129,573)	(388,774,607)
Total equity	**121,226,727**	**121,189,718**
Loss for the year	(24,354,966)	(131,211,144)
Total comprehensive loss	**(24,354,966)**	**(131,211,144)**

No capital commitments are held in the Parent entity. The following lease and mining tenement commitments are held in the Parent entity. Refer to Note 18 for the Group's commitments disclosure.

Note 23: Parent entity financial information (continued)

Lease commitments - operating

	2025 $	2024 $
Within one year	62,122	65,870
	62,122	**65,870**

Mining tenement commitments

	2025 $	2024 $
Within one year	155,560	42,770
Later than one year but not later than five years	439,056	18,499
Later than five years	110,983	-
	705,599	**61,269**

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CONSOLIDATED ENTITY DISCLOSURE
FOR THE YEAR ENDED 30 JUNE 2025

Consolidated Entity Disclosure

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1.

Name of entity	Type of Entity	Trustee, partner or Joint venture	% Share Capital Held	Country of incorporation	Australian residency	Tax Residency
Arafura Advanced Materials Pty Ltd	Body corporate	No	100	Australia	Yes	Australia
Arafura Nolans Project Pty Ltd	Body corporate	No	100	Australia	Yes	Australia
Arafura IP Pty Ltd	Body corporate	No	100	Australia	Yes	Australia
Central Australian Resources Pty Ltd	Body corporate	No	100	Australia	Yes	Australia
Nolans Operations Pty Ltd	Body corporate	No	100	Australia	Yes	Australia

Entities listed above are part of the consolidated entity as at 30 June 2025.

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Declaration by Directors

The Directors of the Company declare that:

1. The financial statements comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, accompanying notes are in accordance with the Corporations Act 2001, and:
   a. comply with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. give a true and fair view of the financial position as at 30 June 2025 and of the performance for the year ended on that date for the Group.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. In the Directors' opinion, the financial statements and notes are prepared in compliance with IFRS and interpretations alerted by the International Accounting Standards Board.
4. The remuneration disclosures set out on pages 38 to 53 of the Directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2025 complies with section 300A of the Corporations Act 2001.
5. The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A.
6. The information disclosed in the consolidated entity disclosure statement is true and correct.

This declaration is made in accordance with a resolution of the Board of Directors and is signed on behalf of the Directors.



Mark Southey

Chair

22 August 2025

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000
PO Box 700 West Perth WA 6872
Australia

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INDEPENDENT AUDITOR'S REPORT

To the members of Arafura Rare Earths Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Arafura Rare Earths Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2025 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of A.C.N. 050 110 275 Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and A.C.N. 050 110 275 Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation

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Accounting for Exploration and Evaluation Assets

Key audit matter	How the matter was addressed in our audit
The carrying value of the Deferred Exploration and Evaluation Asset is significant to the financial statements, as disclosed in note 8. Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 *Exploration for and Evaluation of Mineral Resources*. In particular: • Whether the conditions for capitalisation are satisfied; • Classification of exploration and evaluation expenditure or development asset; and • Whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and directors' minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Assessing managements memorandum in relation to the classification of the exploration expenditure in accordance with the presentation criteria of AASB 6; • Verifying, on a sample basis, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; • Considering whether any facts of circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in note 8 of the Financial Report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2025, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of:

a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/media/bwvjcgre/ar1_2024.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 38 to 53 of the directors' report for the year ended 30 June 2025.

In our opinion, the Remuneration Report of Arafura Rare Earths Limited, for the year ended 30 June 2025, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd



Ashleigh Woodley

Director

Perth, 22 August 2025

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Additional information included in accordance with the listing rules of the Australian Stock Exchange Limited.

Shareholder Information

Statement of issued capital at 15 July 2025

Fully paid ordinary shares (ASX: ARU):

Distribution of fully paid ordinary shareholders:

Size of holding	Number of shareholders	Number of shares
100,001 and Over	2,922	1,963,578,058
10,001 to 100,000	12,090	437,018,610
5,001 to 10,000	5,066	40,378,248
1,001 to 5,000	7,430	22,682,264
1 to 1,000	1,289	671,511
	28,797	**2,464,328,691**

There are no restrictions on voting rights attached to ordinary shares. On a show of hands, every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

As at 15 July 2025, there existed 3,886 shareholders who held less than a marketable parcel of shares.

Fully paid ordinary shares are quoted on the Australian Securities Exchange Limited.

Unlisted Options and Performance Rights issued an employee incentive scheme

Description	Number of holders	Number of options/performance rights
Options, expiring various dates at varying exercise prices (ASX:ARUAC)	13	5,085,000
Performance Rights (ASX: ARUAD)	24	42,093,974

No unquoted securities have been exercised/converted to ordinary shares in the period. Holders of unlisted options and performance rights do not hold voting rights until such time as they are exercised and/or converted to ordinary shares.

All 37 holders hold over 100,001 unlisted options and performance rights (combined).

The Company is not performing an on-market buy-back at the time of this report.

There are no securities subject to escrow at the time of this report.

Substantial shareholders at 15 July 2025 as per their notices:

Name	Ordinary shares %
Hancock Prospecting Pty Ltd[1]	10.01%

[1] The last notice of change of interest of substantial holder was provided to the ASX on 31 January 2023. The next notice of change of interest of substantial holder is only required where there is a change in holding greater than 1% from the previous notice.

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Top Twenty Shareholders

As at **15 July 2025**, the twenty largest shareholders held 979,970,293 of the fully paid ordinary shares in Arafura Rare Earths Limited and they are:

No.	Name	Shares	% of issued capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	321,753,790	13.06
2	BNP PARIBAS NOMINEES PTY LTD <CLEARSTREAM>	174,395,833	7.08
3	CITICORP NOMINEES PTY LIMITED	140,210,990	5.69
4	OCJ INVESTMENT (AUSTRALIA) PTY LTD	73,227,222	2.97
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	69,343,750	2.81
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	45,650,689	1.85
7	BNP PARIBAS NOMS PTY LTD	31,270,444	1.27
8	BNP PARIBAS NOMINEES PTY LTD <UOB KH PL>	28,730,898	1.17
9	MR KENNETH JOSEPH HALL <HALL PARK A/C>	16,187,500	0.66
10	MS DANIELLE SHARON TUDEHOPE	11,300,000	0.46
11	FINCLEAR SERVICES PTY LTD <SUPERHERO SECURITIES A/C>	9,576,113	0.39
12	HINTON RIPLEY HOLDINGS PTY LTD	8,230,630	0.33
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,575,186	0.31
14	ALBERT & TERESA TING PTY LIMITED	7,437,500	0.30
15	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	6,813,907	0.28
16	HINTON FAMILY HOLDINGS PTY LTD	6,278,420	0.25
17	MR KENNETH WONG	6,000,000	0.24
18	BIRCH PCT PTY LTD <BIRCH FAMILY A/C>	5,555,112	0.23
19	MR DAVID JOHN HARRISON <J & D HARRISON FAMILY A/C>	5,400,000	0.22
20	LACHESIS HEALTH PTY LTD <TOCI INVESTMENT A/C>	5,032,309	0.20
		979,970,293	**39.77**

Corporate Governance Statement

Pursuant to the ASX Listing Rules, the Company's Corporate Governance Statement will be released in conjunction with this report. The Company's Corporate Governance Statement is available on the Company's website at: https://www.arultd.com/corporate/corporate-governance/.

On Market Buyback

The Company is not performing an on-market buyback at the time of this report.

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Tenement Register as at 15 July 2025:

Tenement reference	Project	Holder	Nature of interest	Interest at beginning of quarter	Interest at end of quarter	Notes
ML 26659 ML 30702 ML 30703 ML 30704 ML 32411 ML 32412 ML 32413 ML 32414 ML 32415 ML 32416 ML 33107	Nolans, NT	Arafura Nolans Project Pty Ltd	Mineral Lease	100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100%	100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100%	
EL 28473 EL 28498 EL 29509 EL 31224 EL 31284 EL 31957	Aileron–Reynolds, NT	Arafura Rare Earths Limited	Exploration Licence	100% 100% 100% 100% 100% 100%	100% 100% 100% 100% 100% 100%	
EL 29701	Bonya JV, NT	Arafura Rare Earths Limited	Exploration Licence	60%	60%	Thor Mining Plc 40%, Arafura Rare Earths Limited 60%
EL 32167	Jervois Vanadium, NT	Arafura Rare Earths Limited	Exploration Licence	60%	60%	Thor Mining Plc 40%, Arafura Rare Earths Limited 60%
ML32722	Nolans, NT	Arafura Nolans Project Pty Ltd	Mineral Lease	100%	100%	Application lodged.
EMP33078 EMP33079 EMP33080 EMP33081 EMP33082 EMP33083 EMP33084 EMP33085	Nolans, NT	Arafura Nolans Project Pty Ltd	Extractive Exploration Licence	100%	100%	