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24 September 2024

ANNUAL REPORT 2024

Highlights:

- Mineral Resource Estimate increased by 84% to 186 million tonnes at 712 ppm TREO.
- Contained TREO tonnage increased by 60% to 132,000 tonnes over the year.
- Significant tenure expansion at Koppamurra, bringing the total project area to 7,399 km2.
- Successful drilling program targeting strike extensions and resource definition upgrades.
- Improved development pathway with a progressive heap leach and rapid rehabilitation approach.
- Strategic diversification of exploration portfolio to include uranium.
- Engage with this announcement at the AR3 ***investor hub.***

Australian Rare Earths (**ASX: AR3**) is pleased to release its Annual Report for the financial year ended 30 June 2024.

Managing Director, Travis Beinke comments in the Annual Report: *"This has been a year of significant progress and strategic achievements for AR3. I am extremely proud of our team's dedication and the milestones we have reached. Our advancement of the Koppamurra Project, strategic diversification of our exploration portfolio, and commitment to sustainability position us well in developing a portfolio of energy transition metals projects. Looking ahead, we remain focused on our strategic growth objectives through the expansion and diversification of our exploration portfolio and advancing our projects to ensure sustained growth and long-term value creation."*

The announcement has been authorised for release by the Board of Australian Rare Earths Limited.

For further information please contact:

Australian Rare Earths Limited
Travis Beinke
Managing Director and CEO
T: 1 300 646 100

Media Enquiries
Jessica Fertig
Tau Media
E: info@taumedia.com.au

About Australian Rare Earths Limited

Australian Rare Earths is committed to the timely exploration and development of its 100% owned, flagship Koppamurra Project, located in the new Koppamurra rare earths Province in southeastern South Australia and western Victoria. Koppamurra is a prospective ionic clay hosted rare earth deposit, uniquely rich in all the elements required in the manufacture of rare earth permanent magnets which are essential components in electric vehicles, wind turbines and domestic appliances. In addition, AR3 is actively reviewing other potential prospective areas which may also host uranium and ionic clay hosted rare earth deposits throughout Australia.

The Company is focused on executing a growth strategy that will ensure AR3 is positioned to become an independent and sustainable source of energy transition metals, playing a pivotal role in the global transition to a green economy.

AUSTRALIAN RARE EARTHS

Annual Report 2024

METALS FOR OUR FUTURE

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CHAIRMAN'S LETTER

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Dear Shareholders, I am pleased to present the 2024 Annual Report for Australian Rare Earths Limited (ASX: AR3).

Despite a challenging year for the small-cap resource sector, we have made significant progress on developing options for the Koppamurra Rare Earth Project, initiated strategic diversification to our growing exploration portfolio in energy transition minerals, and maintained our focus on creating long-term value for our shareholders.

Market conditions have been particularly challenging for junior explorers and developers in critical minerals. Rare Earth Element (REE) products prices weakened over the year, and in turn flowed through to poor investor sentiment and weak share price performances across most of the listed rare earth sector.

AR3's share price has not been immune to this, and I acknowledge and share your disappointment in this outcome.

So, how did we approach this challenging environment?

- We focused on the factors within our control; and
- We made steady progress on our projects, so that when the cycle and sentiment turns – as they invariably do, though the timing is unknown – the Company is well positioned to capitalise.

Rare Earths

The rare earth sector sits at the intersection of two megatrends of our day: Geopolitics, and Decarbonisation.

Rare Earth Permanent Magnets (REPM) are crucial components in wind turbines and electric vehicle motors. They're also a key input into a range of robotic, medical and defence applications.

Currently, China dominates both REPMs production and upstream REE ore mining. Reducing this dependence has become a key objective for policymakers worldwide.

That's why the governments of our friends and allies in the US, European Union (EU), Japan and Korea are implementing programs to support the development of diversified, reliable REE supply chains, encompassing both upstream mining and downstream processing into REPMs.

And we mean to be a part of it.

The Koppamurra deposit contains all four of the key rare earth minerals – the 'light' Neodymium and Praseodymium, and the 'heavy' Dysprosium and Terbium. Heavy rare earths are particularly strategic, as China currently supplies almost all global demand.

This year, AR3 has focused on identifying capital-efficient, cost-effective and environmentally responsible pathways to bring Koppamurra into production, subject to permitting and favourable market conditions.

I'm pleased to report we have made good progress, as outlined by our Managing Director, Travis Beinke, in his letter that follows.

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As mentioned, government policy initiatives in Australia and abroad are supporting the development of new REE supplies.

These include:

- The expansion of the Critical Minerals Facility on the National Interest Account of Export Finance Australia to $4bn, announced by the Australian Government in October 2023;
- The opening of grant applications for a $40 million international partnerships program to build end-to-end critical minerals supply chains, announced by the Australian Government in February 2024;
- The launch of the Mineral Security Partnership Forum – a collaboration of the US, EU, Australia and 11 other countries to work together to develop individual projects and promote a dialogue on policies that contribute to diversification and resilience of supply chains – in April 2024;
- The announcement of the Critical Minerals Production Tax Incentive in the May 2024 Federal Budget; and
- The signing of a Memorandum of Understanding between the EU and Australia to establish a partnership to build critical and strategic minerals supply chains, in May 2024.

In an age of heightened geopolitical rivalry, 'industry policy is back' in a way we haven't seen since the 1960s and 70s, particularly for minerals like rare earths that are vital to our future energy, transport and defence systems. Positioning the Company to capitalise on this trend has been a strategic focus this year.

As an ionic-clay hosted deposit, with the potential for production via a progressive heap-leach approach and rapid rehabilitation, Koppamurra could benefit from a relatively short construction period and lower technical risk during ramp-up.

This positions it well to be in the vanguard of the next wave of rare earth producers entering steady-state production, subject to successful permitting and supportive market conditions. We are working hard to ensure government policy and decision makers are aware of Koppamurra's potential speed-to-market edge in a volatile world.

Strategic addition of uranium

As we advance the development pathway at Koppamurra and pursue early-stage rare earth exploration in Queensland, we have leveraged our management team's expertise to diversify our portfolio by including uranium exploration projects.

The acquisition of South Australian tenements prospective for sedimentary-hosted uranium deposits via in-situ recovery (ISR) mining methods provides the Company with new opportunities for growth and value creation.

South Australia currently hosts two operating ISR uranium mines, and other explorers are active in the regions where AR3 has secured ground. The target sequence rocks in our tenements are expected to be amenable to cost-effective drill-testing. Our team looks forward to getting on the ground and commencing exploration this year.

Conclusion

Despite a challenging year for the small-cap mining sector, the AR3 team has remained focused on controlling what we can, managing costs, advancing our flagship project, and adding other value-creation opportunities to the portfolio.

I extend my sincere thanks to the AR3 management team for their hard work, creativity and value-added insights throughout the year.

And I am particularly grateful to you, our shareholders, for your continued support, and look forward to the coming year as one of strategic progress on multiple fronts.

Yours sincerely,

Angus Barker
Chairman

24 September 2024

EXPLORATION

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MD'S LETTER

Dear Shareholders, I am pleased to provide you with a summary of our strategic achievements and project progress over the past year, complementing the Chairman's market overview.

Strategic Progress at Koppamurra

Our flagship Koppamurra Rare Earths Project continues to demonstrate its potential. Over the past year, we significantly expanded the JORC Mineral Resource Estimate (MRE) for Koppamurra by 84% to 186Mt of total MRE with an average Total Rare Earth Oxide (TREO) grade of 712ppm.

We also continued to demonstrate significant resource upside potential with an Exploration Target range of 340 million to 3.1 billion tonnes.

With an additional 8,750 metres drilled during the year, contributing to more than 65,000 meters drilled since 2021, we have gained further confidence in the regional extent of the resource potential. The 2024 drilling program focused on extending the known mineralisation area that had not previously been drill tested and resource definition upgrades. Pleasingly the drilling defined new shallow high-grade and high magnet rare earth mineralisation outside the existing resource.

As magnet rare earth content is one of the key economic drivers of rare earth projects, prioritising higher value mineralisation zones will be an important focus of our future development plans to maximise the Project's value.

In addition to our exploration successes, we have made significant progress in metallurgical testwork. The identification of a high-grade progressive heap leach and rapid rehabilitation pathway strongly aligns with our commitment to sustainable development.

This innovative approach provides advantages such as efficient extraction of rare earths while potentially lowering initial capital and operating costs and delivering improvements to the project's environmental credentials, including reduced water and lower power consumption.

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Exploration Portfolio Diversification

In a strategic move to diversify our portfolio and strengthen our position in the clean energy transition metals market, we secured an option to the rights for the Overland Uranium Project, which has now been exercised.

This project not only broadens our exploration portfolio but also provides additional opportunities for growth and value creation.

We are focusing our uranium efforts on projects with potential for ISR amendable uranium deposits, positioning us well to leverage our team's extensive expertise in uranium exploration.

Subsequent to the year-end, we further expanded our uranium exploration footprint by applying for two new exploration licenses: Triggs Bore and Hamilton Creek in South Australia. These prospects exhibit promising geological indicators for uranium mineralisation.

In North Queensland we applied for additional exploration licences in the Kennedy Province, a highly prospective new rare earth province. The additional tenure complements our existing Massie Creek and Dalrymple projects.

Maintaining Capital Discipline

Our strong financial position has enabled us to pursue new opportunities aggressively.

We have maintained a robust cash reserve, which supports our capacity to explore and develop new projects while continuing to advance our Koppamurra Project.

Investor Engagement and Future Outlook

Engaging effectively with our shareholders is crucial, and the launch of our Interactive Investor Hub platform this year represents a significant step forward in this regard.

This platform provides our shareholders with timely updates and insights into our ongoing activities and strategic initiatives.

Looking ahead, we remain focused on our strategic growth objectives through the expansion and diversification of our exploration portfolio and advancing our projects to ensure sustained growth and long-term value creation.

Conclusion

This has been a year of significant progress and strategic achievements for AR3. I am extremely proud of our team's dedication and the milestones we have reached.

Our advancement of the Koppamurra Project, strategic diversification of our exploration portfolio, and commitment to sustainability position us well in developing a portfolio of energy transition metals projects.

Thank you for your continued support and confidence in our vision.

Yours sincerely,

Travis Beinke
Managing Director

24 September 2024

OPERATIONS REVIEW

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Koppamurra Project

Project Overview

The Koppamurra Project, located in South-Eastern South Australia and Western Victoria, is a significant ionic clay-hosted rare earth deposit.

The project boasts a substantial Mineral Resource Estimate (MRE) of 186 million tonnes at 712 ppm TREO, representing a substantial 84% increase from the previous year. This translates to a contained TREO tonnage of 132,000 tonnes, a 60% increase year-on-year.

Exploration and Resource Growth

During the year, exploration efforts focused on expanding and upgrading the Koppamurra resource.

A comprehensive drilling program, encompassing 8,750 meters across 694 holes, targeted strike extensions and resource definition upgrades. These efforts yielded encouraging results, defining new shallow high-grade TREO intercepts and high Magnet Rare Earth Oxide (MREO).

Infill drilling assay results, received in the March 2024 quarter, confirmed shallow, high-grade mineralisation within the existing MRE.

Additionally, extensional drilling in a previously unexplored area, located 25km north of the existing Koppamurra Resource, successfully intersected shallow, high-grade mineralisation.

Land Tenure Expansion

During the year, Australian Rare Earths secured significant tenure extensions at Koppamurra, expanding its landholding to 7,399 km^2. This strategic move strengthens the Company's position and paves the way for sustained exploration and potential future development.

An initial, low-impact roadside hand auger program across two new southern tenements identified shallow, clay-hosted REE mineralisation extending 60 kilometres south of the Koppamurra MRE area.

The program will help guide the next exploration stage in the southern region and supports the potential for widespread REE mineralisation.

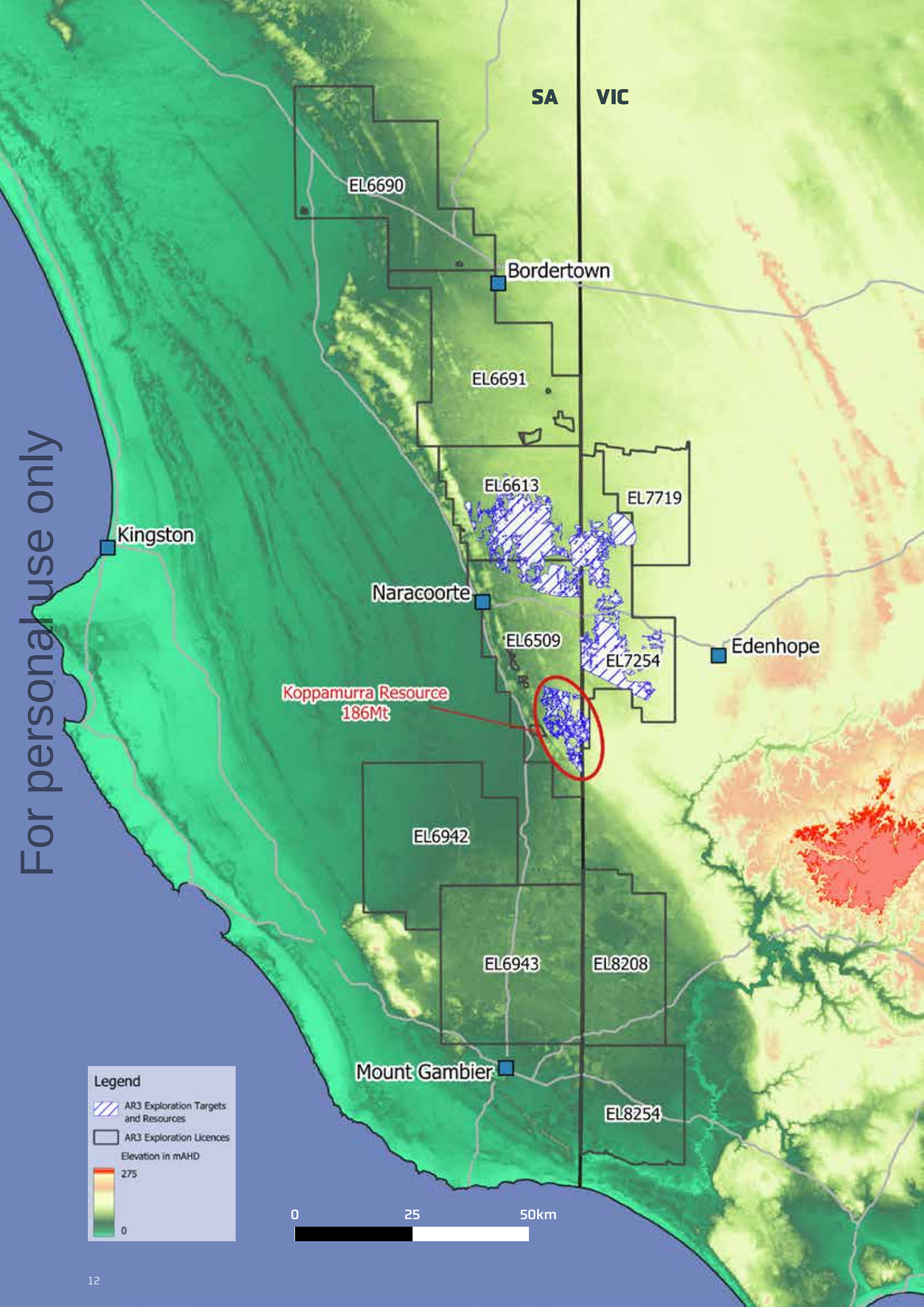
FY 24 Highlights

- Mineral Resource Estimate increased by 84% to 186 million tonnes at 712 ppm TREO.
- Contained TREO tonnage increased by 60% to 132,000 tonnes over the year.
- Significant tenure expansion at Koppamurra, bringing the total project area to 7,399 km^2.
- Successful drilling program targeting strike extensions and resource definition upgrades.
- Improved development pathway with a progressive heap leach and rapid rehabilitation approach.

Looking Ahead

The Koppamurra Project represents a significant opportunity for Australian Rare Earths, with substantial resource growth potential and an improved development pathway.

The Company remains focused on advancing the project towards development and production, positioning itself as a key supplier of critical rare earth elements to the growing electric vehicle, renewable energy, and robotics markets.



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Koppamurra Project

Improved Development Pathway

In April 2024, Australian Rare Earths announced an enhanced development pathway, featuring a high-grade progressive heap leach and rapid rehabilitation approach.

The high-grade ore zones, and the application of temporary heap leaching production pathways, will allow for scalable, efficient production of rare earths with staged satellite developments enhancing the favourable environmental outcomes from a development of this type.

A conceptual project process flowsheet has been developed (figure below). Design features for developing the Koppamurra Project via a progressive heap leach pathway (as compared to a slurry leach), include:

Design Features:

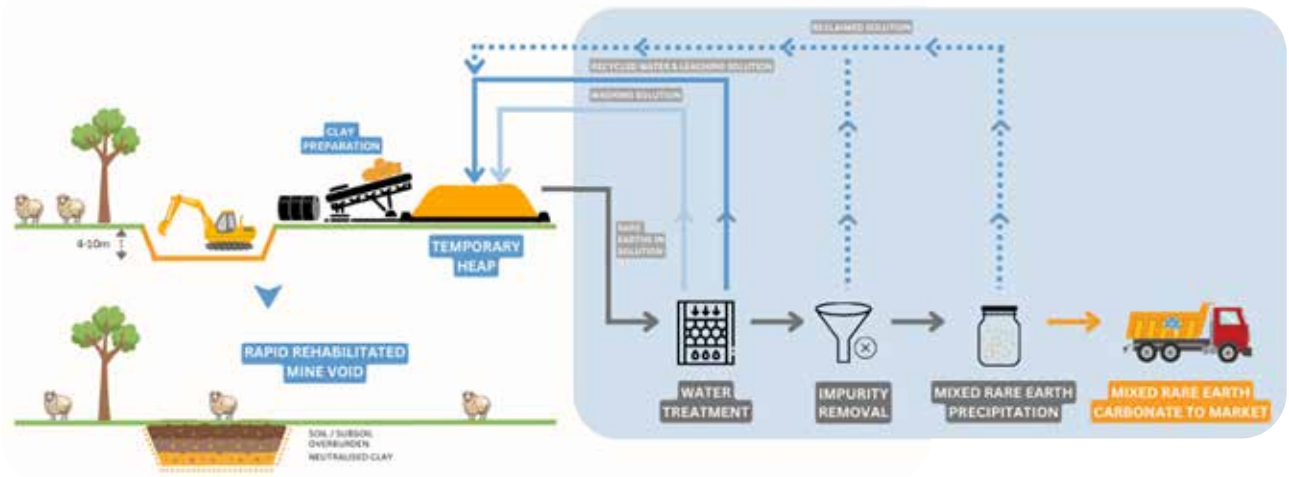
- High-grade satellite mine sites with temporary heap pads located at the edge of the satellite mine void;
- Water treatment equipment will be located near the temporary heap pads to facilitate recycling and reuse of both water and reagents; and
- The extracted top soil and overburden material will be temporarily set aside ready to be placed back in the mine void after rare earths have been harvested from the clay and the clay has been washed allowing for rapid and progressive rehabilitation of the land.

Design advantages include:

- Potential for a significantly lower capital cost and reduced operating cost;
- Enables improved environmentally sustainable characteristics with;
  - Very low water consumption
  - Reduced power consumption
  - Improved materials handling characteristics enabling environmentally sustainable, rapid, progressive rehabilitation techniques
- Testwork also indicates lower gangue/impurity profile with higher rare earth in solution characteristics through column leach resulting in lower capital and operating cost; and
- Opportunity to easily expand and scale up production over time across the multi- generational province.

Koppamurra Conceptual Project Flow Sheet

A simple process with low technical risks which is environmentally sustainable.



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Uranium Portfolio

Strategic Extension of Clean Energy Transition Metals Portfolio – Uranium

In line with the Company's strategic focus on expanding its clean energy transition metals portfolio, Australian Rare Earths added three highly prospective uranium projects, broadening its strategic portfolio.

Overland Uranium Project

AR3 broadened its portfolio by entering into an Option Agreement to acquire 100% ownership of Valrico Resources Pty Ltd, the holder of the Overland Uranium Project (ASX, 3 April 2024) with the option exercised in September 2024.

This project includes Exploration Licence Applications (ELA) 2024/14 and 2024/15 (subsequently granted as EI7001 and EI7003), covering a combined area of 1,981 km² within the Murray Basin, South Australia, a potential new uranium province.

AR3 subsequently lodged an additional ELA (2024/22), (subsequently granted as EI7001 and EI7003) which will expand the total project area to approximately 3,000 km² once granted.

Multiple high-potential exploration targets have been identified within the Overland Project, with a focus on paleochannel sediments within the Renmark Group, which are considered geologically analogous to those in the Eyre Formation, which hosts Boss Energy's uranium operations (ASX, 7 May 2024).

Triggs Bore Prospect

This 250 km² prospect features historical drilling that intersected uranium mineralisation within the Eyre Formation sediments, the same host as the Four Mile and Honeymoon uranium deposits (ASX, 16 July 2024).

Hamilton Creek Prospect

Spanning 200 km² in the Callabonna Sub-basin, this prospect will focus on an anomalous downhole gamma response detected in previous drilling, suggesting the presence of uranium mineralisation (ASX, 23 July 2024).

AR3's strategic expansion into uranium exploration underpins its commitment to supporting the clean energy transition, positioning the Company in the sustainable development of critical energy resources.

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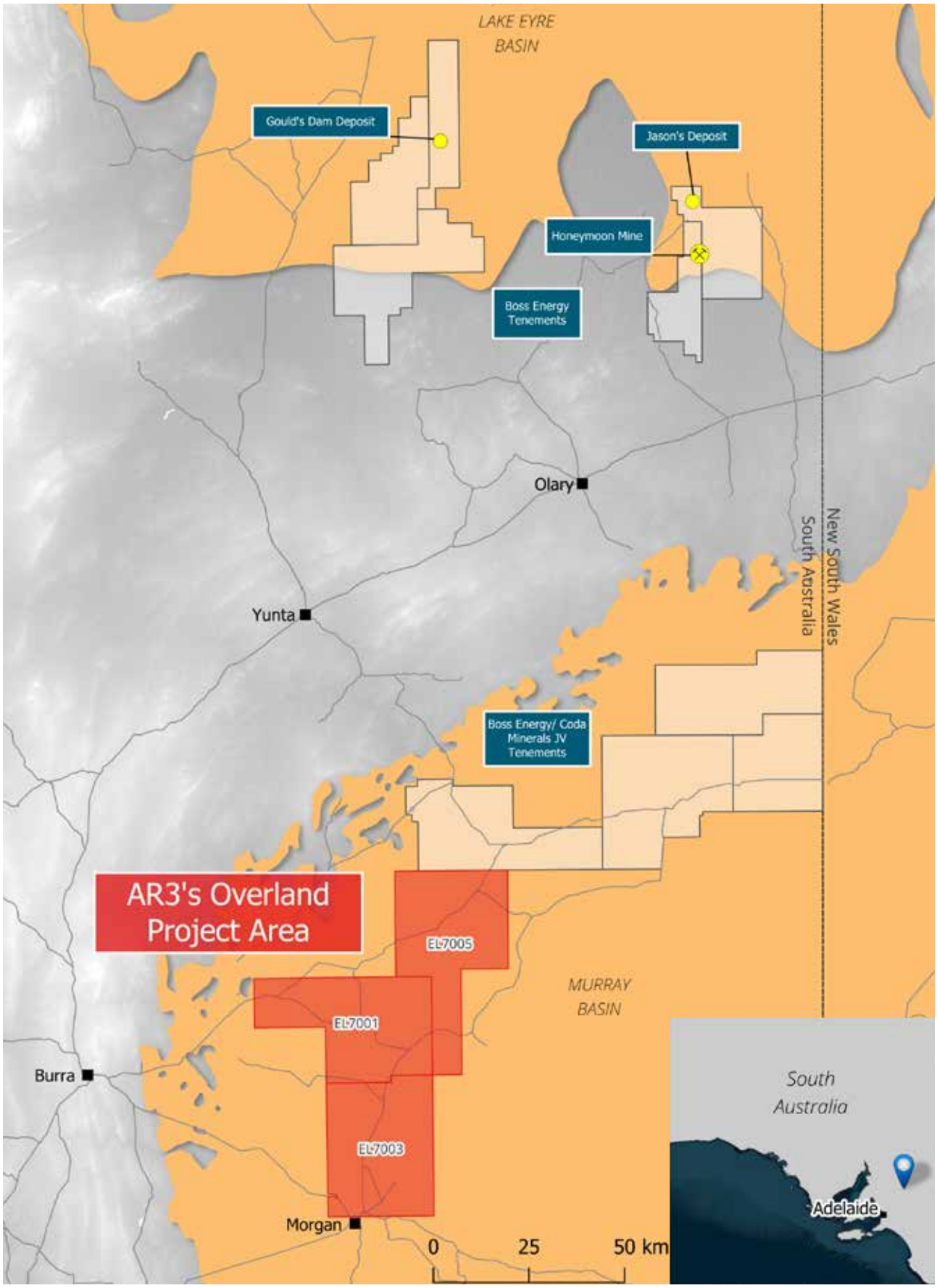
Overland Uranium Project Area



Queensland Projects

Queensland Project Overview

During the year, AR3 actively expanded its presence in two areas, prospective for ionic clay–hosted rare earths province in North Queensland. The Company significantly increased its landholding through the application of exploration tenure, in the Kennedy Province, adding 800km^2 to the total project area.

AR3 is utilising the substantial experience and knowledge it has developed through exploration and evaluation of the Koppamurra rare earths project in South Australia to create value in prospective Queensland acreage. energy transition, positioning the Company in the sustainable development of critical energy resources.

Key Activities and Achievements

Tenure Expansion

AR3 has expanded exploration permits in the Kennedy Province, encompassing the Forty Mile Scrub, Sandy Tate, and Oaky Valley prospects. This strategic move complements the Company's existing tenements at Massie Creek and Dalrymple.

Exploration Progress

A maiden field program at the Dalrymple Project was completed, with surface and shallow auger samples collected and assayed.

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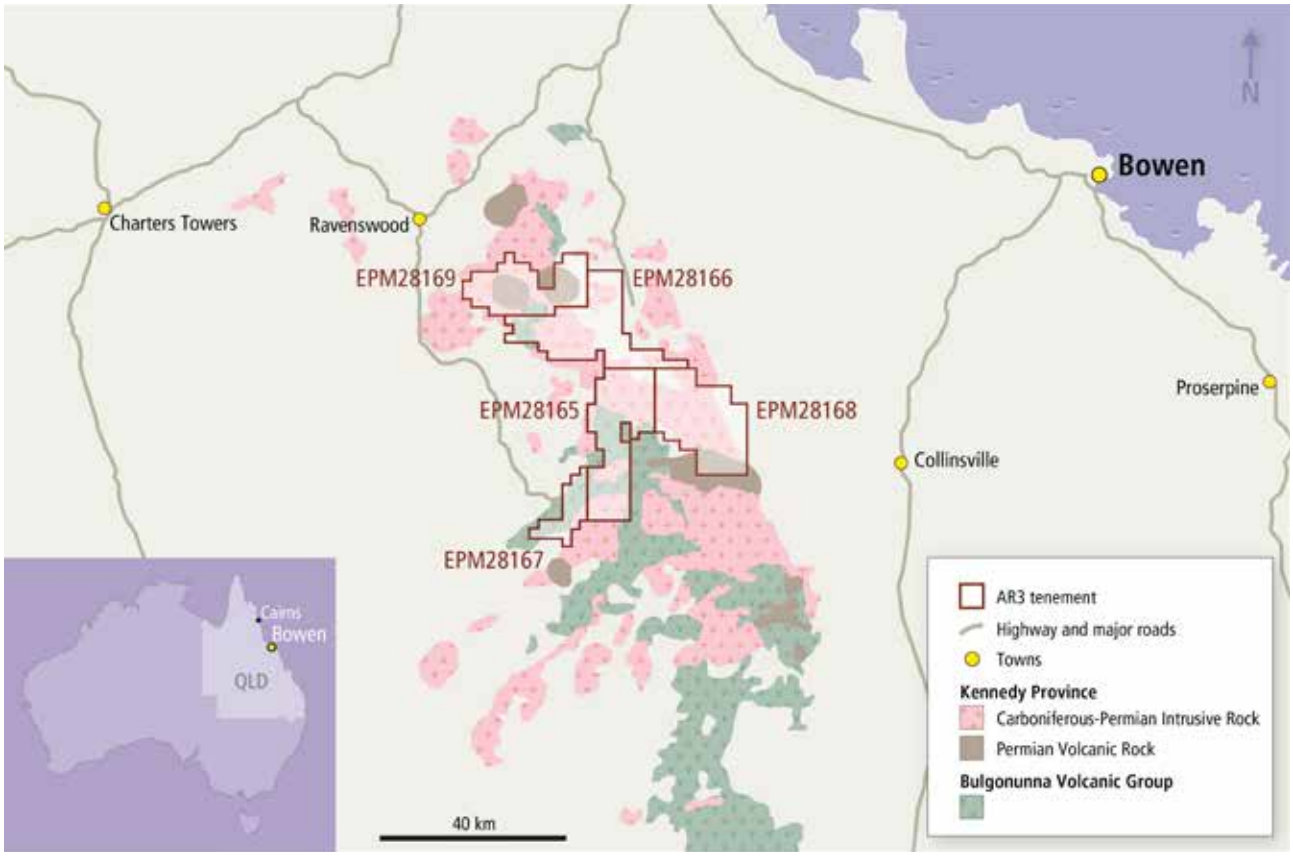
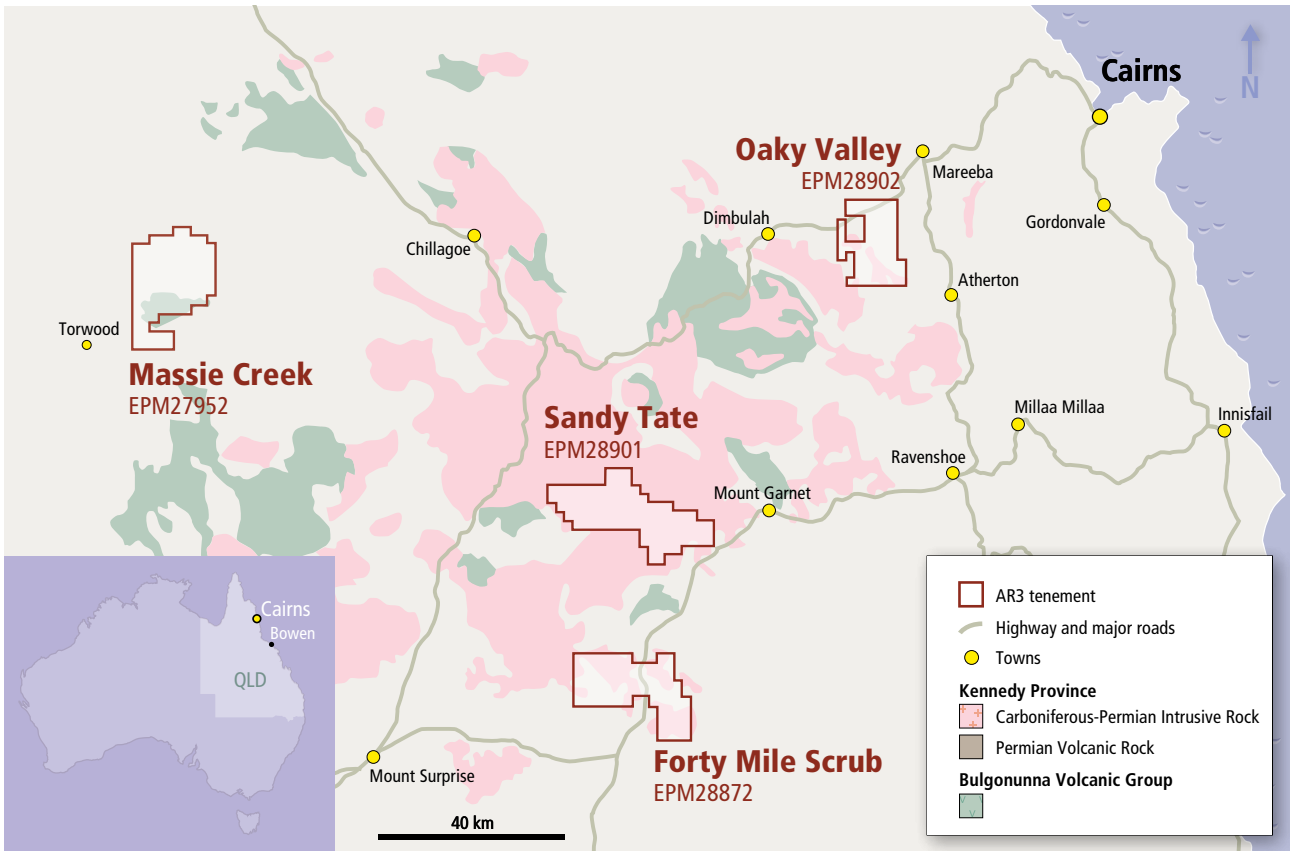
Dalrymple Uranium Project Area



Kennedy Province



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MINERAL RESOURCES

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84% increase in Resource confirms Koppamurra as a world-scale ionic clay-hosted rare earths province.

Highlights

- Mineral Resource estimate increases 84% to 186 million tonnes at 712 ppm TREO; Contained TREO [1] tonnage up 60% to 132,000 tonnes;
- Koppamurra is now one of the largest ionic clay-hosted rare earth provinces in Australia with extensive scope for more growth, positioning it as a multi-generational supplier to the electric vehicle and renewable energy markets;
- Outstanding scope for ongoing Resource growth with current Mineral Resource covering only ~2% of total Koppamurra tenure;
- Mineralisation remains open to the north and south;
- A ~30,000 m drilling program began in October 2023 to further expand the Mineral Resource; and
- Continuing to advance metallurgical testwork and other development studies in parallel.

Interpretation of the geological samples and assays using relevant industry standard methods has resulted in an increase of 84% to 186 Mt of total Mineral Resource estimate with an average TREO grade of 712 ppm. This includes 99 Mt in the Measured and Indicated categories.

The interpretation also resulted in a significant increase to the Exploration Target which now ranges from 340 Mt to 3.1 Bt, at average grades of 510 ppm to 780 ppm TREO and is more than double the upper range tonnage of the previous Exploration Target.

The potential quantity and grade of the Exploration Target is conceptual in nature, as there has been insufficient exploration undertaken to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

[1] *Total Rare Earth Oxide (TREO)*

Mineral Resource Estimate

Table 1 Koppamurra Mineral Resource Estimate – September 2023

			Magnet Rare Earths							
JORC	**Tonnes**	**TREO**	**Praseodymium**		**Neodymium**		**Terbium**		**Dysprosium**	
Category	Mt	ppm	ppm	% TREO	ppm	% TREO	ppm	% TREO	ppm	% TREO
Measured	0.8	747	33	4.4	122	16.4	3.3	0.4	19	2.5
Indicated	98	716	32	4.4	122	17.0	3.3	0.5	18	2.6
Inferred	88	709	32	4.5	121	17.0	3.2	0.4	18	2.5
Total	**186**	**712**	**32**	**4.5**	**121**	**17.0**	**3.2**	**0.5**	**18**	**2.5**

Table 1 – Koppamurra MRE September 2023 – Rounding may cause differences in the last significant figure.

The updated Mineral Resource incorporates results from the drilling program conducted between February and June 2023. The overall program added 16,394m (1,317 holes) to the existing 39,585m (3,966 holes) drilled for the previous Mineral Resource estimate announced in April 2023.

Interpretation of the geological samples and assays using relevant industry standard methods has resulted in an increase of 84% to 186 Mt of total Mineral Resource estimate with an average TREO grade of 712 ppm. This includes 99 Mt in the Measured and Indicated categories.

Interpretation of geological samples and chemical assay data using relevant industry standard methods resulted in a significant increase in overall resource tonnes, contained metal, and continuity of mineralisation.

The updated resource continues to expand with an increase of 56% to Indicated and 132% increase to Inferred resource inventories.

Drill spacings to satisfy the Indicated and Measured JORC Resource Categories are at 120 m and 60 m respectively. The drilling which informs the Exploration Target is at line spacings of at least 1 km, and sometimes 2 km apart.

Drill hole spacings along the lines are typically 100m to 400 m apart.

The updated September 2023 Mineral Resource estimate is set out in Table 1 above. This Resource has been reported using a cut-off grade of 325 ppm TREO-CeO2.

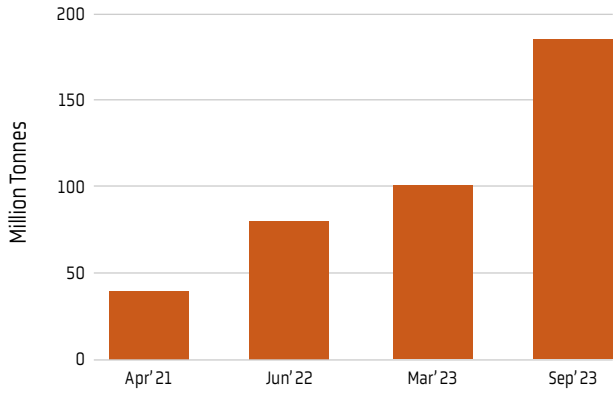

Figure 2

Koppamurra Mineral Resource estimate

A summary of Mineral Resource estimates over time, demonstrating the progressive increase in resource

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Exploration Target Estimate

The Exploration Target for the Koppamurra project increased significantly, informed by an extensive roadverge drilling program focused on testing the eastern extent of mineralisation within AR3's Victorian tenure EL's 7254 and 7719.

The regional road verge drilling combined with additional drilling proximal to the Koppamurra resource has resulted in a revised global Exploration Target of 340 Mt @ 780 ppm TREO to 3.1 Bt @ 510 ppm TREO.

Road verge drilling has continued to be highly effective in quickly evaluating and defining large Exploration Targets.

A similar road verge program was completed in Q4 2023 within AR3's South Australian EL's 6509 and 6613 to test the area north of the main resource and south of the currently defined Exploration Target where very limited drilling has been completed.

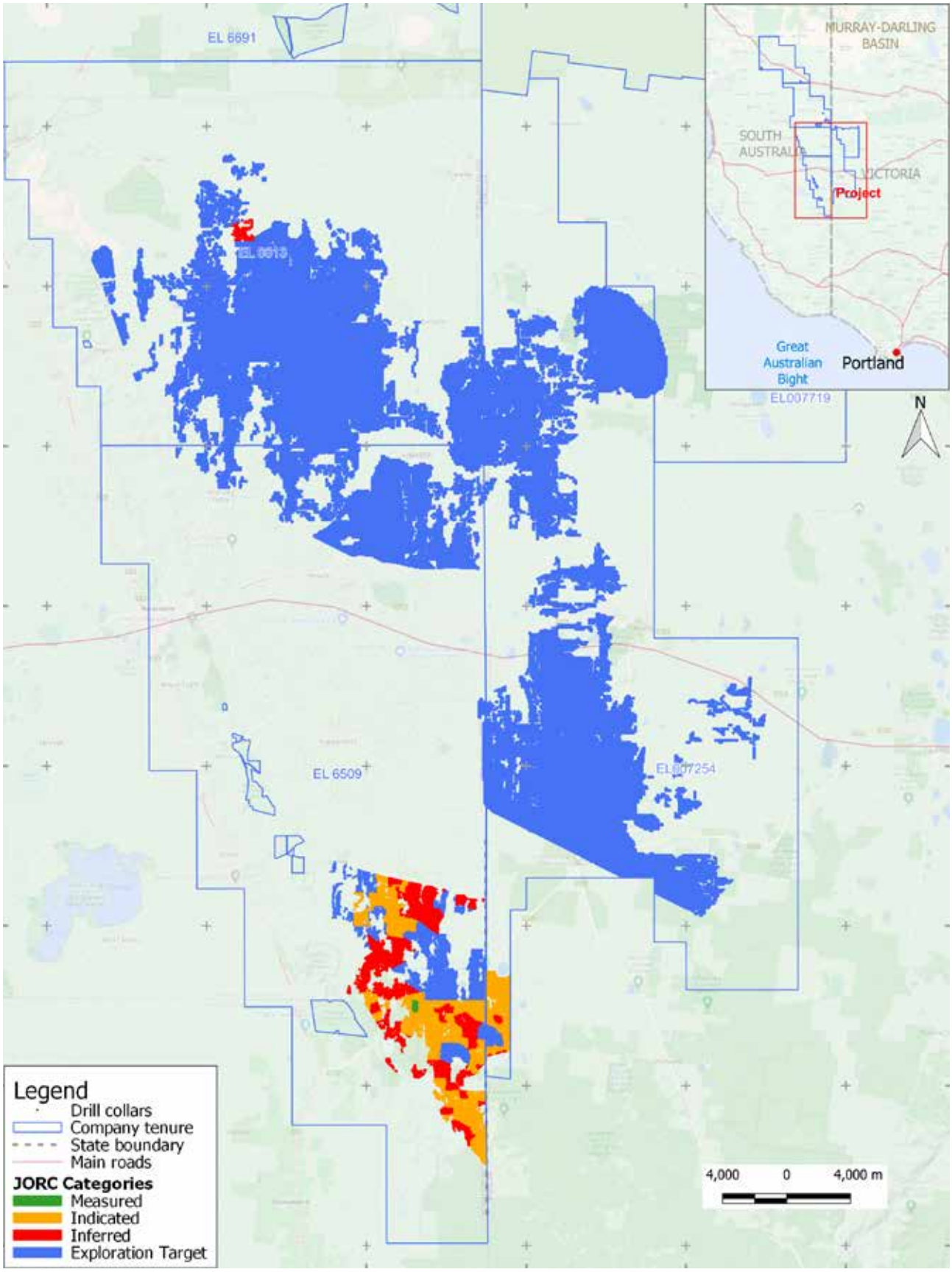
The updated September 2023 Exploration Target estimate is set out in Table 2 obelow. This Exploration Target has been reported using a cut-off grade range of 225 ppm and 425 ppm TREO–CeO2.

Table 2 Koppamurra Exploration Target – September 2023

Exploration Target	Tonnes	TREO	Magnet Rare Earths							
			Praseodymium		Neodymium		Terbium		Dysprosium	
	Mt	ppm	ppm	% TREO	ppm	% TREO	ppm	% TREO	ppm	% TREO
Total	340-3,100	510 - 780	20 - 30	3.9-3.8	90 - 140	18-18	2.4 - 3.6	0.5-0.5	13 - 20	2.6-2.6

Figure 3

Wider Koppamurra Project Area.



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Geology and Geological Interpretation

The ionic clay hosted REE mineralisation at Koppamurra is hosted by clayey sediments interpreted to have been deposited onto a limestone base (Gambier Limestone) and accumulated in an interdunal, lagoonal or estuarine environment which has been extensively mapped east of the Kanawinka fault in south-east SA.

A dedicated post-doctoral research program investigating the source of the REE at Koppamurra is ongoing, with no definitive source of the REE confirmed to date although preliminary results of this study have ruled out the alkali volcanics in south-eastern Australia which was originally considered as a potential source.

Mineralogical test work conducted on clay samples from the project area established that the dominant clay minerals are smectite and kaolin, and that the few REE-rich minerals detected during the scanning electron microscope (SEM) investigation were not considered inconsistent with the suggestion that a significant proportion of REE are distributed in the material as adsorbed elements on clay and iron oxide surfaces.

Sampling and Sub-Sampling Techniques

One metre aircore sample intervals were homogenised within the cyclone and the rotary splitter was set to an approximate 20% split producing around 1.5kg sample for each metre interval.

The 1.5kg sample was collected in a pre-numbered calico bag and the 80% portion was collected in plastic UV stabilised bags labelled with hole identity and interval. The 1.5kg sample collected in the calico bag was logged by the geologist onsite.

The logged samples were placed in polyweave bags and sent to Naracoorte base at the end of each day. The polyweave bags were then placed on pallets and dispatched to the assay laboratory in Bulka Bags.

Drilling Techniques

Reverse Circulation (RC) aircore drilling methods were used obtain samples from the drilling programmes. The RC aircore method uses hollow rods containing an inner tube which sits inside the hollow outer rod barrel.

The drill cuttings are removed by injection of compressed air into the hole via the annular area between the inner tube and the drill rod. The cuttings are then blown back to surface up the inner tube where they pass through the sample separating system (cyclone, with a rotary splitter) and are collected.

- Aircore drill rods used were 3m long.
- National Qualification (NQ) diameter (76 mm) drill bits and rods were used.
- All aircore drill holes were vertical with depths varying between 2m and 36m.

Sample Analysis Method

The 1.5kg aircore samples were assayed by Bureau Vertias' laboratory in Wingfield, Adelaide, South Australia, which is considered their primary laboratory. The samples were initially oven dried at 105 degrees Celsius for 24 hours.

Samples were secondary crushed to 3 mm fraction, and the weight recorded. The sample was then pulverised to 90% passing 75µm. Excess residue was maintained for storage while the rest of the sample placed in 8x4 packets and sent to the central weighing laboratory.

All weighed samples were then analysed using the Multiple Elements Fusion/Mixed Acid Digest analytical method; ICP Scan (Mixed Acid Digest – Lithium Borate Fusion) Samples were digested using a mixed acid digest and also fused with Lithium Borate to ensure all elements were brought into solution.

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Estimation Methodology

The JORC Mineral Resource Classification for the Koppamurra project deposit was supported by drill hole spacing, geological continuity and variography of TREO, TREO–CeO2 and CREO of the target mineralised domain Zone 3.

The classification of Measured, Indicated and Inferred Mineral Resources was supported by all the criteria noted above. A significant Exploration Target has also been defined which can be used to determine areas of significant prospectivity for future drill programmes.

As a Competent Person, IHC Mining Geological Services Manager, Mr Greg Jones, considers that the results of the Mineral Resource estimate appropriately reflects a reasonable view of the deposit categorisation and reasonable prospects of eventual economic extraction (RPEEE).

Cut-off Grades, Including Basis for the Selected Cut-off Grade

The selection of the TREO–CeO2 cut-off grade used for reporting was based on the experience of the Competent Person and given the early stage of the Koppamurra project, this cut-off grade was selected based on a peer review of publicly available information from more advanced projects with comparable mineralisation styles (i.e., clay-hosted rare earth mineralisation) and comparable conceptual processing methods.

Material above this cut-off generates a head feed grade of over 700 ppm, and in the opinion of the Competent Person meets the conditions for reporting of a Mineral Resource with reasonable prospects of eventual economic extraction.

Mining and Metallurgical Methods / Material Modifying Factors

No specific mining or metallurgical methods or parameters were incorporated into the modelling process. Representative material from the current drilling programme will be utilised in ongoing metallurgical testwork.

Competent Person's Statement

The information in this report which relates to the Mineral Resources and Exploration Targets for the Koppamurra rare earth deposit is based upon and fairly represents information compiled by Mr Greg Jones who is a Fellow of the Australasian Institute of Mining and Metallurgy.

Mr Jones is a full-time employee of IHC Mining and has sufficient experience relevant to the style of mineralisation, the type of deposit under consideration and to the activity which he is undertaking 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 Jones consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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Tenement Interests

All granted tenement interests and tenement applications held at 30 June 2024 are 100% held by Australian Rare Earths and its related body corporates unless otherwise noted.

Project	Tenement	Name	Jurisdiction	Commodity	Status	Date granted	Interest %
Dalrymple	EPM28169	Stones Creek	QLD	Rare Earths	Active	2022-12-09	100
Dalrymple	EPM28165	Riverside	QLD	Rare Earths	Active	2023-07-04	100
Dalrymple	EPM28166	Dalbeg	QLD	Rare Earths	Active	2024-06-27	100
Dalrymple	EPM28167	Burdekin	QLD	Rare Earths	Active	2023-11-06	100
Dalrymple	EPM28168	Mt Wickham	QLD	Rare Earths	Active	2023-07-04	100
Massie Creek	EPM27952	Massie Creek	QLD	Rare Earths	Active	2022-10-03	100
Forty Mile Scrub	EPM28872	Forty Mile Scrub	QLD	Rare Earths	Application	-	100
Sandy Tate	EPM28901	Sandy Tate	QLD	Rare Earths	Application	-	100
Oaky Valley	EPM28902	Oaky Valley	QLD	Rare Earths	Application	-	100
Koppamurra	EL6509	Naracoorte	SA	Rare Earths	Active	2020-09-15	100
Koppamurra	EL6613	Frances	SA	Rare Earths	Active	2021-07-06	100
Koppamurra	EL6690	Keith	SA	Rare Earths	Active	2021-11-02	100
Koppamurra	EL6691	Bordertown	SA	Rare Earths	Active	2021-11-02	100
Koppamurra	EL6942	Wattle Range	SA	Rare Earths	Active	2023-10-17	100
Koppamurra	EL6943	Tarpeena	SA	Rare Earths	Active	2023-10-17	100
Koppamurra	EL007254	Apsley	Victoria	Rare Earths	Active	2021-04-29	100
Koppamurra	EL007719	Minimay	Victoria	Rare Earths	Active	2022-08-29	100
Koppamurra	EL008208	Lake Mundi	Victoria	Rare Earths	Active	2024-06-11	100
Koppamurra	EL008254	Dartmoor	Victoria	Rare Earths	Active	2024-06-11	100
Koppamurra	EL008435	Charam	Victoria	Rare Earths/ HM	Application	-	100
Overland	EL7005	Sturt Vale	SA	Uranium	Application	-	100
Overland	EL7001 [1]	Warnes	SA	Uranium	Application	-	100
Overland	EL7003 [1]	Bunyung	SA	Uranium	Application	-	100
Triggs Bore	EL7010	Wirrealpa	SA	Uranium	Application	-	100
Hamilton Creek	EL7011	Moolawatana	SA	Uranium	Application	-	100

[1] AR3 entered into an Option Agreement with Valrico Resources Pty Ltd to acquire 100% of the tenements. The option was exercised in September 2024.

OUR FOOTPRINT

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Part of AR3's purpose is to unlock minerals critical to producing cleanerand more affordable energy technologies.

Climate Change – Greenhouse Gas Emissions

AR3 recognises that the effects of climate change pose considerable near and long term challenges for society and have the potential to impact our operational and financial performance.

According to the latest Intergovernmental Panel on Climate Change (IPCC), Working Group (III) report issued in 2022, it is now considered theoretically feasible to halve global emissions by 2030. This would involve a substantial reduction in fossil fuel use, widespread electrification and deployment of renewable energy sources, improved energy efficiency, and use of alternative fuels (such as hydrogen).

Inherent within widespread electrification, the development of rare earth minerals critical for permanent magnet technologies is likely to play an important and growing role to enable the transition to the more efficient application of renewable energy. In addition, uranium has the potential to play a crucial role in the energy transition for nuclear power, which is a low-carbon, scalable and reliable electricity source.

AR3 not only recognises the importance of its role in developing critical minerals for future low carbon technologies, but also acknowledges its responsibility to reduce its own carbon footprint as it aims to demonstrate a leadership position in the evolution of a new permanent magnet supply chains.

Freshwater Availability – Water Consumption

At AR3, we value the landscapes and land uses in the regions in which we operate and understand the importance of the security and protection that water resources play in those communities.

We continue to focus on ensuring our activities will not impact the regions' water resources. We will continue to work closely with government regulatory agencies and landholders to ensure we maintain this focus.

At Koppamurra AR3 has engaged external consultants to conduct detailed baseline studies of the local ground water setting to inform future project development studies.

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Koppamurra bulk sample pit showing progressive land rehabilitation potential

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Building prosperity

Health and Safety

Our business objectives never compromise safety.

Whilst all operations involve risk, we aim to achieve the ultimate goal of zero harm to our employees and contractors, landholders and local community members either directly or indirectly associated with our operations.

Our safety metrics include Total Recordable Injury Frequency Rates (TRIFR) which is the frequency of recordable work-related injuries or illness for each one million hours worked and Lost Time Injury Frequency Rates (LTIFR) which is the rate of injuries which directly lead to lost productivity time and is measured for each one million hours worked.

Importantly, we use behavioural based measures to proactively identify safety hazards (such as safety toolbox meetings and safety observations) and monitor our work practices to ensure we continually build a safer workplace.

Diversity and Inclusion

AR3 seeks to be an employer of choice, a place where people want to work because it is meaningful, offers purpose, and one where individual contribution is acknowledged as part of a greater team effort.

We recognise the importance of diversity of culture, age, race, gender, and sexual orientation, and aim to recruit and retain the best talent to support our operations.

AR3 is committed to ensure that our labour practices are gender neutral and non-discriminatory. Discriminatory practices, harassment and bullying are not tolerated, and any reported instances are formally investigated with appropriate disciplinary action taken as required.

This is reflected through our Code of Conduct Policy embedded across the Company.

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Economic Contribution

As our operations are based in regional communities, it is a priority for us to be a welcome member of these communities.

We contribute to the communities where we operate by employing local people, and purchasing local goods and services, wherever possible.

We are proud of the contribution we make to the communities where we operate.

Research and Development expenditure

We believe there is an important role to be played to contribute to global research efforts in the development of globally critical rare earth minerals.

AR3 is actively involved in rare earth mineral research partnering with The University of Adelaide on a post doctorate research program and working with the Australian Nuclear Science and Technology Organisation (ANSTO) to research the economically and environmentally sustainable extraction of rare earths from Koppamurra.

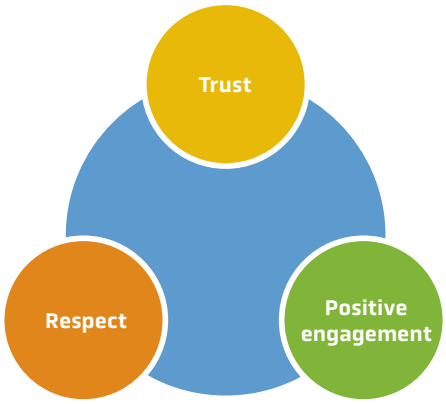
Total Taxes Paid

AR3 understands the important roles companies play in the provision of revenue sources for governments.

Whilst we are currently in an exploration phase and are not yet generating revenue, the economic contributions made from AR3 to governments presently include payroll tax, goods and services tax (10%), stamp duties and permit fees.

Sponsorship

AR3 values the rich social tapestry of regional communities and the important roles community groups play in keeping alive the social interaction across rural and remote areas.



AR3's goal is to contribute to organisations and projects aimed at making a meaningful and positive local community impact.

We prioritise three main categories:

1. **Rural Health and Wellbeing –** to improve community participation and the quality of life for people living and working in the area;
2. **STEM in local schools –** with particular focus on rare earths; and the
3. **Environmental protection –** of native flora and fauna in close proximity to AR3's areas of operation.

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Ensuring accountability and stewardship

Governance – Our goal is to create value for all shareholders

The Board plays a pivotal role in not only providing governance and oversight, but also has an active strategic role in the co-creation with management of the Company's strategic purpose and vision, leveraging their collective global experience in developing resources.

This approach helps define AR3's long term objectives, action programs and capital allocation priorities.

Governance Body Composition

AR3 has an established Board of Directors who oversee and guide the Company's business strategy and monitor the identification and management of risks that impact the realisation of the Company's strategic goals.

Details of the Board's composition is detailed in the Directors' Report.

Risk and Opportunity Oversight

AR3's Board of Directors provide a risk oversight role, undertaking reviews of operational strategy and programs.

The Board evaluates and discusses with management whether the risk management processes designed and implemented are adequate in identifying, assessing, managing, and mitigating material risks facing the Company, including financial, operational and sustainability risks.

Committee charters define the roles and responsibilities of each committee within the Company's governance framework. The Board is responsible for risk oversight, with reviews of certain areas being conducted by its standing Audit and Risk Committee.

Our Corporate Governance Guidelines along with the charters of our principal Board committees provide the framework for the governance of our Company and reflect the Board's commitment to monitor the effectiveness of policy and decision making at both the Board and management levels.

Ethical Behaviour

AR3's Code of Conduct Policy outlines our values- based expectations as to how we should conduct our business.

The Code of Conduct makes it clear that we do not offer, pay or accept bribes, under any circumstances. This position is further supported by our employment standards which require employees, core contractors and associated persons acting for, or on behalf, of the Company to not commit, authorise or be involved in bribery, corruption, fraud or other economic crimes.

Our Audit and Risk Committee, is designed to provide oversight of a range of business activities, including ensuring that the conduct of our business is undertaken in an ethical manner, in conformance with our Code of Conduct and true to our values of Trust, Respect, Positive Engagement and Acceptance.

We review our monitoring and prevention program so that it mirrors the risk profile of our key exploration assets and business activities as well as enabling targeted intervention and awareness to prevent issues from occurring.

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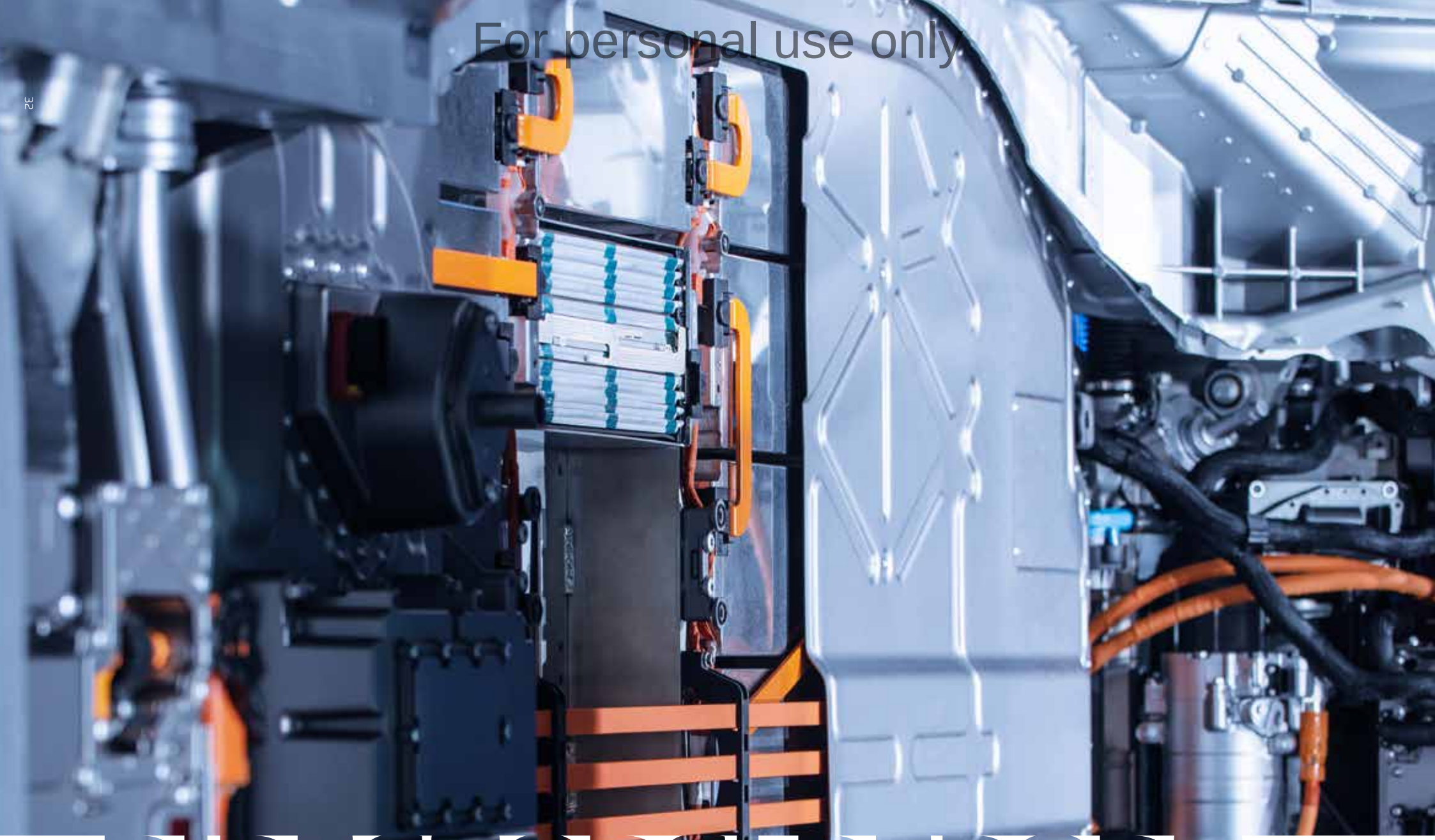

DIRECTORS' REPORT

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The Directors present this report on Australian Rare Earths Limited and its consolidated entities ('Company', 'Group', 'AR3' or 'Australian Rare Earths'), for the year ended 30 June 2024.

Directors

The following Directors were in office at any time during or since the end of the financial period as indicated:

Angus Barker
Non-Executive Chairman
(Independent Director)

Pauline Carr
Non-Executive Director
(Independent Director)

Travis Beinke
Managing Director and CEO
Appointed Managing Director on 3 April 2024
(Executive Director)

Bryn Jones
Non-Executive Director
Resigned from the Board on 21 June 2024
(Non-Independent Director)

Rick Pobjoy
Executive Director
Resigned from the Board as an Executive Director on 3 April 2024
(Non-Independent Director)

Dudley Kingsnorth OAM
Non-Executive Chairman
Retired from the Board on 31 January 2024
(Independent Director)

Company Secretary

The following person held the position of Company Secretary during the financial year and as at the date of this report:

Noel Whitcher

Principal Activities

Australian Rare Earths Limited is an ASX Listed mineral exploration and development group focused on critical minerals exploration for clean energy metals including rare earths and uranium in Australia.

During the year the Group concentrated on progressing exploration and development activities at its flagship Koppamurra ionic clay rare earths project ("Koppamurra Project") and diversified its energy transition metals exploration portfolio by adding tenements prospective for uranium.

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Information on continuing Directors and Management

Directors

ANGUS BARKER

Independent Non-Executive Chairman
M.Phil, B.Com (Hons), GAICD

With over 30 years of professional experience, Angus Barker brings a wealth of expertise in mergers and acquisitions, capital markets, and strategic advisory. He held senior executive roles at top-tier global investment banks across Australia, the United Kingdom, and Asia, including 12 years based in Hong Kong, and has advised boards and CEOs on strategic mergers and acquisitions, as well as complex capital markets transactions. Angus's deep industry knowledge spans the natural resources, financial services, infrastructure, and technology sectors, where he has guided boards and executives through complex financial decisions.

In addition to his corporate advisory roles, Angus served in senior positions advising Australian Government Ministers in key economic portfolios, shaping policies related to superannuation, financial services, the digital economy, trade, and foreign investment. He holds a Master of Philosophy from the University of Cambridge and a Bachelor of Commerce (Honours) from the University of Melbourne and is a graduate member of the Australian Institute of Company Directors.

Interest in Shares and Options:

3,000,000 fully paid ordinary shares and 3,666,667 unlisted options.

Special Responsibilities:

Chairman
Member, Remuneration and Nominations Committee.
Member, Audit and Risk Management Committee.

Directorships of other ASX Listed entities in the last 3 years:

WAM Capital (ASX: WAM), Vulcan Energy Resources (ASX: VUL)

PAULINE CARR

Independent Director
BEc, MBA, FAICD, FGIA

Pauline Carr is a highly experienced executive with extensive commercial, management, compliance, and governance expertise as well as over 30 years directorial experience in the resources industry with both Australian and international listed companies.

Pauline has extensive board committee experience in both audit and risk as well as people and remuneration committees.

Interest in Shares and Options:

94,445 fully paid ordinary shares and 1,114,815 unlisted options.

Special Responsibilities:

Chair, Audit and Risk Management Committee.
Chair, Remuneration and Nominations Committee.

Directorships of other ASX Listed entities in the last 3 years:

Highfield Resources Limited (ASX: HFR)

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Management

TRAVIS BEINKE

Managing Director and CEO
B. Com, CPA

Travis Beinke is a highly experienced executive with more than 20 years' experience in the resources sector with both Australian and international listed companies.

Travis has a broad range of strategic, commercial, finance and business development skills, particularly in exploration and growth projects.

Prior to joining AR3, Travis spent 5 years with OZ Minerals, initially holding the role of Group Manager Commercial, prior to leading the Company's engagement with equity markets.

Interest in Shares and Options:

Nil fully paid ordinary shares, 1,500,000 unlisted options and 1,265,967 Performance Rights.

Special Responsibilities:

Nil

Directorships of other ASX Listed entities in the last 3 years:

Nil

NOEL WHITCHER

Chief Financial Officer & Company Secretary
BEc, MBA, FAICD, FGIA

Noel Whitcher is an experienced Company Secretary and CFO, with over 20 years' finance and accounting experience including more than a decade in the mining and mineral exploration industry.

Mr Whitcher is a member of the Institute of Chartered Accountants of Australia (Chartered Accountant), holds an MBA, and post graduate qualifications in Human Resources and a Bachelor of Commerce.

Mr Whitcher has been providing Company Secretary and CFO services to several ASX Listed and unlisted entities since 2018.

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Meetings of Directors

The number of meetings of the Company's Board of Directors **(Board)** and each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each Director were as follows:

Director	Board of Directors		Audit and Risk Management Committee		Remuneration and Nomination Committee	
	A	B	A	B	A	B
Angus Barker	12	12	4	4	3	3
Pauline Carr	12	12	4	4	6	6
Travis Beinke [1]	3	3	–	–	–	–
Bryn Jones [2]	10	9	2	2	6	6
Rick Pobjoy [3]	8	7	–	–	–	–
Dudley Kingsnorth [4]	5	4	2	1	3	3

[1] *Appointed as Managing Director 3 April 2024.*

[2] *Resigned as Non-Independent Director 21 June 2024.*

[3] *Resigned as Executive Director 3 April 2024.*

[4] *Retired as Independent Non-Executive Director 31 January 2024.*

Travis Beinke attended by invitation those parts of the Audit and Risk Management Committee and Remuneration and Nominations Committee meetings where no material conflict was present.

Rick Pobjoy as part of his handover from acting Managing Director to the incoming CEO, attended by invitation those parts of the Audit and Risk Management Committee and Remuneration and Nominations Committee meetings where no material conflict was present.

Where:

Column A is the number of meetings the Director was entitled or invited to attend

Column B is the number of meetings the Director attended

Directors also held additional informal discussions on a regular basis throughout the year.

As at the date of this report, the Company has not formed a separate Governance Committee, as these matters are handled by the Board as a whole.

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Operating and Financial Review

Highlights

- **Mineral Resource Estimate increased by 84% to 186 million tonnes at 712 ppm TREO.**
- **Contained TREO tonnage increased by 60% to 132,000 tonnes over the year.**
- **Significant tenure expansion at Koppamurra, bringing the total project area to 6,270 km².**
- **Successful drilling program targeting strike extensions and resource definition upgrades.**
- **Improved development pathway with a progressive heap leach and rapid rehabilitation approach.**
- **Strategic diversification of exploration portfolio to include uranium.**

Strategy

The Group's primary focus is on its 100%-owned Koppamurra Project (Koppamurra), a regional scale ionic clay rare earth opportunity located in South Australia and Victoria containing a high value REE assemblage with low radioactivity. To date the Company has already had significant exploration success through the discovery of the Koppamurra deposits.

Following a successful listing on the ASX in June 2021, the Group's focus has been on extensive exploration drilling at Koppamurra to establish mineral resources across the project area.

In parallel activities to develop processing methodologies for the current resources and prepare the environmental, social and community cases for potential development of these resources have been underway.

In line with the Group's strategic focus on expanding its clean energy transition metals portfolio, AR3 added three highly prospective uranium projects during the year, Overland, Triggs Bore and Hamilton Creek, broadening its strategic portfolio.

As the pace of change and subsequent demand for clean energy increases globally the major world economies are actively supporting the development of independent supply chains to ensure unrestricted access to the materials that drive future economies.

The Group's business strategy centres on the following key elements:

- the conduct of exploration on the Company's assets and, if warranted, the development of mining operations; and
- the active pursuit of other opportunities, both in Australia and overseas, with the aim of creating value for the Company's shareholders.

AR3's strategic expansion into uranium exploration underpins its commitment to supporting the clean energy transition, positioning the Company in the sustainable development of critical energy resources.

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Operating and Financial Review

Summary of Financial Performance

The net loss of the Group for the year ended 30 June 2024 was $3,448,894 (30 June 2023: $2,418,701) primarily due to employee benefits of $1,892,945 (30 June 2023: $1,472,398), use of corporate consultants $262,097 (30 June 2023: $475,933), other expenses $798,693 (30 June 2023: $839,390) and share based payments for the year ended 30 June 2024 being $572,994 (30 June 2023: ($321,529)).

During the year ended 30 June 2024 the Group's net available cash position decreased by $7,376,200 from $14,981,232 (1 July 2023) to $7,605,032 (30 June 2024) with no debt. During the year, the Group received inflows of $771,251 from the ATO in relation to R&D activities undertaken during the year ended 30 June 2023 and Interest earnings of $470,756. These inflows were largely offset by outflows relating to capitalised exploration & evaluation expenditure of $4,713,189 and operating cash outflows for payments to other suppliers and employees of $2,400,863.

Dividends

No dividends were declared or paid during the financial year. No recommendation for payment of dividends has been made to the date of this report.

Changes in Equity

Shares

The number of fully paid ordinary shares (Shares) on issue increased from 154,165,962 (1 July 2023) to 155,921,890 (30 June 2024) during the year as a result of the following event:

- On 18 March 2024, 1,755,928 fully paid ordinary shares were issued pursuant to a commercial agreement for the purpose of undertaking exploration and development related activities for its flagship Koppamurra project. The fair value of the shares issued was $200,000.

Refer to Note 18 for further details regarding the Shares issued during the year.

Unlisted Options

The number of unlisted options (Options) on issue decreased from 38,719,044 (1 July 2023) to 29,371,480 (30 June 2024) during the year as a result of the following events:

- Shareholder approval for the issue of Options to Directors was received at the Group's Annual General Meeting held on 8 November 2023. The 3,700,000 Options issued comprise as follows:
  - 1,500,000 Options exercisable at $0.37 each, expiring on or before 26 November 2026, and vested immediately on the date of issue.
  - 1,500,000 Options exercisable at $0.50 each, expiring on or before 26 November 2026, and vested immediately on the date of issue:
  - 700,000 Options exercisable at $0.435 each, expiring on or before 30 June 2027 and are subject to time-based vesting conditions.
- On 27 November 2023, 1,108,333 Options were issued to employees of the Group. The Options are exercisable at $0.435 each, expire on or before 30 June 2027 and are subject to time-based vesting conditions.
- On 13 December 2023, 9,058,697 Options issued to the participants of the April 2022 share placement expired. Placement participants were issued one free attaching Option for every two shares subscribed for in the share placement. The Options were exercisable at $0.57 each.
- On 21 December 2023, a further 1,500,000 Options were issued to an employee of the Group. The Options are exercisable at $0.4739 each, expire on or before 20 December 2026 and are subject to time-based vesting conditions.
- On 29 June 2024, 6,597,200 Options expired unexercised. The Options were exercisable at $0.45 each.

Refer to Note 18 and 21 for further details regarding the Options issued ,lapsed and forfeited during the year.

Performance Rights

The number of Unlisted Performance Rights (Rights) on issue increased from Nil (1 July 2023) to 2,623,083 (30 June 2024) during the year as a result of the following:

On 18 March 2024, 2,623,083 Performance Rights were issued pursuant to the Group's Long Term Incentive Plan (LTI). The Rights have a measurement period 3 years, followed by tranche vesting. Award of the Rights is subject to performance criteria. The fair value of the performance rights issued was $111,210.

Refer to Note 21 for further details regarding the Performance Rights issued during the year.

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STRATEGIC

Operating and Financial Review

Factors and Risks Affecting Future Performance

The following describes some of the external factors and business risks that could have a material impact on the Group's ability to deliver its strategy:

Access to funding

The Group's ability to continue to develop its business is contingent upon sourcing timely access to additional funding as it is required.

Mineral Exploration

Notwithstanding the experience, knowledge and careful evaluation a group brings to an exploration project there is no assurance that recoverable mineral resources will be identified. Even if identified, other factors such as technical difficulties, geological conditions, adverse changes in government policy or legislation or lack of access to sufficient funding may mean that the resource is not economically recoverable or may otherwise preclude the Group from successfully exploiting the resource.

Tenure and Access

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for production tenements will be approved or that current exploration tenement applications will be granted. Tenements are subject to numerous State–specific legislation conditions.

The renewal of the term of a granted tenement (and grant of tenement applications) is subject to the discretion of the relevant Minister. The imposition of new conditions either during the term of a tenement or upon renewal, or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Group.

Land Access

There is a substantial level of regulation and restriction on the ability of exploration and mining companies to have access to land in Australia. Negotiations with Native Title and/or landowners/occupiers are generally required before the Group can access land for exploration or mining activities. Inability to access, or delays experienced in accessing, the land may impact on the Group's activities.

Commodity and Currency Price Volatility

The Group is exposed to adverse global demand for rare earths and uranium / or adverse commodity price movements. This could affect the Group's ability to raise funds to advance its projects. Any significant and/or sustained fluctuation in exchange rates or commodity prices could have a materially adverse effect on the Group's operations and its financial position.

Commercialisation and contractual risk

The Group's potential future earnings, profitability and growth are likely to be dependent on the Group being able to successfully develop its projects and implement some or all of its commercialisation plans.

The ability for the Group to do so is further dependent upon a number of factors, including matters which may be beyond the control of the Group. The Group may not be successful in securing identified customers or market opportunities.

In the course of development of the Group's projects, the Group is likely to become party to various contracts, including but not limited to, contracts relating to infrastructure access, mineral processing and customer product supply arrangements.

Whilst the Group will have various contractual rights in the event of noncompliance by a contracting party, no assurance can be given that all contracts to which the Group is a party will be fully performed by all contracting parties. Additionally, no assurance can be given that if the contracting party does not comply with any contractual provisions, that the Group will be successful in securing compliance.

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Environmental and Compliance

The current or future operations of the Group, including mineral exploration or development activities and commencement of production, require permits from governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, environmental protection, mine safety, land access and other matters. Such laws and regulations may vary in future.

There can be no assurance, however, that all permits which the Group may require for mineral exploration or construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on the ability to ultimately secure licensing for a mining project.

In relation to current activities, the Group is in compliance with governing laws and regulations and manages these risks through its existing standard operating procedures, management plans, internal policy and liaison with regulators and stakeholders.

Environmental Issues

The Group's operations are subject to environmental regulations in relation to its exploration activities. The Group is compliant with all aspects of these requirements. The Directors are not aware of any environmental law that is not being complied with.

Significant Changes to the State of Affairs

Non-Executive Director Changes

Professor Kingsnorth OAM transitioned from Chairman to Non-executive Director at the conclusion of the Group's Annual General Meeting on 8 November 2023. Mr Angus Barker succeeded Professor Kingsnorth OAM and was appointed to the role of Chairman on 8 November 2023.

Professor Kingsnorth OAM retired from the Board on 31 January 2024.

Mr Bryn Jones resigned his position as Non-Independent Director on 21 June 2024.

Executive Director Changes

Mr Beinke was appointed to the position of Managing Director on 3 April 2024. Prior to this Mr Beinke held the position of CEO.

Mr Pobjoy stepped down from his position as an Executive Director on 3 April 2024 and was appointed to the position of Chief Technical Officer.

There have been no further significant changes to the state of affairs of the Group during the year ended 30 June 2024 or as at the date of this report.

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the Group and the expected results of operations have been detailed elsewhere within the Directors' Report.

Environmental Regulation

The Group is subject to significant environmental laws and regulations under the laws of the Commonwealth and/or State.

The Group is currently engaged in exploration activities which are governed by conditions or recommendations imposed through the granting of a licence or permit to explore.

Compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve. No notice of any breach has been received and to the best of the Directors' knowledge no breach of any environmental regulations has occurred during the financial year or up to the date of this Annual Report.

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REMUNERATION REPORT

The Directors of Australian Rare Earths Limited present the Remuneration Report in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

A Principles used to determine the nature and amounts of remuneration

B Details of remuneration

C Employment Contracts of Directors and other Key Management Personnel

D Share based remuneration

E Incentive payments included in remuneration

F Other information

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A. Principles used to determine the nature and amounts of remuneration

The Board established a Remuneration and Nomination Committee ("the Committee") in March 2022. The Committee is comprised solely of Non-executive Directors, the majority of whom are independent, and it is chaired by an independent Non-executive Director who is not the Chairman of the Board.

The principal purpose of the Committee is to assist the Board fulfil its governance and oversight responsibilities in relation AR3's remuneration practices so that they:

- Align rewards to the creation of value for shareholders;
- Facilitate excellence by attracting, motivating and retaining talent;
- Fairly and responsibly reward employees having regard to the attainment of individual and Company stretch targets as well as industry remuneration norms; and
- Comply with applicable regulatory obligations.

In addition, the Committee oversees nomination activities within AR3 to ensure selected individuals that are best able to discharge their responsibilities as Directors having regard to the law and excellence in governance standards. A copy of the Committee's Charter and detailed responsibilities can be viewed on the Company's website.

The Committee and the Board recognises that the Company's performance and success will depend on its ability to attract and retain suitably qualified and experienced people in a competitive remuneration and skills market. At the same time, remuneration practices must take account of the nature and size of the organisation and its current state of development. The Company's small team of employees is supplemented with specialist technical and business consultants and field teams for operational programs and business activities on an as needed basis.

The Company has a performance and reward system appropriate to its stage of development so as to enable it to attract, motivate and retain a range of talent and expertise in line with its strategic plan.

During the year the Remuneration and Nomination Committee completed its review of the Company's remuneration framework and incentive plans and implemented the following suite of incentives:

Short-Term Incentive (STI)

Key management and other staff may receive an award comprising cash or equity or a combination of both at the conclusion of each 12 month performance period subject to the achievement of pre-determined performance metrics for the 12 month period.

Long Time Incentive (LTI)

Key management may receive an annual grant of performance rights which vest subject to the attainment of performance hurdles aligned to Company growth measures. The performance hurdles include Relative Total Shareholder Return (rTSR), which totals 70% of any LTI award and strategic milestones, which totals a maximum of 30% of any LTI award. LTI performance hurdles are assessed after three years by the Committee with the subsequent vesting and award of any LTI performance rights occurring in three equal annual instalments post vesting.

For vesting purposes, the LTI awards will be awarded as follows:

The vesting conditions for the rTSR are such that:

- Below the 50th percentile against peers = 0% vesting.
- Between the 50th percentile and 75th percentile = 50% to 100% vesting on a straight-line basis.
- Greater than the 75th percentile = 100% vesting.

The vesting condition for the strategic milestone is a binary outcome with vesting either 0% or 100%.

As at the date of this report the Key Management Personnel ("KMP") of the Group are the Board of Directors, the Managing Director and the Chief Financial Officer.

Note 6 lists the names and roles of the Group's KMP during the reporting period.

The Group's Policy for determining the nature and amount of remuneration for the Group's KMP is presently as follows:

- All Key Management Personnel are remunerated based on services provided by each person. KMP paid via payroll receive the superannuation guarantee contribution as required by legislation. No other retirement benefits are received by other KMP.
- The Remuneration and Nomination Committee, annually reviews and makes recommendation to the Board on the packages of Executive Directors, other KMP, and direct reports to the Managing Director by reference to the Group's performance, individual performance against stretch targets, comparable information from industry sectors and other listed companies of similar size in analogous industries.

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A. Principles used to determine the nature and amounts of remuneration

- The Board, via recommendation from the Remuneration and Nomination Committee, may exercise discretion in approving salary adjustments, incentives, bonuses, and the issue of options and/or performance rights. This is designed to attract high calibre talent and reward them for performance that results in long term growth in shareholder wealth.
- The Group has an Employee Option Plan, and a Performance Rights Plan, which Directors and other KMP are eligible and entitled to participate. Non-executive Directors do not participate in either of these plans.
- Board policy is to remunerate non-executive Directors at market rates for comparable companies for their time, commitment, and responsibilities. The Remuneration and Nomination Committee reviews non-executive Director remuneration annually taking into consideration benchmarking data, market practice, duties and accountabilities and makes recommendations to the Board accordingly.
  - i. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting (currently $500,000). Fees for non-executive Directors are not linked to the performance of the Group.
  - ii. To align Directors' interests with shareholder interests, Board members are encouraged to hold shares in the Group. Executive directors are able to participate in employee equity plans, which may exist from time to time.
  - iii. During the year the Committee also reviewed non-executive Directors' fees and determined that no changes be made to non-executive Director remuneration.
- Each member of the executive team signed a formal contract at the time of their appointment covering a range of matters including duties, rights, responsibilities, incentive entitlements and any entitlements on termination. The agreement sets out their specific duties.

Use of remuneration consultants

The sourcing, commissioning and engagement of remuneration consultants in matters relating to or potentially impacting KMP remuneration is undertaken by the Remuneration and Nomination Committee and consultants report their findings directly to the Committee. The Group sourced benchmarking data from external sources during the year. The Committee commissioned an independent specialist in the first quarter of FY24 to undertake an external market remuneration review of its managerial and professional staff. Adjustments to fixed remuneration were put in place with effect from 1 July 2023.

Performance based remuneration

Performance based remuneration is tailored to increase goal congruence between shareholders and executive KMP. This is facilitated through the issue of options and/or performance rights to encourage the alignment of personal and shareholder interests.

During the reporting period 5,408,333 unlisted options (Options), in aggregate, were issued as remuneration to the Group's KMP. Details are shown in Note 21.

During the reporting period and as at the date of this report no performance-based options have been exercised.

Executives of the Group have performance based short term and long term incentive entitlements as part of their respective executive services agreements with the Group. These are discussed further at item C – Employment Contracts of Directors and other KMP, within this Remuneration Report.

Voting and comments made at the Group's 2023 Annual General Meeting

The Group received 93.38% 'For' votes on its Remuneration Report for the financial year ending 30 June 2023. The Group received no specific feedback on its Remuneration Report at the 2023 Annual General Meeting.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to relevant ASX indices as well as the current and prior year share price performance of the Group.

Item	30 June 2024	30 June 2023	30 June 2022	1 July 2021 (first day of official quotation on ASX)	IPO
Share price ($)	$0.078	$0.31	$0.375	$0.550	$0.30

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B. Details of Remuneration

Details of the nature and amount of each element of the remuneration of each key management personnel (KMP) of the Company are shown in the table below:

Directors and other Key Management Personnel

		SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS		SHARE-BASED PAYMENTS				
Employee	Year	Salary $	Fees $	STI Award $	Super-annuation $	Termination Benefits $	Shares $	Unlisted Options [1,2] $	Unlisted Options [3] $	Total $	Performance based %
NON-EXECUTIVE DIRECTORS											
Angus Barker [5] Non-executive Chairman	2024	–	154,891	–	15,661	–	–	164,452	–	335,004	14.9%
	2023	–	21,667	–	2,275	–	–	24,665	–	48,607	–%
Pauline Carr [8] Non-executive Director	2024	–	91,575	–	–	–	–	–	–	91,575	–%
	2023	–	73,206	–	–	–	–	57,659	–	130,865	–%
Bryn Jones [7] Non-executive Director	2024	–	63,646	–	7,001	–	–	–	–	70,647	–%
	2023	–	52,500	–	5,512	–	–	57,659	–	115,671	–%
Dudley Kingsnorth [6] Non-executive Chairman	2024	–	47,916	–	5,271	–	–	–	–	53,187	–%
	2023	–	92,500	–	9,712	–	–	86,489	–	188,701	–%
EXECUTIVE DIRECTORS											
Travis Beinke MD / CEO	2024	388,851	–	150,370	27,399	–	–	19,891	11,999	598,510	25.1%
	2023	15,696	–	–	–	–	–	–	–	15,696	–%
Rick Pobjoy [4] Former Executive Director	2024	241,129	–	74,550	24,305	–	–	26,607	388	366,979	20.5%
	2023	288,804	–	245,615	25,293	–	–	42,348	–	602,060	40.8%
Don Hyma Former MD	2024	–	–	–	–	–	–	–	–	–	–%
	2023	62,833	–	–	6,323	180,000	–	–	–	249,156	–%
OTHER KEY MANAGEMENT PERSONNEL											
Noel Whitcher Company Secretary/CFO	2024	262,895	–	79,870	27,399	–	–	11,263	5,408	386,835	20.6%
	2023	104,894	–	40,000	10,938	–	–	–	–	155,832	25.7%
Damien Connor Company Secretary/CFO	2024	–	–	–	–	–	–	–	–	–	–%
	2023	–	146,005	–	–	–	–	19,404	–	165,409	–%
2024 TOTAL		**892,875**	**358,028**	**304,790**	**107,036**	**-**	**-**	**222,213**	**17,795**	**1,902,737**	
2023 TOTAL		**472,227**	**385,878**	**285,615**	**60,053**	**180,000**	**-**	**288,224**	**-**	**1,671,997**	

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B. Details of Remuneration

[1] On 8 November 2023 Shareholders approved the issue of 3,700,000 Options to Directors at the Company's AGM. A further 208,333 Options were issued to the Chief Financial Officer and Company Secretary, Mr Noel Whitcher. In December 2023 1,500,000 employment commencement Options were issued to Mr Travis Beinke following the successful completion of his probationary period as CEO. Mr Beinke became a Director of the Company when he was appointed as Managing Director on 3 April 2024.

[2] Expense recognised for unlisted options issued during the year ended 30 June 2024. Refer Note 21 for further details relating to share-based payments expense.

Share based payments are non-cash remuneration. The value is an estimate based on statistical calculations of the probability that the share price increases above the exercise price (which was calculated at a 45% premium at the grant date). In order to realise the potential value of any options awarded which are in the money, the option holder must first exercise the options by paying the exercise price in cash and can only realise any potential financial gain by selling the resultant shares. The sale of any shares must be in accordance with the Company's share trading policy.

[3] On 18 March 2024 the Company issued 2,623,083 Performance Rights to eligible staff as part of its Long Term Incentive Program. The Rights are subject to performance hurdles and service criteria for the period 1 July 2023 to 30 June 2026.

[4] Mr Pobjoy ceased to be a KMP as at 3 April 2024 following his resignation from the Board as an executive Director and executive Director and restructure of his role.

[5] Mr Barker was paid an extra exertion payment of $50,000 in recognition of his additional work providing financial and investor relations support during the FY23 capital raise. Mr Barker's Director fees were set at $125,000 per annum on his commencement as Chairman effective 8 November 2023.

[6] Professor Kingsnorth OAM ceased to be at KMP as at 31 January 2024 following his retirement.

[7] Mr Jones ceased to be at KMP as at 21 June following his resignation.

[8] The Director's fee for Ms Carr was paid through Exact Consulting, a business where Ms Carr serves as a Director.

Short Term Incentive (STI)

What is the STI?	The STI is part of 'at risk' remuneration offered to managerial and professional staff at the discretion of the Board. It measures individual and Group performance over a 12 month period. The period coincides with the Group's financial year. It is offered to managerial and professional staff.
How does the STI link to objectives?	The STI is an at-risk opportunity for managerial and professional staff. It rewards them for meeting AR3's or exceeding key performance indicators. The key performance indicators link to Group's goals. The STI aims to align participants efforts to the creation of value for shareholders. AR3's key performance indicators (KPIs) are set by the Board for each 12 month period beginning at the start of a financial year. They reflect the Group's financial and operational goals that are essential to achieving its purpose. Participants also have individual KPIs aligned to their areas of responsibility.
What are the performance conditions or KPIs?	For the reporting period, the performance measures comprised: **STI Measures** — **Weighting** **Group KPIs** — **70%** Koppamurra Stage 1 development — 21% Koppamurra Province development — 14% Growth — 21% Delivery — 14% **Individual KPIs** — **30%**
Are there different performance levels?	The Board sets KPI measures at target and stretch levels. The stretch level is the greatest performance outcome for an individual KPI.
What is the value of the STI award that can be earned?	Incentive payments are based on a percentage of a participant's fixed remuneration. The value of the award that can be earned by participants is up to a maximum of 50% of their total fixed remuneration.
How are the performance or hurdle conditions assessed?	The KPIs are reviewed against an agreed target. The Board assesses the extent to which KPIs were met for the period after the close of the relevant financial year. The Board assesses senior executive performance on the Managing Director's recommendation. The Board assesses the achievement of the KPIs for the Managing Director
What happens if an STI is awarded?	On achievement of the relevant KPIs, the Board has discretion to payout an award in cash or equity or a combination of both. The payout if any, will be made in the September quarter or such other time as the Board determines appropriate.

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Outcome of FY24 STI Group STIs

The Group KPIs outlined below are aligned to the Group's strategic priorities and to deliver against the annual business plan. AR3 cascades performance goals from the Managing Director through to the Executive and management. It is intended that all employees can demonstrate a link between their individual goals, Divisional goals and overarching strategy.

While most KPIs focus on financial outcomes and growth, nothing is more crucial than the safety of our people and the preservation of the environment in which we operate. The Managing Director empowers every staff member with the authority to halt any job immediately if they perceive it is not being conducted safely. By fostering a culture that values safety, integrity and openness above all else, AR3 strives to create a workplace where everyone can thrive without compromising their welfare or that of the environment.

Group Target	KPI	KPI Outcome (Max 70%)
Koppamurra Stage 1 development	Completion of baseline studies and impact assessments to support mining lease application.	12.6%
Koppamurra Province development	Expand exploration target and mineral resource to demonstrate provincial nature of the project.	7%
Growth	Expand existing project portfolio and develop value accretive inorganic growth options to compliment pipeline	15.75%
Delivery	Deliver business plan outcomes within 90% of budget. Zero TRIFR and no safety or environmental incidents.	11.9%
		47.25%

FY24 Role Specific Individual STI Outcome

For the Managing Director and other Executive, 30% of the total STI payable is based on individual performance, with 70% payable from Group performance against KPIs. The table below outlines role specific KPI's for the Managing Director and other KMP and key achievements against each of these.

KMP	Role Specific KPI's	Role Specific KPI Outcome (Max 30%)
T Beinke	Drive organic growth and value accretive inorganic growth options, while building long term relationships with government, regulators and potential partners/offtakers. Develop Team capacity and capability to deliver plan.	25%
N Whitcher	Develop and execute funding strategy to support AR3's growth agenda and ensure delivery of Group outcomes within budget.	14.25%

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B. Details of Remuneration

In determining the form of the STI payouts for FY24, the Committee considered the current economic and market conditions and the Board's preference to preserve cash. In FY24 STI recipients received 70% of their payout in the form of cash (rather than 100% in cash, as was the case in the prior year), with the remaining 30% to be provided to them in the form of AR3 equity instruments, with shareholder approval being sought at the 2024 AGM for specific participants where applicable.

Long Term Incentive (LTI)

During the year the Committee completed its work on the long term incentives and endorsed the adoption of a new LTI Plan. The new equity based arrangement commenced on 1 July 2023 and is aligned with the creation and unlocking of shareholder value through performance hurdles which include relative Total Shareholder Return (rTSR) and the achievement of strategic Company milestones which are measured at the end of three years. The attainment assessment of the FY24 LTI will occur on 30 June 2026, and any performance rights awarded will vest post measurement, in equal annual installments over the ensuing three years.

What is the LTI?	The LTI is an equity based 'at risk' incentive plan. The LTI aims to reward results that promote long term growth in shareholder value or Relative Total Shareholder Return (rTSR). AR3 offers LTIs to managerial and professional employees at the discretion of the Board.
How does the LTI link to AR3's key purpose?	The LTI links to the Group's key purpose by aligning the longer term 'at risk' incentive rewards with outcomes that match shareholder objectives and interests by: –benchmarking shareholder returns against a group of companies considered alternative investments to AR3, which will be equal to a maximum of 70% of any LTI award. Incentivising participants to meet strategic milestones, equal to a maximum of 30% of any LTI award. –giving share based rather than cash-based rewards to managerial and professional employees. This links their own rewards to shareholder expectations of dividends and share price growth.
How are the number of rights issued to senior executives calculated?	The number of performance rights granted to the executives under the LTI is calculated as total fixed remuneration at 1 July of the financial year, multiplied by the relevant LTI Plan participation percentage, divided by the Market Value. The Market Value is the market value of a fully paid ordinary share in the Group, calculated using a thirty-day VWAP, up to and including 30 June of the preceding financial year.
What equity-based grants are given?	The Group grants performance rights using the formula set out above. If the performance conditions are met, participants have the opportunity to acquire one AR3 share for every vested performance right.
What are the performance conditions?	The performance conditions are split between rTSR relative to a pool of ASX listed companies which are considered by the Board to be peers of AR3, and the achievement of strategic goals, over the three-year performance period. The vesting conditions for the rTSR are such that: – Below the 50th percentile against peers = 0% vesting. – Between the 50th percentile and 75th percentile = 100% vesting on a straight-line basis. – Greater than the 75th percentile = 100% vesting. The vesting conditions for the strategic milestone are such that it is a binary outcome with vesting either 0% or 100%.
Why choose these performance conditions?	rTSR is a measure of the return to shareholders over a period of time through the change in share price and performance against other competitors considered alternative investment opportunities for the Group. AR3 chose this performance condition to align participants' remuneration with increased shareholder value. Achievement of strategic milestones incentivizes participants to progress projects unlocking value for shareholders.

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Long Term Incentive (LTI) continued

What happens to LTI performance rights on a change of control?	The Board reserves the discretion for early vesting in the event of a change of control of the Group. Adjustments to a participant's entitlements may also occur in the event of a Group reconstruction and certain share issues.
How have the LTI rights been valued	The Group has estimated the Fair Value of the Performance Rights in accordance with the requirements of Australian Accounting Standard AASB 2 Share Based Payment. The Group has issued Performance Rights which vest in different tranches subject to relative total shareholder return (rTSR), internal strategic milestone and service conditions. The Fair Value reflects adjustments for the terms of the Performance Rights issued under AR3 as required by AASB 2. The treatment of a right to dividends (or lack thereof), and service conditions is consistent across all of the Performance Rights. The rTSR performance hurdle (condition) is 70% of the LTI and is subject to performance against a relative rTSR metric. This condition is considered a market condition under AASB 2 and the impact on expected vesting is included in Fair Value. This Fair Value is therefore multiplied by the total number of instruments issued to determine the expense. The Group has estimated the Fair Value of these Performance Rights using a Monte Carlo simulation option pricing model. The strategic milestone performance hurdle (condition) is 30% of the LTI and is subject to performance against an internal strategic milestone metric. This condition is considered a non-market condition under AASB 2 and the impact on expected vesting is not included in Fair Value. This Fair Value is therefore multiplied by the number of instruments expected to vest to determine the expense. The Group has estimated the Fair Value of these Performance Rights using a Black Scholes option pricing model. The service condition of the LTI is subject to employees maintaining their employment as at the vesting date of each tranche. This condition is considered a non-market condition under AASB 2 and the impact on expected vesting is not included in Fair Value

C. Employment Contracts of Directors and Other Key Management Personnel

Employment agreements – senior executives

The senior executives have employment agreements with Australian Rare Earths Limited. The provisions relating to duration of employment, notice periods and termination entitlements of the senior executives are as follows:

Managing Director / Chief Executive Officer

The Managing Director's employment agreement commenced on 19 June 2023 and is ongoing until terminated by either the Group or Mr Beinke on three months' notice. The Group may discharge such notice obligation by payment in lieu. AR3 must pay any amount owing but unpaid to the employee whose services have been terminated at the date of termination. AR3 may terminate the Managing Director's employment at any time for serious misconduct or breach without notice. Mr Beinke has specific malice and claw back provisions included in his employment contract.

Other senior executives

Other senior executives have employment agreements that are ongoing until terminated by either AR3 upon three months' notice or the senior executive upon giving three-months' notice. The Group may terminate a senior executive's appointment for cause (for example, for serious breach) without notice. AR3 must pay any amount owing but unpaid to the employee whose services have been terminated at the date of termination. All senior executives have specific malice and claw back provisions included in their employment contracts.

The Committee reviewed the remuneration arrangements of the CEO and his direct reports in June 2024 and determined that, other than the legislated increase in the superannuation guarantee, no increases be made to fixed remuneration for the year commencing 1 July 2024.

During the year the Committee has reviewed and standardized the terms and conditions of all managers' employment contracts, to ensure they now include all relevant employment provisions, as well as protections for the Company.

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D. Share Based Remuneration

Options

All options are unlisted and refer to a right to subscribe for one fully paid ordinary share in the Group, under the terms of the option.

The Group has an Employee Option Plan. under which the Group, through the Board, may offer Options to eligible persons on such terms that the Board considers appropriate, including any performance or other vesting hurdles that may apply.

Details of options convertible to ordinary shares in the Group that were granted as remuneration to each KMP during the year are set out below:

2024 OPTIONS	NUMBER GRANTED	GRANT DATE	EXERCISE PRICE	FAIR VALUE AT GRANT DATE [1]		VESTING DATE	EXPIRY DATE
GRANTED TO				$/option	Full value($) [2]		
A. Barker[3]	1,500,000	8/11/2023	$0.37	$0.062	$93,233	Vest on issue	26/11/2026
	1,500,000	8/11/2023	$0.50	$0.047	$71,219	Vest on issue	26/11/2026
T. Beinke	1,500,000	21/12/2023	$0.474	$0.024	$35,831	Vest over 1 year	20/12/2026
N. Whitcher	208,333	27/11/2023	$0.435	$0.070	$14,717	Vest over 3 years	30/06/2027
R. Pobjoy[3]	700,000	8/11/2023	$0.50	$0.157	$49,411	Vest over 3 years	30/06/2027
	5,408,333				**$264,411**		

[1] The fair value of Options at grant date is determined using a Black Scholes option pricing model as disclosed in the notes to the financial statements.

[2] The fair value of the Options at the date of grant was $264,411 and is being expensed to the Statement of Profit or Loss and Other Comprehensive Income over the vesting periods applicable to the Options. Accordingly, an amount of ($233,714) has been expensed to the Statement of Profit or Loss and Other Comprehensive Income under share-based payments expense for the year ended 30 June 2024.

[3] Options were issued following shareholder approval at the Company's Annual General Meeting held on 8 November 2023.

Details of options convertible to ordinary shares in the Group that were granted as remuneration to each KMP during the previous financial year are set out below:

2023 OPTIONS	NUMBER GRANTED	GRANT DATE	EXERCISE PRICE	FAIR VALUE AT GRANT DATE [1]		VESTING DATE	EXPIRY DATE
GRANTED TO				$/option	Full value($) [2]		
D. Kingsnorth [3]	750,000	24/11/2022	$0.50	$0.115	$86,489	Vest on issue date	2/12/2025
P. Carr [3]	500,000	24/11/2022	$0.50	$0.115	$57,659	Vest on issue date	2/12/2025
B. Jones [3]	500,000	24/11/2022	$0.50	$0.115	$57,659	Vest on issue date	2/12/2025
A. Barker	500,000	28/2/2023	$0.47	$0.114	$56,859	Vest on issue date	28/2/2026
R. Pobjoy [3]	750,000	24/11/2022	$0.50	$0.157	$117,972	Vest over 3 years	2/12/2026
D Connor	400,000	2/12/2022	$0.50	$0.145	$58,213	Vest over 3 years	2/12/2026
	3,400,000				**$434,851**		

[1] The fair value of Options at grant date is determined using a Black Scholes option pricing model as disclosed in the notes to the financial statements.

[2] The fair value of the Options at the date of grant was $434,851 and is being expensed to the Statement of Profit or Loss and Other Comprehensive Income over the vesting periods applicable to the Options. Accordingly, an amount of ($289,335) has been expensed to the Statement of Profit or Loss and Other Comprehensive Income under share-based payments expense for the year ended 30 June 2023.

[3] Options were issued following shareholder approval at the Company's Annual General Meeting held on 24 November 2022.

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Performance Rights

The Group has an Employee Rights Plan under which the Group, through the Board, may offer Rights to eligible persons on such terms that the Board considers appropriate, including any performance or other vesting hurdles that may apply.

The Group issues performance rights as part of the LTI remuneration package contained in the employment contracts of senior executives. The Rights issued relate to the performance period 1 July 2024 to 30 June 2026 and are subject to performance, service and vesting conditions.

All Performance Rights are unlisted and subject to the performance conditions being met. Under the Employee Rights Plan recipients have the opportunity to acquire one fully paid Ordinary share for every vested performance right.

Details of Performance Rights convertible to ordinary shares in the Group that were granted as remuneration to each KMP, relating to during the year are set out below:

2024 PERFORMANCE RIGHTS	NUMBER GRANTED [3]	GRANT DATE	FAIR VALUE AT GRANT DATE [1]		VESTING DATE
GRANTED TO			$/Right	Full value($) [2]	
T. Beinke	1,265,967	18/03/2024	$0.099	$125,330	Vest over 3 years following measurement period
N. Whitcher	570,529	18/03/2024	$0.099	$56,482	Vest over 3 years following measurement period
	1,836,496			**$181,812**	

[1] The fair value of Rights at grant date is determined using a Monte Carlo simulation and Black Scholes option pricing models as disclosed in the notes to the financial statements.

[2] The full value of the Rights at the date of grant was $181,812 and is being expensed to the Statement of Profit or Loss and Other Comprehensive Income over the vesting periods applicable to the Options. Accordingly, an amount of ($8,062) has been expensed to the Statement of Profit or Loss and Other Comprehensive Income under share-based payments expense for the year ended 30 June 2024.

[3] The number of performance rights granted to the executives under the LTI is calculated as total fixed remuneration at 1 July of the financial year, times the relevant percentage, divided by the market value. The Market Value is the market value of a fully paid ordinary share in the Group, calculated using a thirty-day VWAP, up to and including 30 June of the preceding financial year.

Year ended 30 June 2023

The Group did not issue any Performance Rights as remuneration during the year ended 30 June 2023.

Year ended 30 June 2024

The Group did not issue any shares as remuneration during the year ended 30 June 2024.

Year ended 30 June 2023

The Group did not issue any shares as remuneration during the year ended 30 June 2023.

E. Incentive Payments Included in Remuneration

Details of the short-term incentive cash payments awarded as remuneration to each key management personnel, the percentage of the available STI that was payable in the financial year, and the percentage that was forfeited because the person did not meet the performance criteria is set out below.

EMPLOYEE	INCLUDED IN REMUNERATION ($)	PERCENTAGE OF MAXIMUM POTENTIAL STI WHICH VESTED DURING THE YEAR	PERCENTAGE OF MAXIMUM POTENTIAL STI WHICH WAS FORFEITED DURING THE YEAR
Travis Beinke [1]	$150,370 (including statutory superannuation)	72.25%	27.75%
Noel Whitcher [2]	$79,870 (including statutory superannuation)	61.5%	38.5%
Rick Pobjoy [3]	$74,609 (including statutory superannuation)	60%	40%

[1] Mr Beinke's executive services agreement provided for a short-term incentive of up to 50% of his base salary for the year ended 30 June 2024.

[2] Mr Whitcher's executive services agreement provided for a short term incentive of up to 45% of his base salary for the year ended 30 June 2024.

[3] Mr Pobjoy's executive services agreement provided for a short term incentive of up to 50% of his base salary for the year ended 30 June 2024. Mr Pobjoy's short term incentive has been assessed on a pro rata basis for the period 1 July 2023 to 3 April 2024.

No other key management personnel were awarded short-term incentive cash payments as remuneration during the year ended 30 June 2024.

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F. Other Information

Option Holdings of Key Management Personnel as at 30 June 2024

The number of options over ordinary shares in of Australian Rare Earths Limited held, directly, indirectly, or beneficially, by each specified Director and key management personnel, including their personally related entities as at reporting date, is as follows:

2024 KEY MANAGEMENT PERSONNEL	HELD AT 1 JULY 2023	GRANTED AS COMPENSATION	FORFEITED	HELD AT DATE CEASED TO BE KMP	HELD AT 30 JUNE 2024	VESTED AND EXERCISABLE AT 30 JUNE 2024
A. Barker [1]	666,667	3,000,000		–	3,666,667	3,666,667
P. Carr	1,114,815	–	–	–	1,114,815	1,114,815
B Jones [5]	4,024,074	–	–	(4,024,074)	–	–
D. Kingsnorth [4]	2,866,667	–	–	(2,866,667)	–	–
T. Beinke [2, 6]	–	1,500,000	–	–	1,500,000	–
N. Whitcher [3]	9,075	208,333	–	–	217,408	147,964
R Pobjoy [1, 7]	7,466,667	700,000	–	(8,166,667)	–	–
Total	**16,147,965**	**5,408,333**	**-**	**(15,057,408)**	**6,498,890**	**4,929,446**

1 3,700,000 Options were granted to KMP following shareholder approval at the Group's Annual General Meeting held on 8 November 2023. Options were issued for nil consideration on 27 November 2023 and are governed by the terms and conditions of the Group's Employee Option Plan. The 3,700,000 Options issued comprised:

- 1,500,000 Options exercisable at $0.37 each, expiring on or before 26 November 2026, and vested immediately on the date of issue.
- 1,500,000 Options exercisable at $0.50 each, expiring on or before 26 November 2026, and vested immediately on the date of issue.
- 700,000 Options exercisable at $0.435 each, expiring on or before 30 June 2027 and are subject to time-based vesting conditions.

2 Mr Beinke received 1,500,000 Options following the completion of his employment probation period, in line with his executive services contract. The Options were issued for Nil consideration and are exercisable at $0.4739 each, expiring on or before 20 December 2026 and are subject to time-based vesting criteria. The Options are governed by the terms and conditions of the Group's Employee Option Plan.

3 Mr Whitcher received 208,333 Options in relation to an LTI incentive for the period ended 30 June 2023. The Options were issued for Nil consideration and are exercisable at $0.435 each, expiring on or before 30 June 2027 and are subject to time-based vesting criteria. The Options are governed by the terms and conditions of the Group's Employee Option Plan.

4 Professor Kingsnorth OAM retired from the Board and ceased to be a KMP effective 31 January 2024.

5 Mr Jones resigned from the Board and ceased to be a KMP effective 21 June 2024.

6 Mr Beinke was appointed as Managing Director on 3 April 2024.

7 Mr Pobjoy ceased to be a KMP as at 3 April 2024.

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Share Holdings of Key Management Personnel as at 30 June 2024

The number of ordinary shares of Australian Rare Earths Limited held, directly, indirectly, or beneficially, by each Director and key management personnel, including their personally related entities as at reporting date:

2023 KEY MANAGEMENT PERSONNEL	HELD AT 1 JULY 2023	ISSUED AS COMPENSATION	ON MARKET PURCHASE/ (SALE)	OTHER MOVEMENT DURING THE YEAR	HELD AT 30 JUNE 2024
A. Barker	2,700,000	–	300,000	-	3,000,000
P. Carr	94,445	–	–	–	94,445
B. Jones [2]	15,834,048	–	250,000	(16,084,048)	–
D. Kingsnorth [1]	2,297,001	–	–	(2,297,001)	–
T. Beinke	–	–	–	–	–
N. Whitcher	27,224	–	72,776	–	100,000
R. Pobjoy [3]	14,220,000	–	–	(14,220,000)	–
Total	**35,172,718**	**-**	**622,776**	**(32,601,049)**	**3,194,445**

[1] Professor Kingsnorth OAM ceased to be a KMP on 31 January 2024.

[2] Mr Jones ceased to be a KMP on 21 June 2024.

[3] Mr Pobjoy ceased to be a KMP on 3 April 2024

Transactions with Key Management Personnel

Transactions with Key Management Personnel and related parties as discussed below are made on normal commercial terms and conditions and at market rates.

Amounts paid to Director related entities:

RELATED PARTY	RELATIONSHIP TO KMP	SERVICES PROVIDED	2024 $	2023 $
Valrico Resources Pty Ltd	A business of which Messrs. Jones and Pobjoy are shareholders	Option agreement executed for Australian Rare Earths to acquire 100% of Valrico shares subject to the granting of exploration licences.	$50,000	–
entX Limited	A business which Mr Jones is Managing Director	Serviced corporate office lease	$32,216	$136,119

There were no further transactions with entities associated with Key Management Personnel.

END OF AUDITED REMUNERATION REPORT

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Unissued Shares Under Option

Unissued ordinary shares of Australian Rare Earths Limited under option at the date of this report are:

ISSUED TO	ISSUE DATE	GRANT DATE	NUMBER OF OPTIONS GRANTED	OPTION EXERCISE PRICE	EXPIRY DATE
DIRECTORS	10/02/2021	25/01/2021	6,000,000	$0.30	25/01/2025
DIRECTORS	10/02/2021	25/01/2021	–	$0.45	29/06/2024
GROUP SECRETARY	12/03/2021	25/01/2021	–	$0.45	29/06/2024
CONSULTANT	23/04/2021	16/04/2021	–	$0.45	29/06/2024
BROKER	16/06/2021	11/06/2021	–	$0.45	29/06/2024
DIRECTOR & GROUP SECRETARY	1/12/2021	26/11/2021	1,600,000	$1.44	1/12/2024
DIRECTOR	1/12/2021	26/11/2021	2,000,000	$0.60	29/7/2025
EMPLOYEE	20/5/2022	9/5/2022	1,000,000	$1.02	9/5/2025
PLACEMENT	8/6/2022	8/6/2022	–	$0.57	13/12/2023
EMPLOYEE	8/7/2022	8/7/2022	500,000	$0.57	4/7/2025
DIRECTOR	1/03/2023	1/03/2023	500,000	$0.47	28/02/2026
DIRECTOR	2/12/2022	24/11/2022	1,750,000	$0.50	2/12/2025
DIRECTORS & GROUP SECRETARY	2/12/2022	24/11/2022	1,150,000	$0.50	2/12/2026
EMPLOYEE	2/12/2022	2/12/2022	400,000	$0.50	2/12/2026
PLACEMENT	9/5/2023	9/5/2023	7,865,182	$0.57	9/05/2025
DIRECTORS & GROUP SECRETARY	27/6/2023	22/6/2023	297,965	$0.57	9/05/2025
DIRECTOR	8/11/2023	26/11/2023	1,500,000	$0.50	26/11/2023
DIRECTOR	8/11/2023	26/11/2023	1,500,000	$0.37	26/11/2023
DIRECTOR	8/11/2023	26/11/2023	700,000	$0.435	30/6/2027
EMPLOYEE & GROUP SECRETARY	26/11/2023	26/11/2023	1,108,333	$0.435	30/6/2027
EMPLOYEE	20/12/2023	20/12/2023	1,500,000	$0.4739	20/12/2026
			29,371,480		

All unlisted options are unlisted and exercisable into fully paid ordinary shares in the Group on a one for one basis. These options do not entitle the holders to participate in any share issue of the Group or any other body corporate.

Events subsequent to the end of reporting date

On 3 September 2024, the Group completed the acquisition of 100% of Valrico Resources Pty Ltd as per the terms and conditions of the Option Purchase agreement dated 2 April 2024.

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Indemnity and insurance of officers

As at the date of this report, the Company has indemnified the directors and officers of the company for costs incurred, in their capacity as a director or officers, for which they may be held personally liable, except where there is a lack of good faith.

During financial period ended 30 June 2023, the Company has paid a premium in respect of a contract to insure the directors and officers of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Non-audit services

Details of the amounts paid or payable to the auditor for services provided during the financial year by the auditor are outlined in Note 7 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 7 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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.

Corporate Governance

The Board has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 4th Edition" (ASX Recommendations). The Board regularly monitors and reviews its existing and required policies, charters, and procedures with a view to ensuring its compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and its development status.

A summary of the Company's ongoing corporate governance practices is set out annually in the Company's Corporate Governance Statement and can be found on the Company's website at https://ar3.com.au/corporate-governance/

Auditor's Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 57 and forms part of the Director's Report for the financial period ended 30 June 2024.

This report is signed in accordance with a resolution of the Board of Directors.

Angus Barker
Chairman

Dated this 24th day of September 2024

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Grant Thornton

Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3
170 Frome Street
Adelaide SA 5000
GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666

Auditor's Independence Declaration

To the Directors of Australian Rare Earths Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Australian Rare Earths Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 24 September 2024

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FINANCIAL REPORT

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(For the year ended 30 June 2024)

	NOTES	30 JUNE 2024 $	30 JUNE 2023 $
REVENUE			
Revenue from ordinary activities		–	–
Other income	3	448,498	195,673
EXPENSES			
Employee benefits expense		(2,034,034)	(1,472,398)
Share based payments expense	21	(459,862)	(423,054)
Share based payments forfeited	21	–	744,583
Corporate consulting expenses		(262,097)	(475,933)
Exploration expenditure expensed		(121,642)	(87,331)
Amortisation – leases		(146,803)	(43,447)
Depreciation		(74,261)	(17,404)
Other expenses	4	(798,693)	(839,390)
LOSS BEFORE INCOME TAX EXPENSE		**(3,448,894)**	**(2,418,701)**
Income tax benefit		–	–
LOSS FOR THE YEAR		**(3,448,894)**	**(2,418,701)**
LOSS ATTRIBUTED TO MEMBERS OF THE PARENT ENTITY		**(3,448,894)**	**(2,418,701)**
Other comprehensive income		–	–
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**(3,448,894)**	**(2,418,701)**
EARNINGS PER SHARE		Cents	Cents
Basic loss per share	19	(2.23)	(1.81)

The accompanying notes form part of the financial statements.

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STATEMENT OF FINANCIAL POSITION

(For the year ended 30 June 2024)

	NOTES	30 JUNE 2024 $	30 JUNE 2023 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	7,605,032	14,981,232
Trade and other receivables	10	812,262	1,086,353
Other assets		120,140	57,801
Total current assets		8,537,434	16,125,386
NON-CURRENT ASSETS			
Other financial assets – bank guarantees	9	174,301	148,801
Property, plant and equipment	14	367,836	291,724
Right of use asset – office lease	17	513,401	222,361
Exploration and evaluation expenditure	12	14,171,743	10,172,163
Total non-current assets		15,227,281	10,835,049
TOTAL ASSETS		**23,764,715**	**26,960,435**
CURRENT LIABILITIES			
Trade and other payables	15	502,473	1,392,348
Lease liability	17	135,960	55,559
Employee benefits	16	535,102	448,770
Total current liabilities		1,173,535	1,896,677
NON-CURRENT LIABILITIES			
Lease liability	17	507,794	168,949
Employee benefits	16	4,249	1,601
Total non-current liabilities		512,043	170,550
TOTAL LIABILITIES		1,685,578	2,067,227
NET ASSETS		**22,079,137**	**24,893,208**
EQUITY			
Issued capital	18	30,750,364	30,575,403
Share based payment reserve	21	2,827,265	2,700,012
Retained losses		(11,498,492)	(8,382,207)
TOTAL EQUITY		**22,079,137**	**24,893,208**

The accompanying notes form part of the financial statements.

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STATEMENT OF CHANGES IN EQUITY

(For the year ended 30 June 2024)

	ISSUED CAPITAL $	RETAINED LOSSES $	SHARE BASED PAYMENT RESERVE $	TOTAL $
BALANCE AT 1 JULY 2022	20,163,426	(5,963,506)	3,021,541	17,221,461
Shares issued during the year	11,073,954	–	–	11,073,954
Share issue costs	(661,977)	–	–	(661,977)
Fair value of options issued during the year	–	–	423,054	423,054
Fair value of options forfeited during the year	–	–	(744,583)	(744,583)
Transactions with owners	10,411,977	–	(321,529)	10,090,448
Total loss for the year	–	(2,418,701)	–	(2,418,701)
BALANCE AT 30 JUNE 2023	**30,575,403**	**(8,382,207)**	**2,700,012**	**24,893,208**

	ISSUED CAPITAL $	RETAINED LOSSES $	SHARE BASED PAYMENT RESERVE $	TOTAL $
BALANCE AT 1 JULY 2023	30,575,403	(8,382,207)	2,700,012	24,893,208
Shares issued during the year	200,000	–	–	200,000
Share issue costs	(25,039)	–	–	(25,039)
Fair value of performance rights issued during the year	–	–	31,941	31,941
Fair value of options issued during the year	–	–	427,921	427,921
Transfer of share based payments reserve to retained earnings for lapses	–	332,609	(332,609)	–
Transactions with owners	174,961	332,609	127,253	634,823
Total loss for the year	–	(3,448,894)	–	(3,448,894)
BALANCE AT 30 JUNE 2024	**30,750,364**	**(11,498,492)**	**2,827,265**	**22,079,137**

The accompanying notes form part of the financial statements.

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STATEMENT OF CASH FLOWS

(For the year ended 30 June 2024)

	NOTES	30 JUNE 2024 $	30 JUNE 2023 $
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,643,020)	(2,752,467)
Interest received		470,906	142,238
Proceeds from Research and development tax concession		771,251	505,509
NET CASH USED IN OPERATING ACTIVITIES	22	**(2,400,863)**	**(2,104,720)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure	12	(4,713,188)	(5,727,882)
Payments for property, plant and equipment	14	(150,373)	(116,793)
Transfer to other financial assets – bank guarantees	9	(25,500)	(48,801)
NET CASH USED IN INVESTING ACTIVITIES		**(4,889,061)**	**(5,893,476)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	11,121,893
Share issue costs		(25,039)	(709,917)
Repayment of lease liability		(61,237)	(47,568)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**(86,276)**	**10,364,408**
Net increase in available cash held		(7,376,200)	2,366,212
Available cash at beginning of year		14,981,232	12,615,020
AVAILABLE CASH AT THE END OF THE YEAR	8	**7,605,032**	**14,981,232**

The accompanying notes form part of the financial statements.

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NOTE 1 – STATEMENT OF MATERIAL ACCOUNTING POLICIES

Basis of preparation

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Rare Earths Limited is a for profit entity for the purposes of preparing the financial statements. The financial report has been presented in Australian dollars.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Principles of Consolidation

The parent entity controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A list of controlled entities is contained in Note 11 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included/(excluded) from the date control was obtained/(ceased).

All inter-group balances and transactions between entities in the consolidated group, including any recognised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with those adopted by the parent entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

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The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable 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 costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

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.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest

All expenditure incurred before the exploration for and evaluation of mineral resources, such as expenditures incurred before the Group has obtained the legal rights to explore a specific area, has been expensed.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year/period and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Leases

With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability.

Where a lease has an extension option the Group has used its judgement to determine whether or not an option would be reasonably certain to be exercised. The Group considers all facts and circumstances including any significant improvements, current stage of projects, location, and their past practice to help them determine the lease term. The Group has not included the current extension option in determining the lease term.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at commencement date of the lease. The weighted average incremental borrowing rate applied to lease liabilities was 4.1%.

In the consolidated statement of cash flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

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NOTE 1 – STATEMENT OF MATERIAL ACCOUNTING POLICIES CONTINUED

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Provisions

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.

Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled wholly within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for these benefits. Those cashflows are discounted using market yields on high quality corporation bonds with terms to maturity that match the expected timing of cashflows.

Share-based Payments

Equity-settled transactions

The Group provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Group currently provides benefits under an Employee Option Plan and a Performance Rights Plan.

The cost of these equity-settled transactions with employees and directors is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Group ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

i) the extent to which the vesting period has expired; and

ii) the number of awards that, in the opinion of the directors, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

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Issued capital

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, net of tax, from the proceeds.

Income Tax

The income tax expense/(revenue) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/ (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset recognised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled, and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation, and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Australian Rare Earths Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 17 December 2020.

Revenue and other income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Government subsidies and Grants

The Group's projects at times may be supported by grants received from the federal, state and local governments. Government grants including Research and Development Tax incentives received in relation to exploration activities is recognised as a reduction in the carrying value of the exploration and evaluation asset or income if the expenditure relating to the grant is expensed.

Government grants are assistance by government in the form of transfers off resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grant will be received.

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NOTE 1 – STATEMENT OF MATERIAL ACCOUNTING POLICIES CONTINUED

Goods and Services Tax ('GST') and other similar taxess

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation of the current financial year.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using fair value less cost of disposal calculations which incorporate various key assumptions. No impairment expense was recognised for the year ended 30 June 2024 (30 June 2023: Nil).

(ii) Exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

The financial report was authorised for issue on 24 September 2024 by the Board of Directors.

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NOTE 2 – SEGMENT REPORTING

For management purposes, the Group is organised into one main business and geographic segment, which involves exploration for mineral deposits in Australia. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from the segment are equivalent to the financial statement of the Group as a whole.

NOTE 3 – OTHER INCOME

	30 JUNE 2024 $	30 JUNE 2023 $
Interest received	448,498	195,537
Miscellaneous income	–	136
Total other income	**448,498**	**195,673**

NOTE 4 – OTHER EXPENSES

	30 JUNE 2024 $	30 JUNE 2023 $
Compliance	145,239	167,749
Legal, insurance and registry	223,160	172,882
Office and website expenses	124,881	128,237
Travel and Airfares	123,748	254,637
Other expenses	181,665	115,885
Total other expenses	**798,693**	**839,390**

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NOTE 5 – INCOME TAX BENEFIT / (LOSS)

	30 JUNE 2024 $	30 JUNE 2023 $
(a) The components of income tax benefit comprise:		
Current income tax expense / (benefit)	–	–
(b) The prima facie tax on loss from before income tax is reconciled to the income tax as follows:		
Net loss from continuing operations	(3,448,984)	(2,418,701)
Income tax rate	30%	30%
Prima facie tax benefit on loss from activities before income tax	(1,034,695)	(725,610)
Non-deductible expenses	198,694	311,953
Tax effect of temporary differences not brought to account as they do not meet the recognition criteria	836,001	413,657
Deferred tax asset not realised as recognition criteria not met	–	–
Income tax attributable to operating loss	–	–
(c) Unused tax losses for which no deferred tax asset has been recognised at 30% (2023: 30%)	1,920,399	1,365,412

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NOTE 6 – KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held of consolidated entity key management personnel in office at any time during the financial year are:

Angus Barker – Non-Executive Chairman (Independent Director)	
Pauline Carr – Non-Executive Director (Independent Director)	
Travis Beinke – Managing Director (Non-Independent Director)	*Appointed 3 April 2024*
Dudley Kingsnorth OAM – Non-Executive Chairman (Independent Director)	*Retired 31 January 2024*
Bryn Jones – Non-Executive Director (Non-Independent Director)	*Resigned 21 June 2024*
Rick Pobjoy – Technical Director (Non-Independent Director)	*Resigned from the Board on 3 April 2024. Remains an employee in a restructured role.*
Noel Whitcher – Chief Financial Officer (Company Secretary)	

Other than the directors and officers of the Group listed above, there are no additional key management personnel.

(b) Key Management Personnel Compensation

Refer to the Remuneration Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP).

The aggregate remuneration of KMP of the Group during the year is as follows:

	30 JUNE 2024 $	30 JUNE 2023 $
Short term benefits	1,555,693	1,143,720
Post employment benefit	107,036	60,053
Termination benefits	–	180,000
Share based payments	240,008	288,224
	1,902,737	**1,671,997**

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NOTE 7 – AUDITOR REMUNERATION

Total fees paid or payable for services provided by Grant Thornton Audit Pty Ltd and its related practices were as follows:

	30 JUNE 2024 $	30 JUNE 2023 $
Audit Services		
Audit and review of Financial Reports	64,625	75,000
Other Services		
Tax compliance and advisory services	–	5,060
	64,625	**80,060**

NOTE 8– CASH AND CASH EQUIVALENTS

	30 JUNE 2024 $	30 JUNE 2023 $
Available cash at bank and on hand	7,605,032	14,981,232
	7,605,032	**14,981,232**

The Group's exposure to interest rate risk is summarised at Note 25.

NOTE 9– OTHER FINANCIAL ASSETS – BANK GUARANTEES

	30 JUNE 2024 $	30 JUNE 2023 $
Bank guarantees in relation to rehabilitation obligations	110,000	110,000
Bank guarantees in relation to lease obligations	64,301	38,801
	174,301	**148,801**

Bank guarantees are held in relation to exploration rehabilitation obligations and are held by the South Australian Department for Energy and Mines for rehabilitation obligations on two South Australian tenements ($90,000) and the Victorian Department of Jobs, Precincts and Regions for two Victorian tenement ($20,000).

A Bank guarantee is held in relation to the lease of the office at level 10, 111 Gawler Place, Adelaide, SA ($38,801), and for the warehouse at 4, Deviation Road, Naracoorte, SA ($25,500).

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NOTE 10 – TRADE AND OTHER RECEIVABLES

	30 JUNE 2024 $	30 JUNE 2023 $
Research and development tax receivable	707,638	771,251
GST receivable	74,954	263,023
Other receivables	29,670	52,079
	812,262	**1,086,353**

NOTE 11– INVESTMENT IN CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED 30 JUNE 2024 %	PERCENTAGE OWNED 30 JUNE 2023 %
Parent Entity			
– Australian Rare Earths Limited	Australia		
Subsidiaries of Australian Rare Earths Limited:			
– RDBD Developments Pty Ltd	Australia	100	100
– QRDBD Developments Pty Ltd	Australia	100	100
– WRDBD Developments Pty Ltd	Australia	100	100

NOTE 12 – EXPLORATION AND EVALUATION EXPENDITURE

	30 JUNE 2024 $	30 JUNE 2023 $
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation at cost	14,171,743	10,172,163
Movements in carrying amounts:		
Balance at the beginning of the year	10,172,163	5,155,043
Amounts capitalised during the year	4,707,218	5,788,371
R&D tax incentives as receivable	(707,638)	(771,251)
Balance at the end of the year	**14,171,743**	**10,172,163**

During the year ended 30 June 2024, $29,152 of equipment depreciation was included in the amount capitalised as exploration and evaluation expenditure (30 June 2023: 28,850).

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NOTE 13 – TENEMENT INTERESTS

All tenement interests are 100% owned by the Group. Tenement interests held by the Group as at 30 June 2024 are as follows:

EXPLORATION LICENCES

TENEMENT	GRANT DATE	LOCATION	COMMODITY	PROJECT	JURISDICTION	2024 CARRYING VALUE $	2023 CARRYING VALUE $
EL6509	15 Sept 2020	Naracoorte	Rare earths	Koppamurra	SA	11,252,932	7,965,730
EL6613	7 Jul 2021	Frances	Rare earths	Koppamurra	SA	892,759	654,960
EL6690	3 Nov 2021	Keith	Rare earths	Koppamurra	SA	112,670	87,524
EL6691	3 Nov 2021	Bordertown	Rare earths	Koppamurra	SA	120,103	88,064
EL6942	13 FEB 2023	Wattle Range	Rare earths	Koppamurra	SA	196,165	-
EL6943	13 FEB 2023	Tarpeena	Rare earths	Koppamurra	SA	51,786	-
EL007254	29 Apr 2021	Apsley	Rare earths	Koppamurra	VIC	1,141,814	1,097,175
EL007719	29 Aug 2022	Minimay	Rare earths	Koppamurra	VIC	74,473	52,520
EL008208	14 FEB 2023	Glenelg	Rare earths	Koppamurra	VIC	7,084	-
EL008254	19 MAY 2023	Dartmoore	Rare earths	Koppamurra	VIC	6,097	-
EPM27952	10 Mar 2022	Massie Creek	Rare earths	Massie Creek	QLD	228,940	201,382
EPM28165	3 DEC 2021	Riverside	Rare earths	Dalrymple	QLD	7,424	-
EPM28166	3 DEC 2021	Dalbeg	Rare earths	Dalrymple	QLD	1,666	-
EPM28167	3 DEC 2021	Burdekin Dam	Rare earths	Dalrymple	QLD	13,863	-
EPM28168	3 DEC 2021	Mt Wickham	Rare earths	Dalrymple	QLD	12,061	-
EPM28169	19 Dec 2022	Stones Creek	Rare earths	Dalrymple	QLD	51,906	24,808
						14,171,743	**10,172,163**

EXPLORATION LICENCE APPLICATIONS

APPLICATION NO.	APPLICATION DATE	LOCATION	COMMODITY	PROJECT	JURISDICTION
EL008435	26 Oct 2023	West Wimmera	Mineral Sands	Koppamurra	VIC
EMP28872	21 Jul 2023	Forty Mile Scrub	Rare earths	Forty Mile Scrub	QLD
EMP28901	31 Aug 2023	Sandy Tate	Rare earths	Sandy Tate	QLD
EMP28902	31 Aug 2023	Oaky Valley	Rare earths	Oaky Valley	QLD
2024/00044	25 Jun 2024	Wirrealpa	Uranium	Triggs bore	SA
2024/00045	28 Jun 2024	Moolawatana	Uranium	Hamilton creek	SA

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NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	30 JUNE 2024 $	30 JUNE 2023 $
Plant and Equipment at cost	519,024	368,651
Accumulated depreciation	(151,188)	(76,927)
	367,836	**291,724**
Movements in carrying amounts:		
Balance at the beginning of the year	291,724	221,186
Additions	150,373	116,793
Depreciation	(74,261)	(46,255)
Balance at the end of the year	**367,836**	**291,724**

NOTE 15 – TRADE AND OTHER PAYABLES

	30 JUNE 2024 $	30 JUNE 2023 $
Trade payables	315,761	994,130
Other creditors and accruals	186,712	398,218
	502,473	**1,392,348**

NOTE 16 – EMPLOYEE BENEFITS

	30 JUNE 2024 $	30 JUNE 2023 $
Current		
Employee leave entitlements	88,138	58,155
Accrued bonus payments	446,964	390,615
	535,102	**448,770**
Non-current		
Employee leave entitlements	4,249	1,601
	4,249	1,601
	539,351	**450,371**

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NOTE 17 – RIGHT OF USE ASSETS AND LEASE LIABILITIES

	30 JUNE 2024 $	30 JUNE 2023 $
Right-of-use assets		
Right-of-use assets – Office/Warehouse leases	740,029	302,345
Accumulated depreciation	(226,628)	(79,984)
	513,401	**222,361**
Reconciliation of right of use carrying amounts at beginning and end of period		
Carrying amount at beginning of year	222,361	56,433
Additions	437,684	209,849
Depreciation	(146,644)	(43,921)
Carrying amount at end of year	**513,401**	**222,361**
Lease Liabilities		
Current	135,960	55,559
Non-current	507,794	168,949
	643,754	**224,508**
Reconciliation of lease liabilities carrying amounts at beginning and end of period		
Carrying amount at beginning of period	224,508	62,227
Additions	488,393	209,849
Accretion of interest	22,371	87
Payments	(91,518)	(47,656)
Carrying amount at end of period	**643,754**	**224,508**

During the year the Group entered lease contract for commercial office and warehouse in Naracoorte, South Australia. This lease is for a term of five years with the option to extend for a further three years.

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NOTE 18 – ISSUED CAPITAL

	30 JUNE 2024 $	30 JUNE 2023 $
155,921,890 (30 June 23: 154,165,962) fully paid ordinary shares	30,750,364	30,575,403

(a) Shares on issue: 30 JUNE 2024	NUMBER OF SHARES	30 JUNE 2024 $
Issued and paid up capital		
Fully paid ordinary shares	155,921,890	30,750,364
Movements in fully paid shares		
Balance as at 1 July 2023	154,165,962	30,575,403
Shares issued – Placement	1,755,928	200,000
Costs of shares issued	–	(25,039)
Balance as at 30 June 2024	**155,921,890**	**30,750,364**

(a) Shares on issue: 30 JUNE 2023	NUMBER OF SHARES	30 JUNE 2023 $
Issued and paid up capital		
Fully paid ordinary shares	154,165,962	30,575,403
Movements in fully paid shares		
Balance as at 1 July 2022	129,498,220	20,163,426
Shares issued – Options Exercise	178,409	101,693
Shares issued – placement (8 June 2022)	24,489,333	10,972,261
Costs of shares issued	18,474,211	8,128,653
Balance as at 30 June 2023	**154,165,962**	**30,575,403**

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NOTE 18 – ISSUED CAPITAL CONTINUED

(b) Options on issue

Details of the unlisted options (Options) outstanding as at the end of the year are set out below:

ISSUED TO	ISSUE DATE	GRANT DATE	NUMBER OF OPTIONS GRANTED	OPTION EXERCISE PRICE	EXPIRY DATE	30 JUNE 2024	30 JUNE 2023
DIRECTOR	10/02/2021	25/01/2021	6,000,000	$0.30	25/01/2025	6,000,000	6,000,000
DIRECTOR	10/02/2021	25/01/2021	3,750,000	$0.45	29/06/2024	–	3,750,000
CO. SECRETARY	12/03/2021	25/01/2021	250,000	$0.45	29/06/2024	–	250,000
CONSULTANT	23/04/2021	16/04/2021	180,000	$0.45	29/06/2024	–	180,000
BROKER	16/06/2021	11/06/2021	2,417,200	$0.45	29/06/2024	–	2,417,200
DIRECTOR & COMPANY SECRETARY	01/12/2021	26/11/2021	1,600,000	$1.44	01/12/2024	1,600,000	1,600,000
DIRECTOR	01/12/2021	26/11/2021	2,000,000	$1.46	01/12/2024	–	–
DIRECTOR	01/12/2021	26/11/2021	2,000,000	$1.95	01/12/2025	–	–
DIRECTOR	01/12/2021	26/11/2021	2,000,000	$0.60	29/07/2025	2,000,000	2,000,000
EMPLOYEE	20/05/2022	09/05/2022	1,000,000	$1.02	09/05/2025	1,000,000	1,000,000
PLACEMENT	08/06/2022	08/06/2022	9,237,106	$0.57	13/12/2023	–	9,058,697
EMPLOYEE	8/07/2022	8/07/2022	500,000	$0.57	4/07/2025	500,000	500,000
DIRECTOR	1/03/2023	1/03/2023	500,000	$0.47	28/02/2026	500,000	500,000
DIRECTOR	2/12/2022	2/12/2022	1,750,000	$0.50	2/12/2025	1,750,000	1,750,000
DIRECTOR & COMPANY SECRETARY	2/12/2022	2/12/2022	1,150,000	$0.50	2/12/2026	1,150,000	1,150,000
EMPLOYEE	2/12/2022	2/12/2022	400,000	$0.50	2/12/2026	400,000	400,000
PLACEMENT	9/05/2023	9/05/2023	7,865,182	$0.57	9/05/2025	7,865,182	7,865,182
DIRECTOR & GROUP SECRETARY	27/06/2023	27/06/2023	297,965	$0.57	9/05/2025	297,965	297,965
DIRECTOR	8/11/2023	27/11/2023	1,500,000	$0.50	26/11/2026	1,500,000	–
DIRECTOR	8/11/2023	27/11/2023	1,500,000	$0.37	26/11/2026	1,500,000	–
DIRECTOR	8/11/2023	27/11/2023	700,000	$0.435	30/06/2027	700,000	–
DIRECTOR & COMPANY SECRETARY	26/11/2023	27/11/2023	1,108,333	$0.435	30/06/2027	1,108,333	–
EMPLOYEE	21/12/2023	21/12/2023	1,500,000	$0.4739	20/12/2026	1,500,000	–
			49,205,786			**29,371,480**	**38,719,044**

All Options are unlisted and are exercisable into fully paid ordinary shares in the Group on a one for one basis.

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NOTE 18 – ISSUED CAPITAL CONTINUED

Options granted during the year

Employee and Company Secretary Options

On 27 November 2023, 1,108,333 Options were granted to employees and the Company Secretary pursuant to their employment agreement with the Group. The Options were issued at no cost to the recipient and vest 1/3rd on 27 November 2023, 1/3rd on 30 June 2024 and 1/3rd on 30 June 2025.

On 21 December 2023, 1,500,000 Options were granted to an employee pursuant to their employment agreement with the Group. The Options were issued at no cost to the recipient and vest 20 December 2024.

Director

On 27 November 2023, 3,000,000 Options, in aggregate, were issued to a Director, following shareholder approval of the Director Options at the Group's Annual General Meeting held on 8 November 2023.

On 27 November 2023, 700,000 Options were granted to a Director, following shareholder approval of the Director Options at the Group's Annual General Meeting held on 8 November 2023. The Options were issued at no cost to the recipient and vest 1/3rd on 27 November 2023, 1/3rd on 30 June 2024 and 1/3rd on 30 June 2025.

Options exercised, lapsed or forfeited during the year

On 13 December 2023, 9,058,697 Options issued to the participants of the April 2022 share placement expired. Placement participants were issued one free attaching Option for every two Shares subscribed for in the share placement. The Options were exercisable at $0.57 each.

On 29 June 2024, 6,597,200 Options expired unexercised. The Options were exercisable at $0.45 each.

See Note 21 for further details regarding movements in Options issued as remuneration during the year.

(c) Capital Management

Management effectively manages the Group's capital and capital structure by assessing the Group's financial risks through regular monitoring of budgets and forecast cashflows. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business, including through the issue of shares. The Group's capital is shown as issued capital in the statement of financial position.

The Group is not subject to any external capital restrictions.

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NOTE 19 – LOSS PER SHARE

	30 JUNE 2024 $	30 JUNE 2023 $
Reconciliation of earnings to Statement of Profit or Loss and other Comprehensive Income		
Loss for year used to calculate basic EPS	(3,448,894)	(2,418,701)
	NUMBER	**NUMBER**
a) Weighted average number of shares outstanding during the year used in calculation of basic EPS	154,666,281	133,419,951
b) In accordance with AASB 133 "Earnings per Share" as potential ordinary shares may only result in a situation where their conversion results in decrease on profit per share or increase in loss per share, no dilutive effect has been taken into account		

NOTE 20 –SHARE BASED PAYMENT RESERVE

	30 JUNE 2024 $	30 JUNE 2023 $
Share based payment reserve	2,827,265	2,700,012
Movement associated with Options during the year:		
Opening Balance	2,700,012	3,021,541
Issued Options	427,921	423,054
Issued Performance Rights	31,941	–
Lapsed Options	(332,609)	–
Forfeited Options	–	(744,583)
Closing Balance	**2,827,265**	**2,700,012**

The share based payments reserve is used to recognise the fair value of options.

An amount of $427,921 was expensed to the statement of profit or loss and other comprehensive income for the year ended 30 June 2024 in respect of unlisted options issued to Directors, Group Secretary, other employees and third party service providers (30 June 2023: $423,054 expensed). An amount of $31,941 was recognised in the statement of profit or loss and other comprehensive income for the year ended 30 June 2024 in respect of unlisted performance rights issued during the period (30 June 2023: Nil). An amount of ($332,609) was recognised in the statement of profit or loss and other comprehensive income for the year ended 30 June 2024 in respect of unlisted options forfeited during the period.

Refer Note 21 for further details regarding the fair value of Options and Rights issued as remuneration during the year.

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NOTE 21 – SHARE BASED PAYMENTS

UNLISTED OPTIONS & RIGHTS

30 JUNE 2024

Options and weighted average exercise prices are as follows for the reporting period presented:

	NUMBER OF OPTIONS	30 JUNE 2024 $	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Opening Balance – 1 July 2023	21,497,200	2,700,012	$1.04
Granted as remuneration	6,308,333	459,862	$0.44
Exercised	–	–	–
Lapsed	(6,597,200)	(332,609)	$0.45
Closing Balance as at 30 June 2024	**21,208,333**	**2,827,265**	**$0.53**

Weighted average remaining contractual life of Options at 30 June 2024 is 1.62 years (30 June 2023: 1.77 years)

Options granted during the year

Director and Company Secretary Options

3,700,000 Options were granted to KMP following shareholder approval at the Group's Annual General Meeting held on 8 November 2023. Options were issued for nil consideration on 27 November 2023 and are governed by the terms and conditions of the Group's Employee Option Plan. The 3,700,000 Options issued comprised:

- 1,500,000 Options exercisable at $0.37 each, expiring on or before 26 November 2026, and vested immediately on the date of issue.
- 1,500,000 Options exercisable at $0.50 each, expiring on or before 26 November 2026, and vested immediately on the date of issue.
- 700,000 Options exercisable at $0.435 each, expiring on or before 30 June 2027 and are subject to time-based vesting conditions.

Mr Beinke received 1,500,000 Options following the completion of his employment probation period, in line with his executive services contract. The Options were issued for Nil consideration and are exercisable at $0.4739 each, expiring on or before 20 December 2026 and are subject to time-based vesting criteria. The Options are governed by the terms and conditions of the Group's Employee Option Plan.

Mr Whitcher received 208,333 Options in relation to an LTI incentive for the period ended 30 June 2023. The Options were issued for Nil consideration and are exercisable at $0.435 each, expiring on or before 30 June 2027 and are subject to time-based vesting criteria. The Options are governed by the terms and conditions of the Group's Employee Option Plan.

Employee Options

On 27 November, 900,000 Options were granted to employees pursuant to their employment agreement with the Group. The Options were issued at no cost to the recipients. The Options are exercisable at $0.435 each, expiring on or before 30 June 2027 and are subject to time-based vesting criteria. The Options are governed by the terms and conditions of the Group's Employee Option Plan.

Performance Rights

On 18 March 2024, 2,623,083 Performance Rights were issued to Executive Key Management Personnel, executive and management employees of the Group as FY24 Long Term Incentives (LTI) under the terms of the Performance Rights Plan (Plan). The Rights are issued for nil consideration and are subject to performance and vesting conditions set by the Board. If the Performance Rights vest and are exercised, each participant will be issued one fully paid ordinary share in the Group for each performance right.

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NOTE 21 – SHARE BASED PAYMENTS CONTINUED

Details of the Options granted as remuneration during the year ended 30 June 2024 are set out below:

ISSUED TO	GRANT DATE	ISSUE DATE	NUMBER OF OPTIONS GRANTED	OPTION EXERCISE PRICE	1ST VESTING DATE	2ND VESTING DATE	3RD VESTING DATE	EXPIRY DATE
DIRECTOR	8/11/2023	27/11/2023	1,500,000	$0.50	27/11/2023	–	–	26/11/2026
DIRECTOR	8/11/2023	27/11/2023	1,500,000	$0.37	27/11/2023	–	–	26/11/2026
DIRECTOR	8/11/2023	27/11/2023	700,000	$0.435	27/11/2023	30/6/2024	30/6/2025	30/06/2027
EMPLOYEE & CO SEC	27/11/2023	27/11/2023	1,108,333	$0.435	27/11/2023	20/6/2024	30/6/2025	30/06/2027
EMPLOYEE	21/12/2023	21/12/2023	1,500,000	$0.4739	21/12/2024	–	–	20/12/2026
			6,308,333					

All Options are unlisted and are exercisable into fully paid ordinary shares in the Group on a one for one basis. The fair value of the Options issued during the period was calculated by using a Black–Scholes option pricing model.

The fair value of the Options was estimated on the date of grant using the following assumptions:

ASSUMPTION	DIRECTORS OPTIONS	DIRECTOR OPTIONS	DIRECTOR OPTIONS	EMPLOYEE OPTIONS	EMPLOYEE OPTIONS
Exercise price ($)	$0.50	$0.37	$0.435	$0.435	$0.4739
Share price at date of grant ($)	$0.20	$0.20	$0.20	$0.20	$0.14
Historic volatility (%)	67.9%	67.9%	67.9%	67.9%	67.9%
Risk free interest rate (%)	4.16%	4.16%	4.24%	4.27%	3.67%
Expected life of Options (days)	1,114	1,114	1,330	1,312	1,096

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the Options is based on the historical exercise patterns, which may not eventuate in the future.

Options exercised during the year

No Options issued as remuneration or as payment for services provided to the Group, have been exercised during year ended 30 June 2024 or as at the date of this report.

Options lapsed/forfeited during the year

On 29 June 2024, 6,597,000 Options expired unexercised. The Options were exercisable at $0.45 each, and at issue had a fair value of $332,609.

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NOTE 21 – SHARE BASED PAYMENTS CONTINUED

PERFORMANCE RIGHTS

Details of the Performance Rights granted as remuneration during the year ended 30 June 2024 are set out below:

ISSUED TO	GRANT DATE	ISSUE DATE	NUMBER OF OPTIONS GRANTED	1ST VESTING DATE	2ND VESTING DATE	3RD VESTING DATE
EMPLOYEE & CO SEC	14/03/2024	18/03/2024	2,623,083	30/06/2026	30/06/2027	30/06/2028
			2,623,083			

ASSUMPTION	EMPLOYEES & CO SEC RIGHTS T1	EMPLOYEES & CO SEC RIGHTS T2	EMPLOYEES & CO SEC RIGHTS T3
Exercise price ($)	Nil	Nil	Nil
Share price at date of grant ($)	$0.12	$0.12	$0.12
Historic volatility (%)	75%	75%	75%
Risk free interest rate (%)	3.81%	3.69%	3.73%

A further 746,921 Rights under the same terms and conditions as above are to be issued subject to shareholder approval.

NOTE 22 – CASH FLOW INFORMATION

RECONCILIATION OF CASH FLOWS FROM OPERATIONS WITH LOSS AFTER INCOME TAX	30 JUNE 2024 $	30 JUNE 2023 $
Loss after income tax	(3,448,894)	(2,418,701)
Depreciation (net of capitalised depreciation)	74,261	17,404
Amortisation – leased assets	146,803	43,447
Share based payments expense	459,862	(321,529)
Changes in assets and liabilities:		
– Increase in trade and other receivables	274,091	(79,121)
– Increase in trade and other payables	181,994	649,990
– Increase in employee entitlements	(88,980)	3,790
Net cash used in operating activities	**(2,400,863)**	**(2,104,720)**

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NOTE 23 – CONTINGENT ASSETS, LIABILITIES & COMMITMENTS

(a) Expenditure Commitments

Capital commitments relating to tenements

The Group is required to meet minimum expenditure requirements of various Australian Government bodies. These obligations are subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements. The Group expects to meet or exceed the tenement expenditure commitments (if it has not already done so) for all of its granted exploration licences.

	30 JUNE 2024 $	30 JUNE 2023 $
Exploration expenditure commitments		
Expenditure Commitment	1,431,610	745,020

Other than the commitments disclosed above, the Group does not have any further commitments at 30 June 2024 (30 June 2023: Nil).

(b) Contingent Assets/Liabilities

Contingent assets

The Group did not have any contingent assets as at 30 June 2024 (30 June 2023: Nil).

Contingent Liabilities

Royalty Deed

The Group entered into a Royalty Deed dated 7 January 2021 with RAB Royalties Pty Ltd (**RAB**), a related entity of former Directors Bryn Jones and Rick Pobjoy (Royalty Deed), by which the Group has agreed to pay to RAB, a 0.5% net smelter return royalty (GST exclusive) in respect of the sale of minerals produced from South Australian EL6509 and EL6691 and Victorian EL007254, and any tenure which may be granted in lieu of those tenements (**Royalty Tenements**), commencing on the fifth anniversary of the date of commencement of the extraction and recovery of minerals from a Royalty Tenement which are capable of being sold or otherwise disposed of.

Bank Guarantees

The Group has in place unconditional bank guarantees from the Commonwealth Bank of Australia for amounts totaling $110,000, in respect of rehabilitation bonds required as part of the licence conditions associated with the granting of two South Australian tenements ($90,000) and two Victorian tenements ($20,000). The bank guarantees are cash backed by term deposits of the same value.

The Group has in place two bank guarantees in relation to the lease of the office at level 10, 111 Gawler Place, Adelaide, SA ($38,801), and for the warehouse at 4, Deviation Road, Naracoorte, SA ($25,500). The bank guarantee is cash backed by a term deposit of the same value. (refer Note 9).

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NOTE 24—RELATED PARTY TRANSACTIONS

(a) Subsidiaries

Interests in subsidiaries are disclosed in Note 11.

(b) Key Management Personnel

Disclosures relating to Key Management personnel are set out in Note 6 and the Remuneration Report contained within the Directors' Report.

(c) Other transactions with related parties

The Group has entered into an Option agreement for Australian Rare Earths to acquire 100% of Valrico Resources Pty Ltd shares subject to the granting of exploration licences, with expenditure for the year ended 30 June 2024 of $50,000. As disclosed in the KMP note, Messrs. Jones and Pobjoy are shareholders of Valrico Resources Pty Ltd.

The Group has an agreement for the lease of serviced corporate office space with entX Limited with expenditure for the year ended 30 June 2024 of $32,216 ($136,119). As disclosed in the KMP note, Mr Jones is Managing Director of entX.

Refer to Note 23 b) above for disclosure of a Royalty Deed between the Group and RAB Royalties Pty Ltd, an entity related to Mr Jones and Mr Pobjoy.

Other than transactions with related parties shown above and detailed in Note 6 and the Remuneration Report, there were no other related party transactions entered into during the year ended 30 June 2024.

NOTE 25 – FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payables and loans to and from subsidiaries.

(b) Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. It is the policy of the group to keep surplus cash in high yielding deposits.

i) Treasury Risk Management

The Board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimizing potential adverse effects on financial performance.

ii) Financial Risk Exposure and Management

The main risk the group is exposed to through its financial instruments is interest rate risk.

(c) Sensitivity Analysis

Interest Rate and Price Risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk and price risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

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NOTE 25 – FINANCIAL INSTRUMENTS CONTINUED

Interest Rate Sensitivity Analysis

At 30 June 2024, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2024 $	2023 $
Change in loss		
– Increase in interest rates by 2%	155,586	302,601
– Decrease in interest rates by 2%	(155,586)	(302,601)
Change in equity		
– Increase in interest rates by 2%	155,586	302,601
– Decrease in interest rates by 2%	(155,586)	(302,601)

(d) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalent and noninterest bearing monetary financial assets and financial liabilities of the consolidated entity approximate their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on discounting future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The balances are not materially different from those disclosed in the balance sheet of the consolidated entity.

(e) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

(f) Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Trade payables are generally payable on 30-day terms.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

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NOTE 25 – FINANCIAL INSTRUMENTS CONTINUED

CONSOLIDATED - 2024	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $
Non-interest bearing					
Trade and other payables		502,473	–	–	–
Interest-bearing - variable					
Lease liability	4.1%	135,960	164,471	343,323	–
Total		**638,433**	**164,471**	**343,323**	–

CONSOLIDATED - 2023	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $
Non-interest bearing					
Trade and other payables		1,392,348	–	–	–
Interest-bearing - variable					
Lease liability	4.1%	55,559	43,232	137,882	–
Total		**1,447,907**	**43,232**	**137,882**	–

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

(g) Market risk

Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group does not currently operate internationally and is not materially exposed to foreign exchange risk arising from various currency exposures.

Price risk

The Group is not exposed to any significant price risk.

NOTE 26 – EVENTS SUBSEQUENT TO REPORTING DATE

On 3 September 2024, the Group completed the acquisition of 100% of Valrico Resources Pty Ltd as per the terms and conditions of the Option Purchase agreement dated 2 April 2024.

The Directors are not aware of any further matter or circumstance that has arisen since 30 June 2024 that has significantly affected, or may significantly affect Australian Rare Earths Limited's operations, the results of those operations, or the Australian Rare Earths Limited's state of affairs in future financial years.

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NOTE 27 – AUSTRALIAN RARE EARTHS LIMITED PARENT GROUP INFORMATION

PARENT ENTITY	30 JUNE 2024 $	30 JUNE 2023 $
ASSETS		
Current assets	8,421,573	15,986,123
Non-current assets	380,582	457,540
InterGroup loans	13,940,286	8,637,536
Investments in subsidiaries	4	4
TOTAL ASSETS	**22,742,445**	**25,081,203**
LIABILITIES		
Current liabilities	830,979	807,806
Non-current liabilities	507,794	170,550
TOTAL LIABILITIES	**1,338,773**	**978,356**
EQUITY		
Issued capital	30,750,363	30,575,403
Share based payments reserve	2,827,265	2,700,012
Retained losses	(12,173,956)	(9,172,568)
TOTAL EQUITY	**21,403,672**	**24,102,847**
FINANCIAL PERFORMANCE		
Loss for the year	(3,333,998)	(2,410,102)
Other comprehensive income	–	–
TOTAL LOSS	**(3,333,998)**	**(2,410,102)**

Guarantees in relation to relation to the debts of subsidiaries

Australian Rare Earths Limited has not entered into a deed of cross guarantee with its wholly owned subsidiaries RDBD Developments Pty Ltd, QRDBD Developments Pty Ltd and WRDBD Developments Pty Ltd. Formal loan agreements exists between Australian Rare Earths Limited and each of its wholly owned subsidiaries.

Contingent assets, liabilities and commitments

The Group has minimum expenditure commitments on exploration licences as per the terms of the exploration licences. Unexpended commitment for a particular year can be deferred or rolled over to subsequent years of the licence term.

Other than those previously disclosed at Note 23, the Group has no contingent assets, liabilities or commitments as at 30 June 2024.

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Basis of Preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the Corporations Act 2001 and includes required information for each entity that was part of the consolidated entity as at the end of the financial year.

Consolidated Entity

This CEDS includes only those entities consolidated as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements (AASB 10).

Determination of Tax Residency

Section 295 (3A) of the Corporations Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997.

The determination of tax residency involves judgment as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

Australian Tax Residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5 Income tax: central management and control test of residency.

ENTITY NAME	TYPE OF ENTITY	TRUSTEE, PARTNER OR PARTICIPANT IN JV	% OF SHARE CAPITAL	COUNTRY OF INCORPORATION	AUSTRALIAN RESIDENT OR FOREIGN RESIDENT	FOREIGN JURISDICTION(S) OF FOREIGN RESIDENTS
Australian Rare Earths Limited	Public Listed	N/A	100%	Australia	Australian Resident	N/A
RDBD Developments Pty Ltd	Proprietary Limited	N/A	100%	Australia	Australian Resident	N/A
QRDBD Developments Pty Ltd	Proprietary Limited	N/A	100%	Australia	Australian Resident	N/A
WRDBD Developments Pty Ltd	Proprietary Limited	N/A	100%	Australia	Australian Resident	N/A

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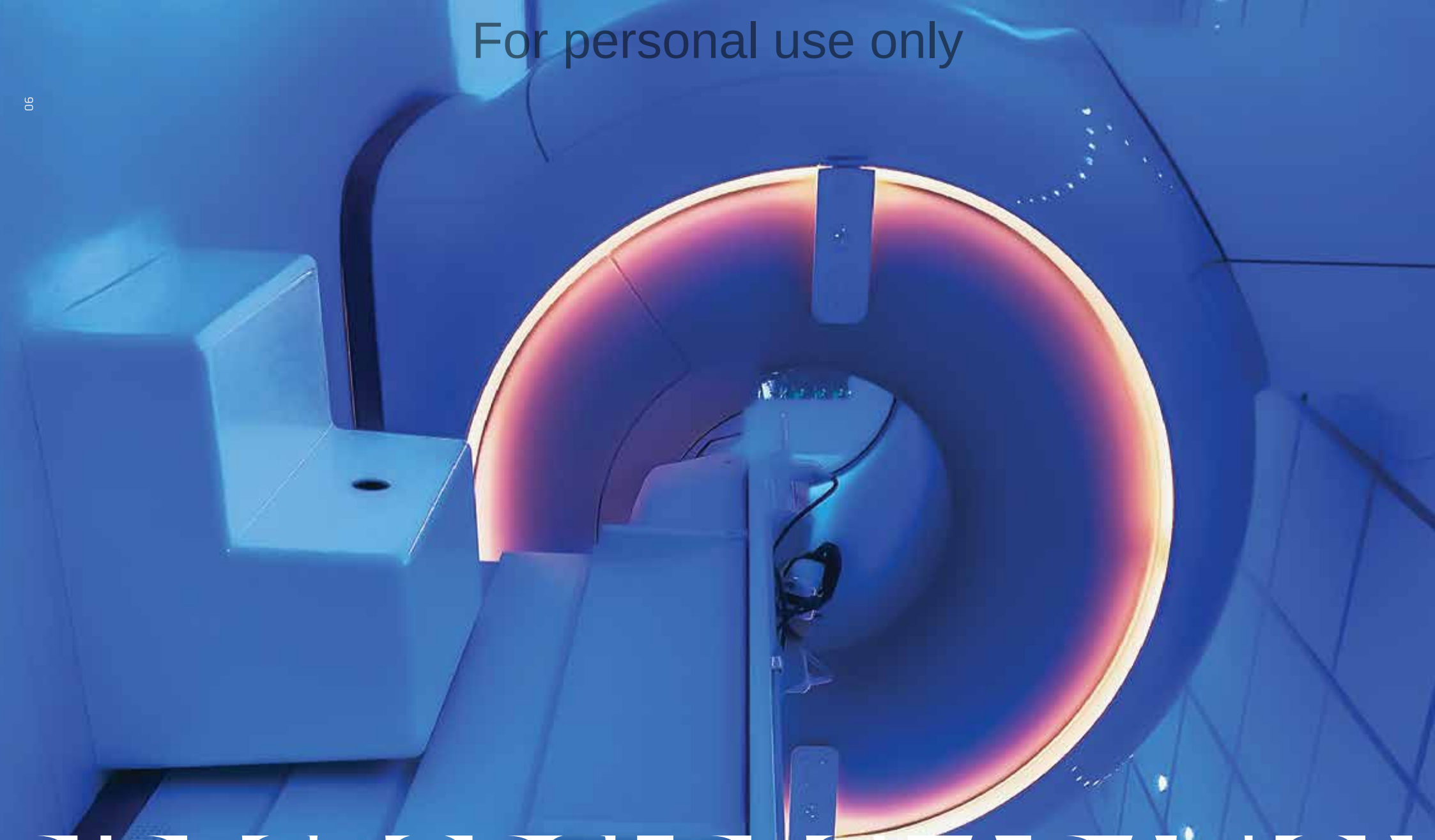

DIRECTORS' DECLARATION

The Directors of the Group declare that:

(a) The consolidated financial statements and notes, and the remuneration report in the Directors' Report, are in accordance with the *Corporations Act 2001* (Cth), including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth); and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

1. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* (Cth) from the chief executive officer and chief financial officer for the financial year ended 30 June 2024.

2. The Directors draw attention to note 2(a) to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

3. The information disclosed in the Consolidated Entity Disclosure Statement is true and correct as at 30 June 2024.

Signed in accordance with a resolution of the Directors

Angus Barker
Chairman

Dated this 24th day of September 2024

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INDEPENDENT AUDITOR'S REPORT

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Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3
170 Frome Street
Adelaide SA 5000
GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666

Independent Auditor's Report

To the Members of Australian Rare Earths Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Australian Rare Earths Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, 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:

a giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date; and

b 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 auditor independence requirements of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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.

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets – Notes 12 & 13	
At 30 June 2024 the carrying value of exploration and evaluation assets was $14,171,743. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value. The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement. This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.	Our procedures included, amongst others: • obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • reviewing management's area of interest considerations against AASB 6; • evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; • conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including: – tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed; – enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure; – understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale; and • assessing the appropriateness of the related financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our 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.

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 (other than the consolidated entity disclosure statement); and

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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 Group's ability 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 have 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 at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.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 the Directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Australian Rare Earths Limited, for the year ended 30 June 2024 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 24 September 2024

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ADDITIONAL INFORMATION

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Compiled as at 27 August 2024

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholder information

Substantial Shareholders

The name of the substantial shareholders in the Group with 5% or greater relevant interest in securities of the Group, the number of equity securities to which the substantial shareholder and their associates have a relevant interest, as disclosed in substantial holding notices and other notices given to the Group are as follows:

SHAREHOLDER	NUMBER ORDINARY SHARES HELD	% ORDINARY SHARES HELD
BEECHCREST INVESTMENTS PTY LTD <JONES FAMILY A/C> and MR BRYN LLYWELYN JONES + MRS KELLIE NICOLE JONES <TAWEL SUPERANNUATION A/C>	16,084,048 shares [1]	10.32%
TOO UP HOLDINGS PTY LTD <POBJOY FAMILY A/C>	14,315,800 shares [2]	9.18%

[1] As per substantial shareholder notice received by the Group 3 June 2024.
[2] As per substantial shareholder notice received by the Group 18 April 2024.

Distribution of equity securities

Number of security holders by size of holding:

RANGE	ORDINARY SHARES	UNLISTED OPTIONS
1 – 1,000	322	–
1,001 – 5,000	942	16
5,001 – 10,000	555	17
10,001 – 100,000	943	72
100,001 and over	185	35
TOTAL	**2,947**	**140**

UNMARKETABLE PARCELS	MINIMUM PARCEL SIZE	HOLDERS	ORDINARY SHARES
Minimum $500.00 parcel at $0.07 per share	7,143 shares	1,487	4,185,132

Voting Rights

At meeting of members or classes of members.

Ordinary shares

On a show of hands, every person present who is a member or proxy, attorney or representative of a member has one vote.

Unlisted options

No voting rights.

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Twenty largest holders of each class of quoted equity security

Ordinary Shares

RANK	NAME	SHARES	% ISSUED CAPITAL
1	TOO UP HOLDINGS PTY LTD <POBJOY FAMILY A/C>	14,315,800	9.18
2	BEECHCREST INVESTMENTS PTY LTD <JONES FAMILY A/C>	13,872,777	8.90
3	BNP PARIBAS NOMS PTY LTD	10,446,845	6.70
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,453,500	3.50
5	CITICORP NOMINEES PTY LIMITED	3,587,878	2.30
6	NEO PERFORMANCE MATERIALS INC	3,333,333	2.14
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,247,742	2.08
8	MUTUAL TRUST PTY LTD	3,000,000	1.92
9	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,761,354	1.77
10	AE AND SL WATT PTY LTD <WATT FAMILY SUPER FUND A/C>	2,250,692	1.44
11	MR BRYN LLYWELYN JONES + MRS KELLIE NICOLE JONES <TAWEL SUPERANNUATION A/C>	2,211,271	1.42
12	MR ANTHONY EDWARD WATT	2,145,151	1.38
13	LEGANO PTY LTD <B G FAIRLEY SF A/C>	1,696,621	1.09
14	BOND STREET CUSTODIANS LIMITED <ROSSF2 – V44118 A/C>	1,253,667	0.80
15	B & M LAWS SUPER FUND PTY LTD <B & M LAWS SUPER FUND A/C>	1,250,000	0.80
16	MR JOSEPH ZANCA + MRS SZERENKE ZANCA <ZANACORP SUPER FUND A/C>	1,125,000	0.72
17	DADS MONEY PTY LTD <TOM PORTER SUPER FUND A/C>	1,089,115	0.70
18	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	1,060,414	0.68
19	MR MICHAEL ANDREW WHITING + MRS TRACEY ANNE WHITING <WHITING FAMILY S/F A/C>	1,052,272	0.67
20	MR MARK ROBINSON DAVIES	898,907	0.58
TOTAL		**76,052,339**	**48.78**

Corporate Governance Statement

For the Year Ended 30 June 2024

The Corporate Governance Statement for the Group is located in the Corporate Governance section of the Group's website at: www.ar3.com.au

CORPORATE DIRECTORY

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Directors

Angus Barker
Independent
Non-Executive Chairman

Pauline Carr
Independent
Non-Executive Director

Travis Beinke
Managing Director

Company Secretary and Chief Financial Officer

Noel Whitcher

Registered Office

Level 10, 111 Gawler Place
Adelaide South Australia 5000
Telephone: 1300 646 100
Email: hello@ar3.com.au

Share Registry

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000

Auditors

Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3, 170 Frome Street
Adelaide, South Australia 5000

Australian Securities Exchange

The Group is listed on the Australian Securities Exchange

ASX Code: AR3

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AUSTRALIAN
RARE EARTHS

Registered Office

Level 10, 111 Gawler Place
Adelaide SA 5000

Email: hello@ar3.com.au

www.ar3.com.au