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SECURING AUSTRALIA'S ENERGY TRANSITION METALS

2025 Annual Report



AUSTRALIAN
RARE EARTHS



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Chairman's Letter

DEAR SHAREHOLDERS,

WHAT A DIFFERENCE A YEAR MAKES.

OVER THE PAST 12 MONTHS, THE STRATEGIC SIGNIFICANCE OF RARE EARTHS HAS COME INTO SHARP FOCUS.

WE HAVE MADE MATERIAL STRIDES IN ADVANCING AUSTRALIAN RARE EARTHS' (AR3) VISION - TO BECOME A RELIABLE, RESPONSIBLE, AND STRATEGIC SUPPLIER OF CRITICAL MINERALS IN SUPPORT OF THE WORLD'S ENERGY TRANSITION.

AND WHILE CAPITAL MARKETS CONDITIONS REMAIN CHALLENGING FOR SMALL-CAP EXPLORERS, THE POLICY, GEOPOLITICAL AND MARKET FORCES NOW AT PLAY ARE ALIGNING IN A WAY THAT STRENGTHENS OUR CONVICTION IN AR3'S LONG-TERM OPPORTUNITY AND OUR ABILITY TO DELIVER VALUE FOR SHAREHOLDERS.





We have made material strides in advancing Australian Rare Earths' (AR3) vision - to become a reliable, responsible, and strategic supplier of critical minerals in support of the world's energy transition.

While capital markets conditions remain challenging for small-cap explorers, the policy, geopolitical and market forces now at play are aligning in a way that strengthens our conviction in AR3's long-term opportunity and our ability to deliver value for shareholders.

The Strategic Context

The rare earths sector sits at the intersection of the two mega-trends of our times: geopolitics and decarbonisation. China's recent export restrictions on the key magnet rare earths - Dysprosium (Dy) and Terbium (Tb) - underscores the urgency for diversified supply chains.

In parallel, we have seen the United States move decisively. The long-term offtake agreement between MP Materials and the U.S. Department of Defense, which embeds a price floor for Neodymium and Praseodymium (NdPr) and provides underwriting for supply, is a watershed moment. It demonstrates that governments are now prepared to intervene directly to support strategic minerals supply chains. Importantly, while that agreement secures NdPr supply, the US still has a gap on the supply of heavy rare earths, Dysprosium and Terbium - materials that are indispensable for high-temperature magnets and today supplied almost exclusively by ionic-clay hosted deposits in China. This underscores the opportunity for projects like Koppamurra to be part of the solution.

Australia too has stepped up. The Federal Government has signalled its intent to establish National Offtake Agreements under a Critical Minerals Strategic Reserve. These initiatives are designed to catalyse new projects, underwrite investor confidence and ensure Australia contributes to the secure, diversified supply chains our allies are urgently seeking.

Rare earths has moved from being a niche concern to a central plank of national industry policy. These policy tools, together with tax incentives, funding programs and bilateral/multilateral partnerships, are reshaping what is possible for projects like ours.

HAVE NO DOUBT THE KOPPMAURRA PROJECT IS ON THE AUSTRALIAN GOVERNMENT'S RADAR:

-  In December 2024 we secured a \$5 million grant under the Australian Government's International Partnerships in Critical Minerals Program.
-  In September 2025, I represented AR3 on a Australian Government sponsored select delegation of critical minerals companies handpicked to meet US Government officials and agencies in Washington DC, as the US seeks to fill their identified supply gaps in critical minerals such as rare earths.
-  And we are now actively working to make sure Koppamurra's potential is equally well recognised among Australia's other friends and allies.

Positioning for Policy Tailwinds

We have also taken deliberate steps to ensure AR3 is positioned to benefit from the growing policy momentum behind the rare earths sector.

Our engagement with Governments both in Australia and abroad has raised awareness of Koppamurra's unique attributes: Where many larger projects face long lead times, higher capex and complexity, Koppamurra offers a potential time-to-market advantage. Its ionic clay host, together with potential for heap-leach processing, relatively lower capex, short build time and low technical risk, plus its presence in the low sovereign risk jurisdiction of Australia, all underpin its attraction.

Through registering with U.S. procurement frameworks, joining official Australian Government backed industry delegations abroad and selective participation in industry conferences, AR3 is attracting increasing recognition. This positioning matters: It is what will help us secure the offtakes, funding and partnerships that can transform Koppamurra from a promising deposit into a producing project of national and international significance.

Furthermore, the evolving policy architecture - Government offtake agreements, strategic reserves, loan programs and critical minerals tax incentives - are no longer abstract promises: they are real tailwinds that enhance the viability of projects like ours and materially shift investor, customer, and partner interest.

With supportive policy in Australia, rising offtake interest abroad, and growing global demand, we believe AR3 can be in the vanguard of companies that delivers the next wave of supply for both light and heavy magnet rare earths.



Outlook

Over the next year, our priorities are clear:



Complete the Pre-Feasibility Study for Koppamurra.



Build and operate a demonstration plant to process Koppamurra ore through to mixed rare earth carbonates.



Submit our mining lease application, working in close consultation with our local landowner partners.



Continue engagement with government and industry to ensure AR3 is well-positioned under the new National Offtake Agreements and Critical Minerals Reserve framework.



Progress our exploration drilling at Overland to test a range of compelling targets.



Maintain strong stewardship of capital, community, and environmental obligations; governance, transparency, and responsible development are central to our identity and essential to delivering long-term shareholder value.

With thanks

Through a year of volatility in investor sentiment across rare earths and uranium sectors, AR3 has remained disciplined. We have advanced our projects, managed our costs, and secured additional funding through shareholder support and government grants. We have focused on the things within our control, so that as the cycle turns in our key commodities – as they always do, and now seem to be – we are well placed to capitalise.

I acknowledge the hard work and creativity of our team, led by our Managing Director, Travis Beinke. Our staff's ability to progress the technical, regulatory and strategic dimensions of our projects in this environment is proving a real strength.

I also thank you – our shareholders – for your continued support and belief. When we made the decision to raise capital this year – and this came just prior to the re-ignition of investor interest in the rare earths sector flowing from the Chinese export bans – we made a conscious decision to prioritise our existing shareholders and provide them the first opportunity to consider investing additional funds for the Company's development via a rights issue.

We were immensely grateful that our shareholder base responded with exceptional take up amidst general market turmoil in April this year, and I thank our shareholders for the strong show of support.

Conclusion

The themes that were nascent a year ago are now undeniable: Governments are back in the business of industry policy, and critical minerals are at the forefront.

Export controls, tariffs, national reserves and offtake agreements are reshaping the landscape. In that context, AR3 is growing in strength. Koppamurra's combination of light and heavy rare earths, potential low-capex development pathway and time-to-market edge make it a strategic asset. Overland provides diversification and additional growth potential. As geopolitics, policy shifts, and market responses all underscore what is at stake, we are well-placed to seize the opportunity ahead.

Yours sincerely,

Angus Barker

Chairman

Australian Rare Earths Limited





MD's Letter

DEAR SHAREHOLDERS,

IN 2025, AUSTRALIAN RARE EARTHS MADE SIGNIFICANT OPERATIONAL PROGRESS ACROSS OUR PORTFOLIO, ADVANCING BOTH OUR FLAGSHIP KOPPAMURRA RARE EARTHS PROJECT AND OUR EMERGING URANIUM PROJECT AT OVERLAND.





Operational Overview

At Koppamurra, we expanded the Mineral Resource Estimate by a further 27% to 236 million tonnes at 748ppm Total Rare Earth Oxides (TREO), including a high-grade subset of 68 million tonnes grading above 1,000ppm.

This resource contains over 25% magnet rare earth content, including the key heavy elements dysprosium and terbium. Importantly, this estimate represents only around 2% of our total tenement holding, highlighting the potential scale of the opportunity.

In December 2024 we secured a \$5 million matched funding grant from the Australian Government's International Partnerships in Critical Minerals Program. This is a significant milestone for the Koppamurra project and further validation of the project potential and strategic importance in building a diverse, resilient and sustainable supply chain. The funding is supporting additional metallurgical testwork, completion of a Pre-Feasibility Study (PFS), and the construction and operation of a Demonstration Plant during 2025 and 2026 to advance the project and significantly derisk the development pathway.

Operationally, our focus during the first half of 2025 has been on progressing our low-impact, scalable development pathway. This includes advanced metallurgical testwork to optimise our heap leach process and commencement of early works towards the Pre-Feasibility Study.

Our partnership with Neo Performance Materials continues to be a strategic advantage. In addition to being a founding shareholder, Neo brings valuable downstream expertise and alignment on offtake strategy. This relationship supports our ambition to play a key role in a transparent, traceable and independent mine-to-magnet supply chain.

We have also made meaningful progress on the Overland Uranium Project in South Australia. Following a strategic farm-in agreement and the addition of new applications, our footprint now covers over 7,000 square kilometres of highly prospective ground.

Our inaugural drilling campaign quickly provided compelling evidence supporting our geological model for In-situ Recoverable (ISR) amenable deposits while drilling in early 2025 intersected near-surface calcrete-hosted mineralisation providing a second distinct uranium mineralisation style at Overland.

These early results reinforce the project's prospectivity and have laid the foundation for follow-up drill programs.

Financial Overview

In May, we completed a \$3.6 million rights offer with strong participation from both shareholders and directors.

This non-renounceable rights issue was fully allocated with 93% raised through acceptances by existing AR3 shareholders with the balance allocated to new sophisticated and professional investors. I would like to sincerely thank our shareholders for their continued confidence in AR3 and our long-term strategy.

Your support has enabled us to maintain our momentum as we continue to advance both Koppamurra and Overland.

Outlook

Looking ahead, our focus will remain firmly on execution and creating value. At Koppamurra, we are aiming to complete the Pre-Feasibility Study, refine our flowsheet, and commence demonstration plant activities.

At Overland, we will expand our exploration efforts to better understand the mineralised systems and the projects exploration potential.

I thank the AR3 team for their commitment and professionalism over the past year. Their work continues to drive our progress and shape our path forward. I also thank our shareholders for your ongoing support.

We are energised, focused and confident in our ability to deliver value through responsible and innovative project development.

Yours sincerely,

Travis Beinke
Managing Director
Australian Rare Earths Limited



Operations Review

DIVERSIFIED PROJECT PORTFOLIO

 **Rare Earths**

 **Uranium**

 **Copper/Gold**





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RARE EARTHS ELEMENTS PORTFOLIO

KOPPAMURRA PROJECT

Project Overview

The Koppamurra Project, located in South-Eastern South Australia and Western Victoria, continues to grow as a significant ionic clay-hosted rare earth deposit. The latest Mineral Resource Estimate (MRE) increased by 27% over the period to 236 million tonnes at 748 ppm Total Rare Earth Oxide (TREO) and also revealed a higher-grade subset of 68 million tonnes grading over 1000ppm.

Location	~300km SE of Adelaide, in South Australia and Victoria
Scale/Size	7,400km2
Ownership	100%
Partner	Neo Performance Materials (Non-binding MOU for 50% offtake of stage 1)
Commodity	Valuable Magnet Rare Earth ~25% of TREO with all four key Rare Earth Element (REE) present including strategically valuable heavy REE's Dysprosium and Terbium ~3%
Stage	Exploration and Development
Drilling	~64,000 metres drilled since 2021
Resource	236Mt @ 748ppm TREO - Includes higher-grade subset of 68Mt grading over 1000ppm
Growth Potential	Compelling scope for ongoing Mineral Resource growth with mineralisation open to the north and south and the current 236 Mt Mineral Resource covers only ~2% of total Koppamurra tenure





KOPPAMURRA PROJECT

Australian Government International Partnerships in Critical Minerals Grant

In December 2024, AR3 was awarded a \$5 million grant from the Australian Government's International Partnerships in Critical Minerals Program for Koppamurra. Under the program, AR3 will match the grant funding, bringing the total planned expenditure to \$10 million spread over 2025 and 2026.

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Bulk leach test work



Key deliverables planned and enabled by the grant funding at Koppamurra include:

● **Metallurgical Testwork and Flowsheet Development:**

Metallurgical processing testwork to optimise and enhance the Project's process flowsheet, including heap leach engineering deliverables and equipment selection.

- Metallurgical testwork commenced in April 2025 to refine progressive heap leach and rapid rehabilitation methods, supporting the Pre-Feasibility Study (PFS) and enhancing project value. A ~3 tonne bulk leach trial at Brisbane Met Labs was completed delivering magnet rare earth recoveries of >60%.
- Ongoing optimisation testwork focusing on optimising rare earth recovery, impurity removal, and Mixed Rare Earths Carbonate (MREC) precipitation.

● **PFS Study:**

Evaluation of the progressive heap leach and rapid rehabilitation flowsheet from the mine through to a Mixed Rare Earth product, including social, environmental, and economic assessments.

● **Demonstration Plant Construction:**

Selection and optimisation of demonstration-scale equipment, along with the construction of process infrastructure based on design inputs from the flowsheet development and PFS.

● **Demonstration Plant Operation:**

Full-scale demonstration operation to validate process design, supporting the pathway to commercialisation.

The Agreement is between the Commonwealth of Australia, represented by the Department of Industry, Science and Resources and Australian Rare Earths Limited.



Managing Director, Travis Beinke with Chantelle Bardadyn (WGA) at BML for bulk leach testwork



KOPPAMURRA PROJECT

Exploration and Resource Growth

AR3 continued to expand and upgrade the Koppamurra resource during the year. A Mineral Resource estimate update was released in September 2024 which incorporated results from a comprehensive drilling program completed in December 2023.

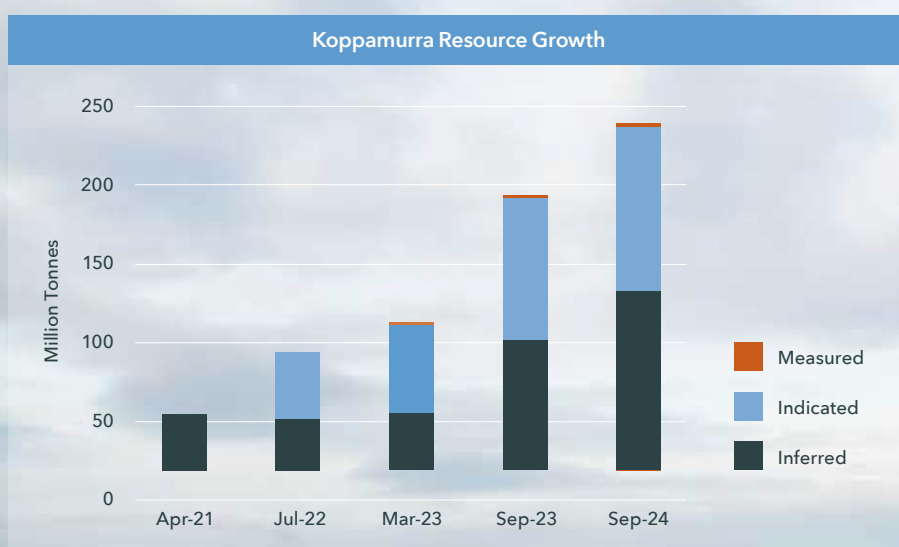
With the additional drilling (694 holes for 8,742m) and through the application of industry-standard geological interpretation methods, the total Mineral Resource estimate across the Koppamurra Project area increased by 27% to 236 Mt, with an average TREO grade of 748 ppm.

The updated Mineral Resource estimate included 68 Mt grading over 1000ppm TREO, representing a 70% increase on the previous estimate, highlighting the potential for an initial higher-grade project development plan.

The current Mineral Resource estimate is set out in the table below (updated September 2024):

JORC	Tonnes	TREO	Magnet Rare Earths							
			Praseodymium		Neodymium		Terbium		Dysprosium	
Category	Mt	ppm	ppm	% TREO	ppm	% TREO	ppm	% TREO	ppm	% TREO
Measured	0.8	813	37	4.6	140	17.3	3.8	0.5	21	2.6
Indicated	112	750	34	4.6	132	17.6	3.6	0.5	20	2.7
Inferred	123	747	35	4.6	132	17.6	3.4	0.5	19	2.6
Total	236	748	35	4.6	132	17.6	3.5	0.5	20	2.6

Rounding may cause differences in the last significant figure





AR3 continues to advance a high-grade progressive heap leach and rapid rehabilitation development pathway at Koppamurra. This approach aligns with AR3's commitment to developing a sustainable alternative supply of rare earths essential for the clean energy transition.

Key design features and advantages of the progressive heap leach pathway compared to a slurry leach are as follows:

Design Features:

- High-grade satellite mine sites with temporary heap pads located at the edge of the satellite mine void.
- Topsoil and overburden material set aside for rapid and progressive land rehabilitation after rare earths have been harvested.
- Intermediate MREO precipitate significantly reducing solution volumes and equipment sizes for downstream IR and MREC production and facilitates the efficient recycling of water in the process flowsheet.

Design Advantages:

- Significantly lower capital and operating costs.
- Easy expansion and scaling up of production over time across the multi-generational province.
- Environmentally sustainable characteristics, including lower water consumption, reduced power consumption, and rapid, progressive rehabilitation techniques.
- Lower gangue/impurity profile with higher rare earth in solution characteristics through column leach, resulting in lower capital and operating costs.

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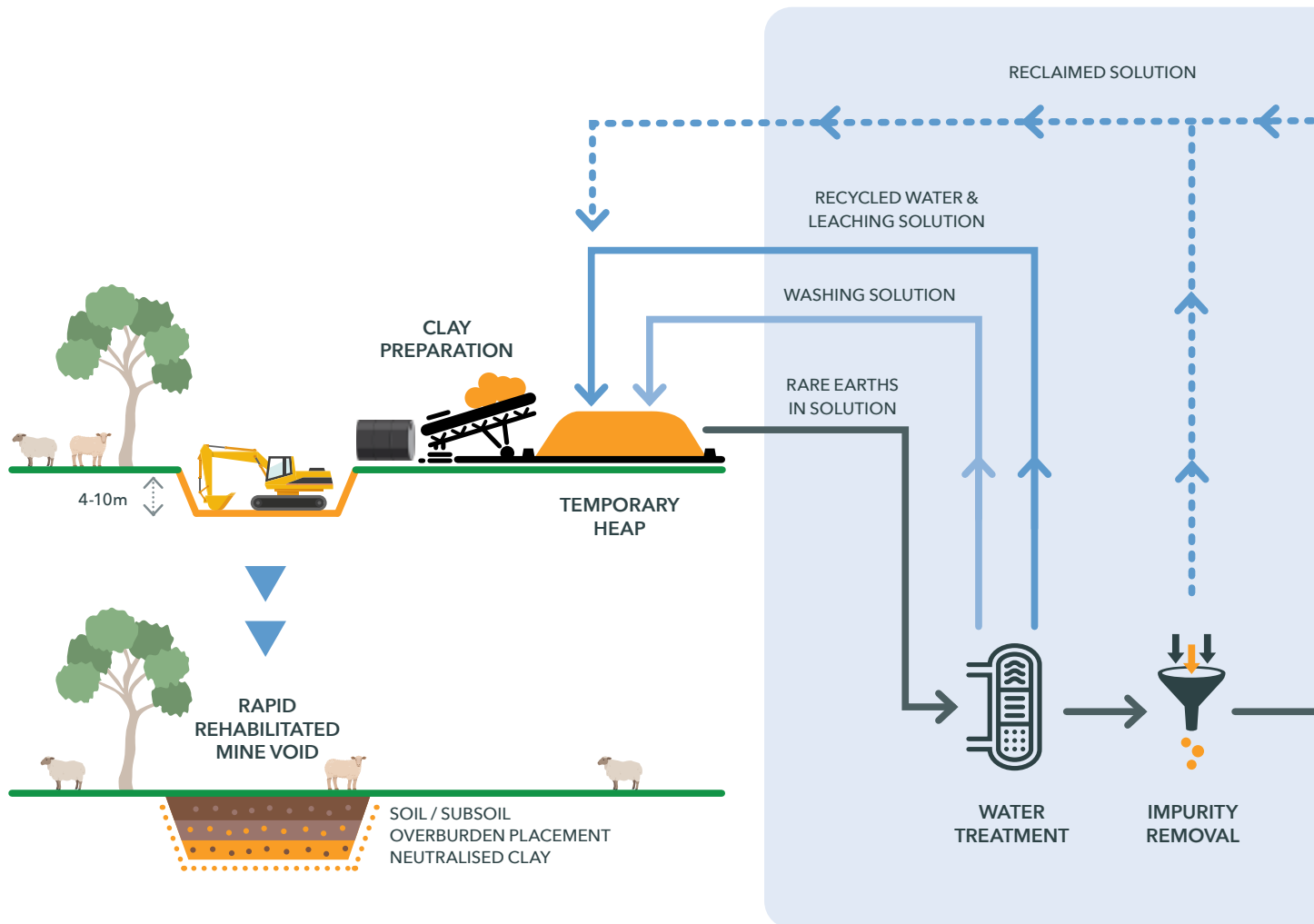


KOPPAMURRA PROJECT

Koppamurra Conceptual Project Flow Sheet

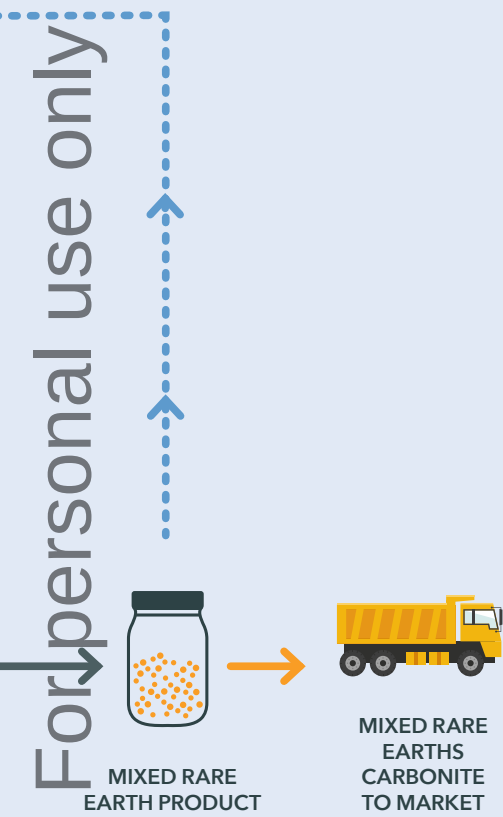
A simple process with low technical risks and environmentally sustainable.

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Looking Ahead

AR3 remains focused on advancing Koppamurra as a strategic and secure source of light and heavy rare earths, helping to create new and diversified supply chains vital to the world's clean energy transition.





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KOPPAMURRA MINERAL RESOURCES

Highlights



Mineral Resource estimate increased 27% to 236 Mt at 748 ppm TREO (up from 186 Mt at 712 ppm TREO relative to the September 2023 Mineral Resource estimate).



Higher-grade component: 68 Mt grading over 1,000 ppm TREO, a 70% increase on the previous Mineral Resource estimate.



Measured and Indicated categories increased to 113 Mt, representing a 14% uplift in higher confidence resources relative to the previous Mineral Resource estimate.



Geographic extension added 25 Mt in the northern area.



Mineralisation remains open to the north and south, with the current 236 Mt Mineral Resource covering only ~2% of the total Koppamurra tenure.



The updated Mineral Resource incorporates results from 8,742 m of drilling (694 holes) completed between October and December 2023, bringing the total drilling to over 64,700 m across 5,977 holes.

Interpretation of the geological samples and assays using relevant industry standard methods has resulted in a 27% increase to a total Mineral Resource estimate of 236 Mt at an average TREO grade of 748 ppm.

This includes 113 Mt in the Measured and Indicated categories, representing a 14% increase compared to the September 2023 estimate.

The interpretation also resulted in a revised Exploration Target, which now ranges from 500 Mt at 780 ppm TREO to 3.2 Bt at 520 ppm TREO. 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.

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KOPPAMURRA MINERAL RESOURCE ESTIMATE

KOPPAMURRA MINERAL RESOURCE ESTIMATE - September 2024

JORC	Tonnes	TREO	Magnet Rare Earths							
			Praseodymium		Neodymium		Terbium		Dysprosium	
Category	Mt	ppm	ppm	% TREO	ppm	% TREO	ppm	% TREO	ppm	% TREO
Measured	0.8	813	37	4.6	140	17.3	3.8	0.5	21	2.6
Indicated	112	750	34	4.6	132	17.6	3.6	0.5	20	2.7
Inferred	123	747	35	4.6	132	17.6	3.4	0.5	19	2.6
Total	236	748	35	4.6	132	17.6	3.5	0.5	20	2.6

Rounding may cause differences in the last significant figure.

The updated Mineral Resource estimate incorporates results from the drilling program conducted between October and December 2023. The overall program added 8,742m (694 holes) to the existing 55,979m (5,283 holes) drilled for the previous Mineral Resource estimate announced September 2023.

Interpretation of the geological samples and assays using relevant industry standard methods has resulted in an increase of 27% to 236 Mt of total Mineral Resource estimate with an average TREO grade of 748 ppm. This includes 113 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 a 27% increase in the MRE and a 70% boost in the higher-grade subsets.

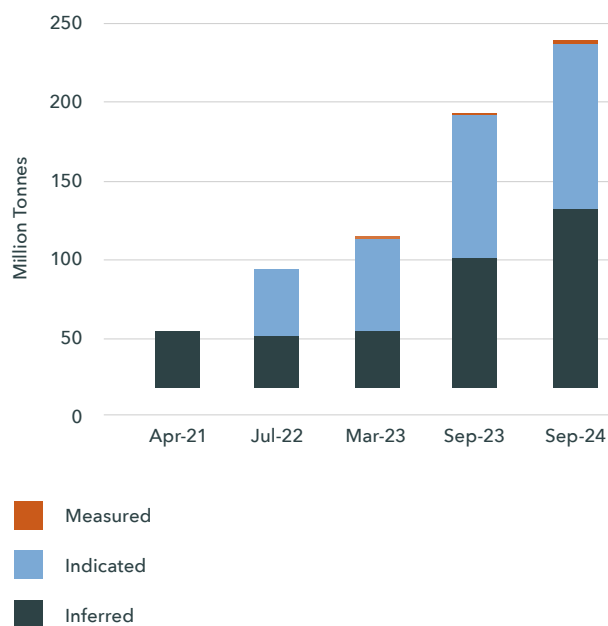
Drill spacings to satisfy the Indicated and Measured JORC Resource Categories are at 120 m and 60 m respectively. The drilling which informs the Exploration Target is at line spacings of at least 1 km, and sometimes 2 km apart.

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

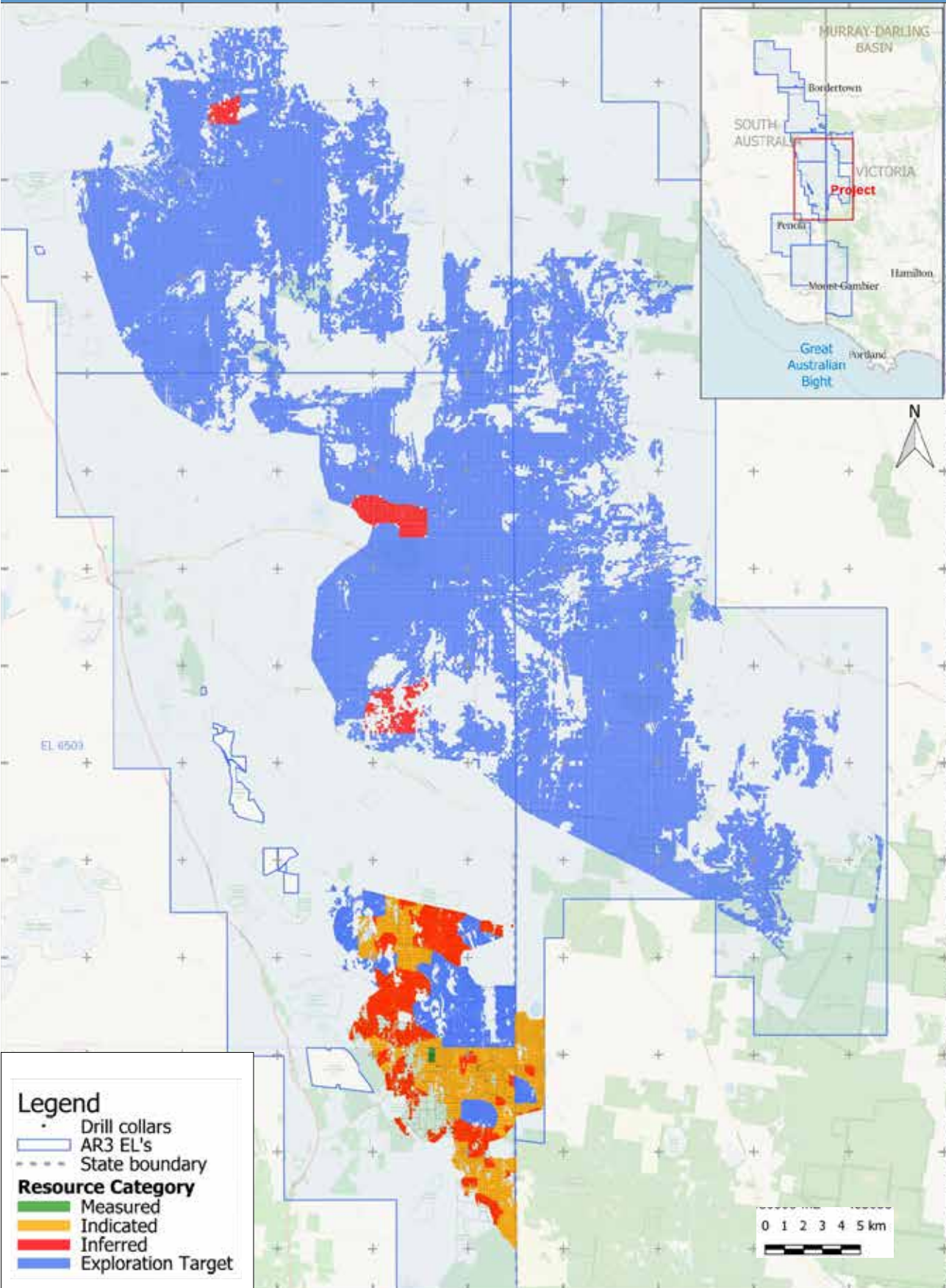
The updated September 2024 Mineral Resource estimate is set out in the above table. This Resource has been reported using a cut-off grade of 325 ppm TREO-CeO₂.

KOPPAMURRA RESOURCE GROWTH

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



GLOBAL KOPPAMURRA PROJECT JORC CLASSIFICATION (>325 PPM TREO-CEO2)



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KOPPAMURRA EXPLORATION TARGET ESTIMATE

The Exploration Target across the entire Koppamurra project has increased the lower range of the Exploration Target, which now spans from 500 Mt to 3.2 Bt with average grades ranging from 520 ppm to 780 ppm TREO, marking an improvement from the previous range of 330 Mt to 3.1 Bt.

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.

The updated September 2024 Exploration Target estimate is set out in below table. The Exploration Target has been reported using a cut-off grade range of 225 ppm and 425 ppm TREO-CeO₂.

EXPLORATION TARGET - September 2024

	Tonnes	TREO	MAGNET RARE EARTHS							
			Praseodymium		Neodymium		Terbium		Dysprosium	
	Mt	ppm	ppm	% TREO	ppm	% TREO	ppm	% TREO	ppm	% TREO
Total	500-3,200	520 - 780	20 - 40	3.8 - 5.1	90 - 140	17 - 18	3 - 4	0.5 - 0.6	13 - 20	1.9 - 2.6

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





Infill Drilling

The infill drilling area was specifically targeted for detailed comparison with the previous Mineral Resource estimation due to its location within the current proposed mining lease application area.

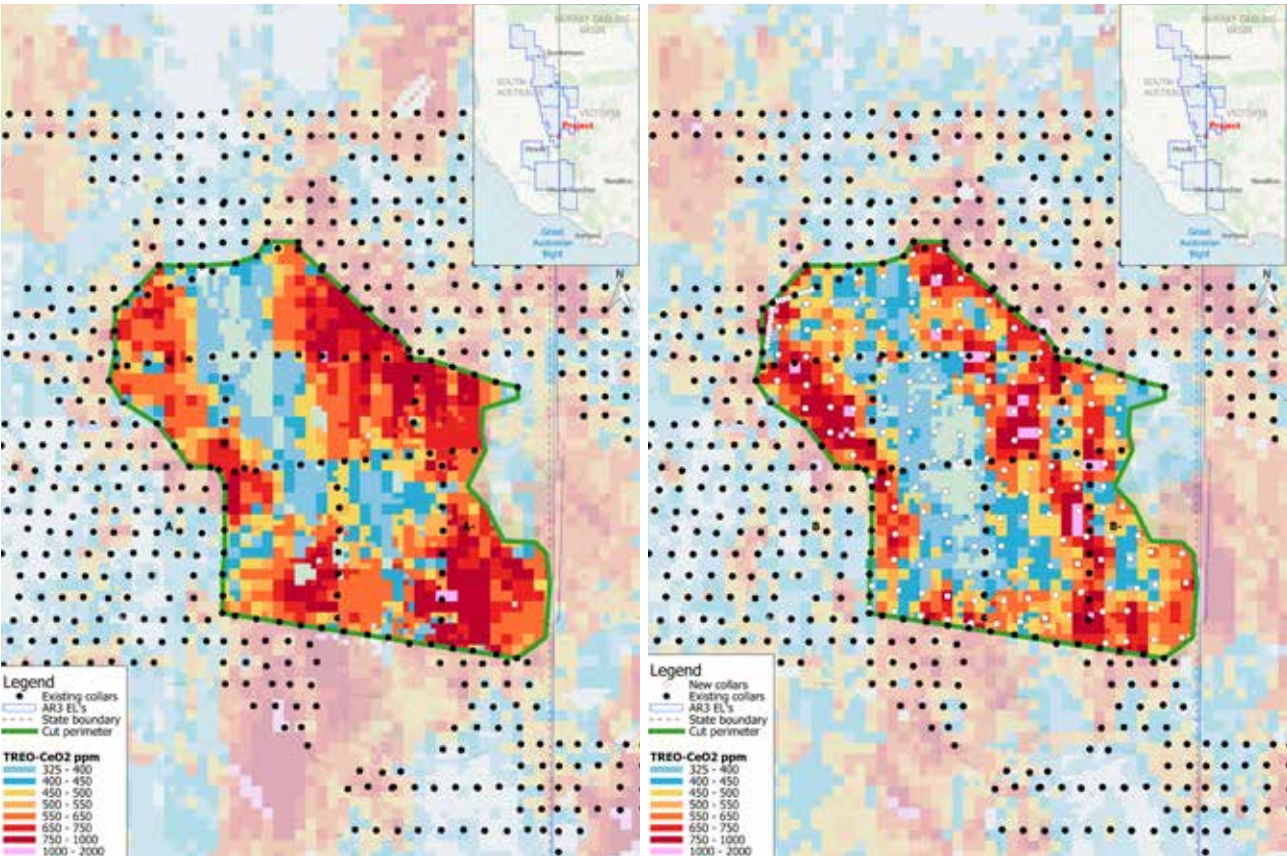
This area provides a clear example of how the recent model improvements, driven by additional drilling, have improved the Mineral Resource model. By focusing on this zone of infill drilling, it demonstrated the positive impact of the updated model and its potential for future mining operations.

The Mineral Resource estimation subset within the infill drilling area increased by 2.8 million tonnes with additional infill drilling. The key magnet rare earth elements Neodymium, Praseodymium, Dysprosium, and Terbium either increased slightly or remained unchanged in their contribution to the increased resource in this area. This is a positive outcome as the drilling density increased to closer spacings, providing increased confidence in the continuity of the resource and of a higher-grade component within it.

The closer spaced infill drilling improved the definition of geological domain contacts, including an overall thickening of the REE bearing clay (Zone 3) which resulted in an increase in tonnes. This result enhances confidence in the Resource, as the grade remained stable while the improved domain control contributed to a higher overall tonnage.

COMPARISON OF THE INFILL DRILLING AREA RESOURCE CUT-OUT

Showing the September 2023 Mineral Resource model (left) and revised 2024 Mineral Resource model (right). The additional drilling within the infill drilling area informing the updated model has defined continuous, higher-grade NW-trending zones, leading to an increase in overall tonnage within this area.





URANIUM PORTFOLIO

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OVERLAND URANIUM PROJECT

Project Overview

AR3 has made substantial strides in establishing the multi-commodity potential of its Overland Project in South Australia. What began as a frontier uranium play has evolved into a dual-pathway strategy encompassing both uranium and copper-gold mineralisation.

Location	South Australia, ~200km south of Honeymoon Mine
Scale/Size	~7,000km ²
Ownership	~6,000km ² 100% and ~1,000km ² AR3 Farm-In for 100% sedimentary hosted uranium rights
Commodity	Uranium, Copper, Gold
Stage	Greenfields exploration targeting In-Situ Recovery (ISR) amenable and near surface calcrete-hosted uranium deposits Strategic review reveals Cu-Au potential in basement rocks complementing sedimentary hosted uranium exploration
Drilling	Active drill program following up new surficial uranium and deeper, ISR-amendable exploration targets
Initial Results	Discovery of widespread near surface calcrete hosted uranium mineralisation ISR-amenable geological model confirmed with a north/south trending palaeovalley setting defined, providing for the accumulation of thick sequences of prospective stratigraphy; interbedded sands, clays and lignite horizons
Growth Potential	Frontier uranium region, limited prior exploration Multiple high-priority targets to test Copper and Gold potential in basement rocks; Delamerian region emerging as highly prospective for multiple mineralised styles including porphyry, skarn, orogenic gold, VMS and sediment-hosted mineralisation





OVERLAND URANIUM PROJECT

Exploration

The inaugural drilling campaign at the Overland Project commenced in October 2024, and included 25 Air Core drill holes totalling 3,271 meters. Initial results provided compelling evidence supporting AR3's geological model for ISR amenable deposits.

Drilling confirmed thick sequences of Murray group stratigraphy containing sands and clays, with identified permeability pathways crucial for uranium-bearing groundwater migration.

The program also revealed a north/south trending palaeovalley with lignite horizons on the western margin, highlighting strong mineralisation potential and setting up key follow-up targets for 2025.

During 2025, AR3 confirmed two distinct uranium mineralisation styles at Overland:

Roll-Front Uranium System:

A drilling program in May 2025 identified a clear roll-front gamma signature in permeable sands at the base of the sedimentary sequence. The setting—within a sinuous basement low—is ideally suited for in-situ recovery (ISR)-amenable uranium deposition.

Calcrete-Hosted Uranium:

In March 2025, AR3 confirmed widespread near-surface uranium mineralisation hosted in calcrete. The mineralisation spans over 1 km in width and remains open in all directions. This secondary uranium model complements the deeper ISR targets, affirming the dual potential of the Overland tenement.

Drilling results also yielded the highest pXRF uranium readings and gamma responses recorded to date at the project. Systematic follow-up drilling and assay analysis are ongoing and are expected to further delineate these promising zones.

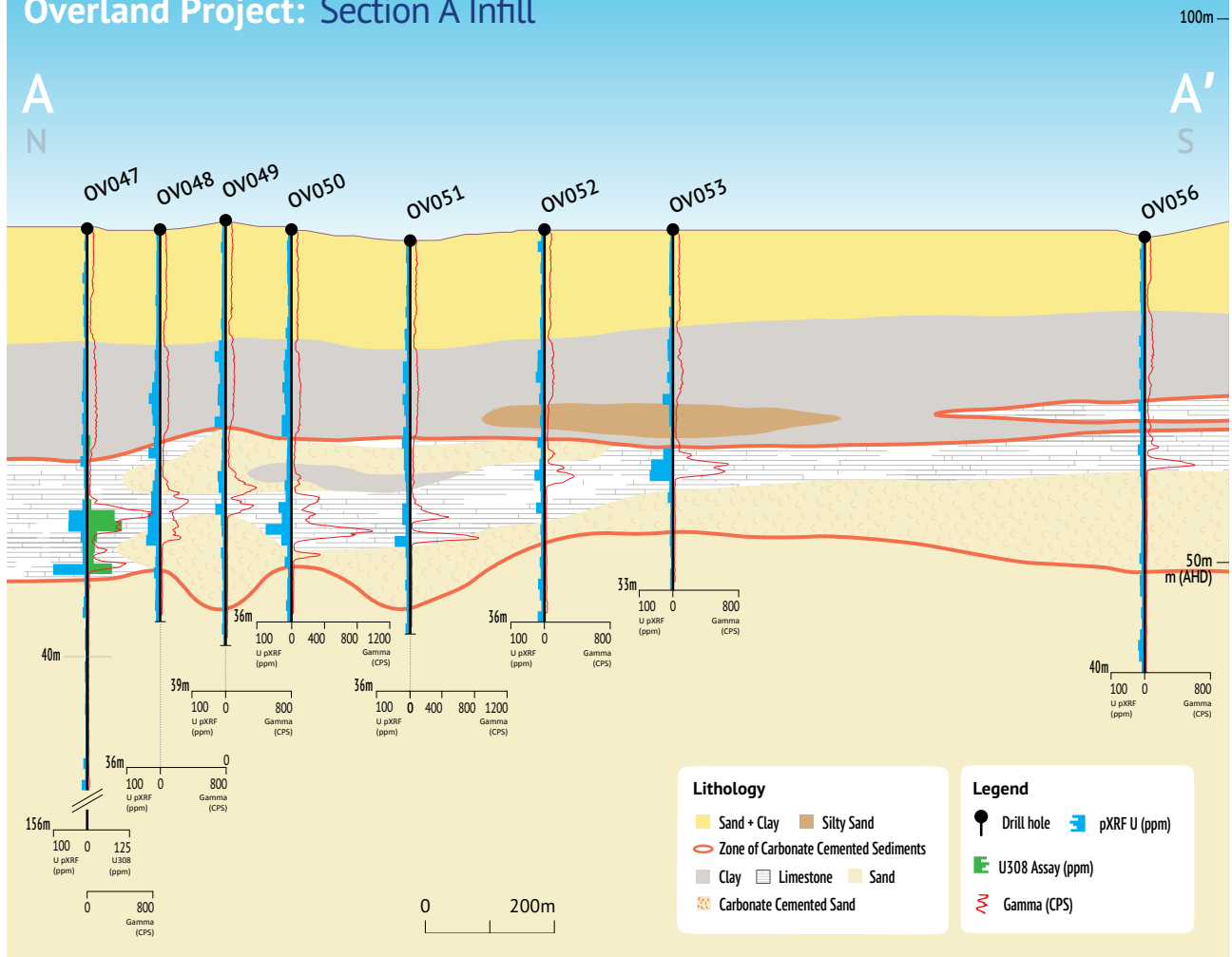


Overland drilling - 1m interval chip trays showing redox boundaries and ISR amenable sediments (OV001)



Cross section across the discovery of widespread calcrete hosted Uranium

Overland Project: Section A Infill



Land Tenure Expansion

During the year, the Overland project area expanded following the Farm-In Agreement with private minerals explorer Sheer Gold Pty Ltd (Sheer Gold), announced in November 2024.

Under the Farm-In Agreement, AR3 can earn a 100% interest in the sedimentary-hosted uranium rights within Sheer Gold's EL 6678 by spending \$200,000 in on-ground activities. AR3 satisfied all conditions of the Farm-In portion of the agreement including the expenditure commitment and accordingly now owns 100% of the sedimentary-hosted uranium rights of EL6678.

In April 2025 AR3 added a further 799km² of highly prospective uranium exploration tenure, immediately adjoining AR3's Overland project, with the granting of EL7055. AR3's initial on-ground exploration program within EL7001 and EL6678 at the Overland Project has confirmed the potential for both deeper paleochannel hosted, in-situ recoverable (ISR) deposits and shallow surficial deposits in this setting.

AR3 believes EL7055 holds similar promise for uranium exploration, targeting paleochannel sediments of the Renmark Group which are considered geologically analogous to those in the Eyre Formation, which hosts Boss Energy's successful uranium operations.



OVERLAND URANIUM PROJECT

Prospectivity of the Delamerian Region for base and precious metals

AR3 identified multiple high-value base and precious metal targets after the completion of a strategic technical review of its Overland tenure in June 2025.

The review highlighted two additional prospective areas adjacent to the Overland project area that the Company has applied for exploration licences. This expands the project area by a further 2,000 km², bringing the total to approximately 7,000 km². The new areas also show evidence for sedimentary hosted uranium mineralisation providing multiple targets and highlighting the ongoing prospectivity along the Murray Basin margin.

The Delamerian region in southeast South Australia is emerging as a highly prospective but under-explored terrane for copper (Cu) and gold (Au), hosting a diverse range of mineralisation styles including porphyry, skarn, orogenic gold, volcanic hosted massive sulphide (VHMS), and sediment-hosted systems. The basement prospectivity review integrates historical exploration data with new assay results from AR3's ongoing basement sampling, conducted alongside drilling activities targeting paleochannel uranium.

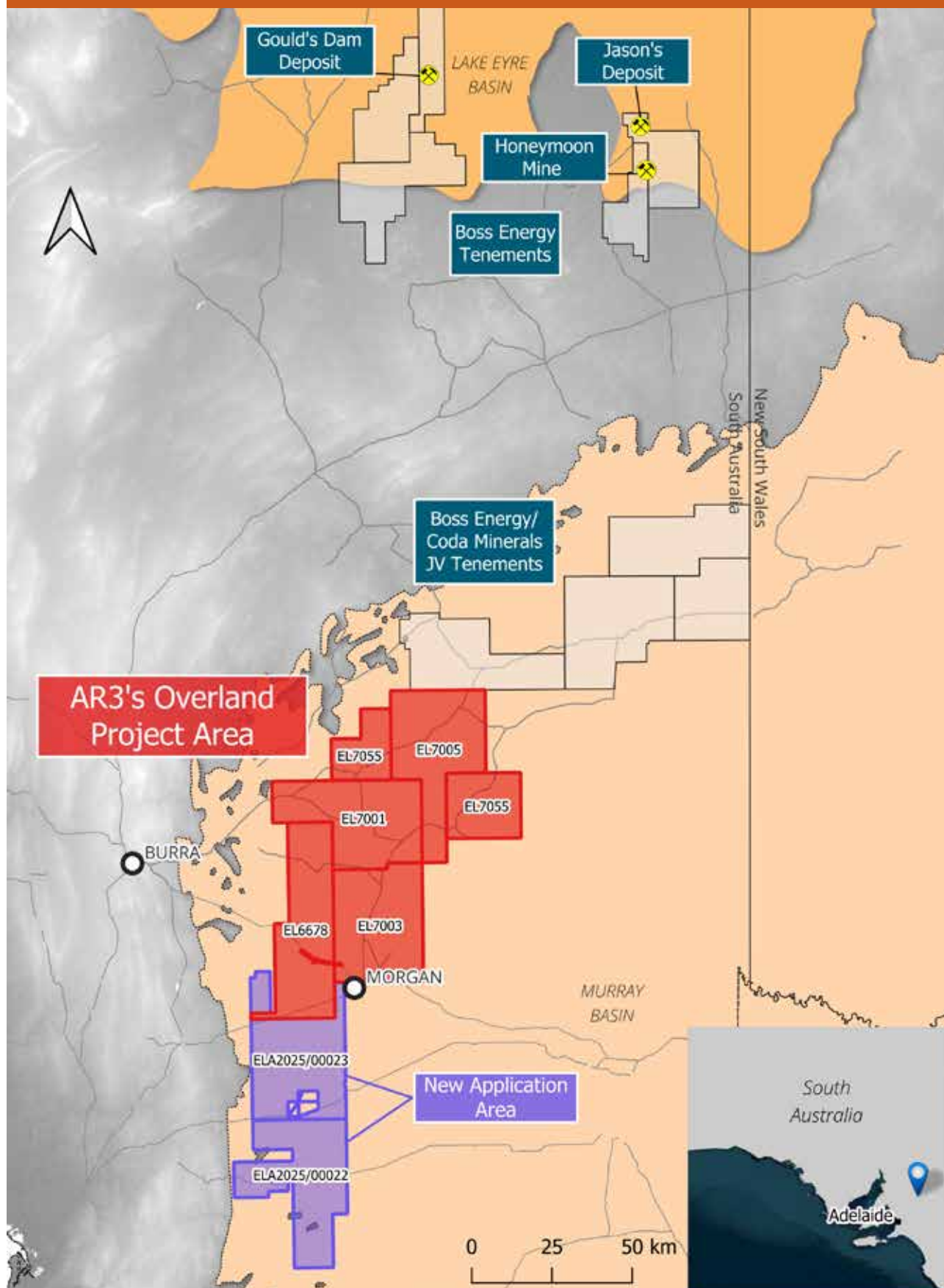
Looking Ahead

AR3 is focused on progressing exploration of the two distinct uranium mineralisation styles at Overland with drilling programs following up both both near surface, calcrete hosted and deeper ISR amendable deposits.



Overland drilling

OVERLAND PROJECT AREA





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ADDITIONAL URANIUM PROJECTS

Tenement applications at Triggs Bore and Hamilton Creek were both granted during the period. No exploration activities were conducted over the Company’s uranium projects in the Callabonna Sub-basin in South Australia.

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 as a key player in the sustainable development of critical energy resources.



Undergraduate Geologist, Ruby Harding, reviewing chip tray samples from Overland drilling

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AUSTRALIAN RARE EARTHS TENEMENT INTERESTS

All granted tenement interests and tenement applications held at 30 June 2025 are 100% held by Australian Rare Earths and its related body corporates unless otherwise noted.

Project	Tenement	Name	Jurisdiction	Commodity	Status	Date granted	Interest %
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	Active	2025-03-14	100
Massie Creek	EMP27952	Massie Creek	QLD	Rare Earths	Active	2022-10-03	100
Dalrymple	EMP28169	Stones Creek	QLD	Rare Earths	Active	2022-12-09	100
Dalrymple	EMP28168	Mt Wickham	QLD	Rare Earths	Active	2023-07-04	100
Dalrymple	EMP28165	Riverside	QLD	Rare Earths	Active	2023-07-04	100
Dalrymple	EPM28167	Burdekin	QLD	Rare Earths	Active	2023-11-06	100
Dalrymple	EPM28166	Dalbeg	QLD	Rare Earths	Active	2024-06-27	100
Forty Mile Scrub	EPM28872	Forty Mile Scrub	QLD	Rare Earths	Active	2025-01-07	100
Sandy Tate	EPM28901	Sandy Tate	QLD	Rare Earths	Active	2025-01-07	100
Oaky Valley	EPM28902	Oaky Valley	QLD	Rare Earths	Active	2025-01-08	100
Overland	EL7005	Sturt Vale	SA	Uranium	Active	2024-07-01	100
Overland	EL7001	Warnes	SA	Uranium	Active	2024-07-01	100
Overland	EL7003	Bunyung	SA	Uranium	Active	2024-07-01	100
Overland	EL7055	Sturt Vale	SA	Uranium	Active	2024-03-24	100
Overland	EL6678*	Warnes Area	SA	Uranium	Active	-	100
Overland	EL6895^	Stockyard Plain	SA	Uranium	Active	2022-12-23	100
Triggs Bore	EL7010	Wirrealpa	SA	Uranium	Active	2024-08-26	100
Hamilton Creek	EL7011	Moolawatana	SA	Uranium	Active	2024-08-26	100

All tenements are 100% held by AR3 unless noted. *EL is in the process of being transferred to AR3 with AR3 holding the sedimentary hosted mineralisation right. ^ Refer to ASX announcement 10 July 2025 regarding the acquisition of EL6895 with the transfer to AR3 subject to Ministerial consent pursuant to section 15AB of the Mining Act.

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Directors' Report

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 2025.

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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
(Executive 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 Witcher

Chief Financial Officer and Company Secretary

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.



INFORMATION ON CONTINUING DIRECTORS

ANGUS BARKER

Independent Director

M.Phil., B. Com (Hons), MAICD

Mr Barker is Chairman of Australian Rare Earths, Deputy Chairman and Lead Independent Director of lithium project developer Vulcan Energy Resources, and a Director of listed investment company WAM Capital.

Before this, he served as Chief of Staff or Senior Adviser to Australian Government ministers in the key economic portfolios of Trade & Investment, and Superannuation & Financial Services.

Previously, 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.

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:

4,573,087 fully paid ordinary shares and 4,000,000 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:

125,927 fully paid ordinary shares and 515,741 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)

TRAVIS BEINKE

Managing Director
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.

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 before joining AR3 in June 2023.

Interest in Shares and Options:

470,754 fully paid ordinary shares, 1,558,845 unlisted options and 5,795,429 Performance Rights.

Special Responsibilities:

Nil

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

Nil





INFORMATION ON CONTINUING MANAGEMENT

NOEL WHITCHER

Chief Financial Officer and Company Secretary
B. Com, CA, GCertHRM, MBA.

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.



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 2025, 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	7	7	4	4	1	1
Pauline Carr	7	7	4	4	1	1
Travis Beinke	7	7				

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.

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.



OPERATING AND FINANCIAL REVIEW

Highlights

5M

\$5 million grant from the Australian Government's International Partnerships in Critical Minerals Program for Koppamurra.

↑27%

Mineral Resource Estimate (MRE) increased by 27% over the period to 236 million tonnes at 748 ppm TREO and also revealed a higher-grade subset of 68 million tonnes grading over 1000ppm.



AR3 has made substantial strides in establishing the multi-commodity potential of its Overland Project in South Australia.

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.

Since listing on the ASX in 2021, the Group's focus has been exploration and development activity at the Koppamurra deposit, including research on processing pathways and the preparation of the environmental, social and community cases for ISR amenable uranium 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 resource and prepare the environmental, social and community cases for potential development of this resources have been underway.

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

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OPERATING AND FINANCIAL REVIEW

Summary of financial performance

The net loss of the Group for the year ended 30 June 2025 was \$3,478,481 (30 June 2024: \$3,448,894) primarily due to employee benefits of \$1,673,597 (30 June 2024: \$2,034,034), use of corporate consultants \$276,921 (30 June 2024: \$262,097), other expenses \$1,029,292 (30 June 2024: \$798,692) and share based payments for the year ended 30 June 2025 being \$486,265 (30 June 2024: (\$459,862)).

During the year ended 30 June 2025, the Group's net available cash position decreased by \$2,698,336 from \$7,605,032 (1 July 2024) to \$4,906,696 (30 June 2025) with no debt. During the year, the Group received inflows of \$707,638 from the ATO in relation to R&D activities undertaken during the year ended 30 June 2024 and interest earnings of \$233,175. Grant funding was received of \$750,000 from the Australian Federal Government. These inflows were largely offset by outflows relating to capitalised exploration & evaluation expenditure of \$5,489,099 and operating cash outflows for payments to other suppliers and employees of \$2,273,269.

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 155,921,890 (1 July 2024) to 211,987,365 (30 June 2025) during the year as a result of the following events:

- During the year a total of 2,041,855 shares were issued pursuant to commercial agreements for the purchase of Valrico Resources Pty Ltd.
- A total of 672,917 shares were issued to employees in lieu of a portion of cash payments relating to FY24 STI awards. A further 353,065 shares were issued to the Managing Director in lieu of a portion of cash payments relating to FY24 STI awards following shareholder approval at the Company's AGM.
- A total of 52,997,638 shares were issued to participants in the Company's non-renounceable rights offer conducted in April 2025.

Refer to Note 19 for further details regarding the Shares issued during the year.

UNLISTED OPTIONS

The number of unlisted options (Options) on issue increased from 29,371,480 (1 July 2024) to 39,107,287 (30 June 2025) during the year as a result of the following events:

- On 1 May 2025, 26,498,954 Options issued to the participants of the April 2025 Non Renounceable Rights Offer. Offer participants were issued one free attaching Option for every two Shares subscribed for in the Rights Offer. The Options are exercisable at \$0.10 each.
- On 1 December 2024, (1,600,000) Options expired unexercised. The Options were exercisable at \$1.44 each.
- On 25 January 2025, (6,000,000) Options expired unexercised. The Options were exercisable at \$0.30 each.
- On 9 May 2025, (1,000,000) Options expired unexercised. The Options were exercisable at \$1.02 each.
- On 9 May 2025, (8,163,147) Options issued to the participants of the April 2023 share placement expired. The Options were exercisable at \$0.57 each.

Refer to Note 19 and 22 for further details regarding the Options issued during the year.

PERFORMANCE RIGHTS

The number of Unlisted Performance Rights (Rights) on issue increased from 2,623,083 (1 July 2024) to 15,427,431 (30 June 2025) during the year as a result of the following events:

- On 13 December 2024, 746,921 the Rights were issued to an employee as part of the Company's Long Term Incentive Plan for financial year 2024. The Rights have a measurement period of 3 years, followed by tranche vesting. Award of the Rights is subject to performance criteria.
- On 13 December 2024, 4,529,462 Performance Rights were issued pursuant to the Company's Long Term Incentive Plan (LTI). The Rights were issued to an employee, and relate to financial year 2024. The Rights have a measurement period of 3 years, followed by tranche vesting. Award of the Rights is subject to performance criteria.
- On 2 May 2025, 7,527,965 Performance Rights were issued pursuant to the Company's Long Term Incentive Plan (LTI). The Rights were issued to employees, and relate to financial year 2025. The Rights have a measurement period of 3 years, followed by tranche vesting. Award of the Rights is subject to performance criteria.



Refer to Note 22 for further details regarding the Rights issued during the year.

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 Company's ability to deliver its strategy:

ACCESS TO FUNDING

The Company's future development relies on securing timely access to additional funding. Inability to obtain adequate financing may limit its capacity to progress operations and deliver on its strategic objectives.

MINERAL EXPLORATION

While the Company applies expertise, knowledge, and rigorous evaluation to exploration activities, there is no guarantee that economically recoverable resources will be identified. Even if discovered, factors such as technical challenges, geological variability, shifts in government policy, or insufficient funding may restrict successful development and exploitation.

TENURE AND ACCESS

Exploration and mining tenements are subject to periodic renewal and government discretion. The imposition of new conditions or failure to meet existing requirements may negatively affect the Company's operations, financial position, and performance. Approval of current or future applications cannot be assured.

LAND ACCESS

Access to land is regulated and may require negotiations with Native Title holders, landowners, or occupiers. Delays or inability to secure access could disrupt exploration or mining activities, impacting project timelines and outcomes.

COMMODITY AND CURRENCY PRICE VOLATILITY

The Company's financial performance is influenced by global demand and pricing for rare earths and uranium. Volatility in commodity prices or foreign exchange rates could materially affect the Company's funding capability, operational results, and overall financial stability.

COMMERCIALISATION AND CONTRACTUAL RISK

Operations require permits and compliance with evolving laws relating to exploration, mining, environmental protection, land access, and safety. While the Company complies with current applicable regulations and manages risks through procedures, policies, and stakeholder engagement, future regulatory changes or licensing challenges may adversely affect project development.

ENVIRONMENTAL AND COMPLIANCE

Operations require permits and compliance with evolving laws relating to exploration, mining, environmental protection, land access, and safety. While the Company complies with applicable current regulations and manages risks through procedures, policies, and stakeholder engagement, future regulatory changes or licensing challenges may adversely affect project development.

ENVIRONMENTAL ISSUES

The Group's exploration activities are subject to environmental regulation. The Group is compliant with all requirements, and the Directors are not aware of any instances of non-compliance with environmental laws.

Significant changes to the state of affairs

There have been no further significant changes to the state of affairs of the Company during the year ended 30 June 2025 or as at the date of this report.

Likely developments and expected results of operations

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

Environmental regulation

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



Remuneration Report

(Audited)

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

The Remuneration Report is set out under the following main headings:

- 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 has established a Remuneration and Nominations Committee ("the Committee") comprised entirely of independent Non-Executive Directors and chaired by an independent Director who is not the Chairman of the Board.

This structure ensures independence and appropriate governance in overseeing remuneration and nomination matters.

The Committee's primary role is to assist the Board in fulfilling its responsibilities by ensuring that remuneration practices:

- Align rewards to the creation of value for shareholders.
- Facilitate excellence by attracting, motivating and retaining talent.
- Provide fair and responsible outcomes consistent with Company and individual performance targets, industry benchmarks, and regulatory obligations; and
- Comply with corporate governance and statutory requirements.

The Committee also oversees Director nominations to ensure appointees possess the requisite capability, independence, and governance expertise. Its Charter, detailing full responsibilities, is available on the Company's website.

During the reporting period, the Committee reviewed AR3's remuneration framework and applied incentives as follows:

- **Short-Term Incentive (STI)**
Annual awards in cash, equity, or a combination, contingent on achievement of predetermined performance metrics.
- **Long-Term Incentive (LTI)**
Annual grants of performance rights, subject to vesting over three years against Relative Total Shareholder Return (70%) and strategic milestones (30%), with vesting occurring in tranches.



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

During the financial year ended 30 June 2025 the Committee reviewed Non-Executive Director fees and determined no changes were required. The current aggregate remuneration cap for Non-Executive Directors is \$500,000, as approved by shareholders. Fees are not linked to Company performance, but Directors are encouraged to hold shares to align their interests with those of shareholders.

Key Management Personnel (KMP) currently comprise the Board of Directors, the Managing Director, and the Chief Financial Officer. Remuneration for KMP is reviewed annually by the Committee and approved by the Board, with consideration given to Group and individual performance, market comparators, and shareholder value creation. Executive remuneration may include fixed salary, STI, LTI, and participation in the Company's Employee Option and Performance Rights Plans. Non-Executive Directors do not participate in these plans.

The Board retains discretion to adjust remuneration, approve incentives, and grant equity to attract and retain high-calibre executives. Each executive has a formal contract setting out duties, rights, responsibilities, incentive entitlements, and termination provisions, ensuring transparency and consistency across the leadership team.

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 Nominations Committee, and consultants report their findings directly to the Committee. The Company has sourced benchmarking data from external sources during the year. The Company did not engage the services of a remuneration consultant during the year.

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 6,570,740 performance rights (Rights), in aggregate were issued as remuneration to the Company's KMP. Details are shown in Note 22.

During the reporting period (8,600,000) unlisted options (Options), in aggregate, issued as remuneration to the Company's KMP in prior periods, expired unexercised. Details are shown in Note 22.

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

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

VOTING AND COMMENTS MADE AT THE COMPANY'S 2024 ANNUAL GENERAL MEETING

The Company received 98.44% 'For' votes on its Remuneration Report for the financial year ending 30 June 2024. The Company received no specific feedback on its Remuneration Report at the 2024 Annual General Meeting.

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

In considering the Company'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 Company.

Item	30 June 2025	30 June 2024	30 June 2023	30 June 2022	1 July 2021 (first day of official quotation on ASX)	IPO
Share price (\$)	\$0.052	\$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 \$	Unlisted Right ² \$	Total \$	Performance based %
Non-executive Directors											
Angus Barker Non-executive Chairman	2025	-	125,000	-	14,375	-	-	-	-	139,375	-%
	2024	-	154,891	-	15,661	-	-	164,452	-	335,004	-%
Pauline Carr Non-executive Director	2025	-	91,575	-	-	-	-	-	-	91,575	-%
	2024	-	91,575	-	-	-	-	-	-	91,575	-%
Executive Directors											
Travis Beinke MD / CEO	2025	389,494	-	146,344	28,630	-	-	-	116,769	681,237	38.6%
	2024	388,851	-	150,370	27,399	-	-	19,891	11,999	598,510	30.4%
Other key management personnel											
Noel Whitcher Company Secretary/CFO	2025	261,269	-	91,319	28,630	-	-	3,396	43,937	428,551	32.3%
	2024	262,895	-	79,870	27,399	-	-	11,263	5,408	386,835	24.9%
Former Directors and key management personnel											
Bryn Jones Non-executive Director	2025	-	-	-	-	-	-	-	-	-	-%
	2024	-	63,646	-	7,001	-	-	-	-	70,647	-%
Dudley Kingsnorth Non-executive Chairman	2025	-	-	-	-	-	-	-	-	-	-%
	2024	-	47,916	-	5,271	-	-	-	-	53,187	-%
Rick Pobjoy CTO	2025	-	-	-	-	-	-	-	-	-	-%
	2024	241,129	-	74,550	20,549	-	-	26,607	388	363,223	27.9%
2025 Total	2025	650,763	216,575	237,663	71,635	-	-	3,396	160,706	1,340,738	
2024 Total	2024	892,875	358,028	304,790	103,280	-	-	222,213	17,795	1,898,981	

¹ Expense recognised for unlisted options issued during prior reporting periods. Refer Note 22 for further details relating to share-based payments expense. The sale of any shares must be in accordance with the Company's share trading policy.

² On 13 December 2024 the Company issued 4,529,462 and on 2 May 2025 the Company issued 7,527,965 Performance Rights to eligible staff as part of its Long Term Incentive Plan. The Rights are subject to performance hurdles and service criteria for the period 1 July 2024 to 30 June 2027.



B. Details of Remuneration

AT RISK REMUNERATION

Together, the Short Term Incentive (STI) and Long Term Incentive (LTI) frameworks form the cornerstone of AR3's performance-based remuneration approach. These programs are designed to balance near-term delivery against annual business objectives with long-term sustainable value creation for shareholders.

By linking individual and Company performance outcomes to both financial and non-financial measures, the remuneration structure ensures alignment between executives, employees, and shareholder interests, while reinforcing accountability, transparency, and a high-performance culture.

Feature	Short Term Incentive (STI)	Long Term Incentive (LTI)
Purpose	Rewards performance against annual financial, operational, and individual goals	Rewards sustainable, long-term shareholder value creation
Timeframe	12 months (aligned to the financial year)	Three-year performance period
Eligibility	Managerial and professional staff (at Board discretion)	Managerial and professional staff (at Board discretion)
Performance Measures	Company KPIs (70%) - Individual KPIs (30%) KPIs include Koppamurra development, exploration, growth, and delivery	Relative Total Shareholder Return (rTSR) (70%) - Strategic milestones (30%) Service condition (continued employment)
Assessment	Board review of Company and individual KPIs; Managing Director performance assessed directly by the Board	Vesting subject to rTSR ranking against peers, achievement of strategic milestones, and service condition
Award Type	Cash, equity, or a combination, at Board discretion	Equity-based (performance rights), convertible to AR3 shares if conditions are met
Maximum Opportunity	Up to 50% of fixed remuneration	Determined by fixed remuneration × participation percentage ÷ VWAP share price
Valuation Method	N/A	rTSR: Monte Carlo simulation model. Strategic milestones: Black-Scholes model, in accordance with AASB 2 <i>Share-Based Payment</i>
Change of Control	Not applicable	Board discretion to allow early vesting



FY25 ROLE SPECIFIC INDIVIDUAL STI OUTCOMES

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	19.5%
N Whitcher	Develop and execute funding strategy to support AR3's growth agenda and ensure delivery of company outcomes within budget.	19.5%

25% of the STI for FY25 will be paid in equity instrument and the balance in cash.

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:

Executive Service Agreements

The Managing Director, Mr Beinke, commenced his employment agreement with the Company on 19 June 2023. The agreement is ongoing and may be terminated by either party with three months' notice, or by the Company through payment in lieu of notice. The Company may also terminate the agreement without notice in the event of serious misconduct or breach. The Managing Director's contract contains malus and clawback provisions, ensuring accountability for conduct and performance outcomes.

Other senior executives are employed under ongoing agreements with similar termination provisions. These may be ended by either AR3 or the executive on three months' notice, or by the Company without notice in cases of serious breach. Consistent with governance best practice, all senior executive agreements include malus and clawback clauses, reinforcing the alignment of executive accountability with shareholder and Company interests.



D. Share based remuneration

OPTIONS

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

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

No Options were issued as remuneration to any KMP during the Financial Year.

Details of options convertible to ordinary shares in the Company that were granted as remuneration to each KMP during the previous financial 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	208,133	27/11/2023	\$0.435	\$0.070	\$14,717	Vest over 3 years	26/11/2027
R. Pobjoy ³	700,000	24/11/2023	\$0.50	\$0.157	\$49,411	Vest over 3 years	26/11/2027
	5,408,133				\$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 Profit or Loss over the vesting periods applicable to the Options. Accordingly, an amount of (\$233,714) has been expensed to Profit or Loss 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.

PERFORMANCE RIGHTS

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

The Company 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 2027 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 Company that were granted as remuneration to each KMP, relating to during the year, are set out below:

2025 Performance Rights	Number granted ³	Grant date	Fair value at grant date ¹		Performance period
Granted to			\$/Right	Full value(\$) ²	
T. Beinke	4,529,462	27/11/2024	\$0.096	\$440,263	1 July 2024 - 30 June 2027
N. Whitcher	2,041,278	29/1/2025	\$0.088	\$198,412	1 July 2024 - 30 June 2027
	6,570,740			\$638,675	

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 \$638,675 and is being expensed to Profit or Loss over the vesting periods applicable to the Options. Accordingly, an amount of (\$101,879) has been expensed to Profit or Loss under share-based payments expense for the year ended 30 June 2025.

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 Company, calculated using a thirty-day VWAP, up to and including 30 June of the preceding financial year.



PERFORMANCE RIGHTS *continued*

Details of Performance Rights convertible to ordinary shares in the Company that were granted as remuneration to each KMP, relating to during the previous financial year, are listed below:

2024 Performance Rights	Number granted ³	Grant date	Fair value at grant date ¹		Performance period
Granted to			\$/Right	Full value(\$) ²	
T. Beinke	1,265,967	18/03/2024	\$0.099	\$125,330	1 July 2023 – 30 June 2026
N. Whitcher	570,529	18/03/2024	\$0.099	\$56,482	1 July 2023 – 30 June 2026
	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 Profit or Loss over the vesting periods applicable to the Options. Accordingly, an amount of (\$17,407) has been expensed to Profit or Loss 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 Company, calculated using a thirty-day VWAP, up to and including 30 June of the preceding financial year.

SHARES

Shares issued during the financial year, were issued as part of the FY24 STI award to KMP in lieu of cash.

Details of Shares in the Company that were granted as remuneration to each KMP, relating to the previous financial year, are set out below:

2025 shares	Number granted	Grant date	Fair value at grant date	
Granted to			\$/Share	Full value(\$)
T. Beinke	353,065	27/11/2024	\$0.1277	\$45,111
N. Whitcher	187,533	16/10/2024	\$0.1277	\$23,961
	540,598			\$69,072

YEAR ENDED 30 JUNE 2024

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



E. Incentive payments included in remuneration

Details of the total short-term incentive 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 are 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)	70%	30%
Noel Whitcher ²	\$79,870 (including statutory superannuation)	70%	30%

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 2025.

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 2025.

No other key management personnel were awarded short-term incentive payments as remuneration during the year ended 30 June 2025.



F. Other Information

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL AS AT 30 JUNE 2025

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:

2025 Key Management Personnel	Held at 1 July 2024	Granted as compensation	Forfeited	Other issue (rights offer)	Held at 30 June 2025	Vested and exercisable at 30 June 2025
A. Barker	3,666,667	-	(166,667)	500,000	4,000,000	4,000,000
P. Carr	1,114,815	-	(614,815)	15,741	515,741	515,741
T. Beinke	1,500,000	-	-	58,845	1,558,845	1,558,845
N. Whitcher	217,208	-	(9,075)	56,234	264,567	264,567
Total	6,498,690	-	(790,557)	630,820	6,339,153	6,339,153

ORDINARY SHARES HOLDINGS OF KEY MANAGEMENT PERSONNEL AS AT 30 JUNE 2025

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:

2025 Key Management Personnel	Held at 1 July 2024	Issued as compensation	Rights issue subscriptions & on-market purchase	other movement during the year	Held at 30 June 2025
A. Barker	3,000,000	-	1,573,087	-	4,573,087
P. Carr	94,445	-	31,482	-	125,927
T. Beinke	-	353,065	117,689	-	470,754
N. Whitcher	100,000	187,533	112,467	-	400,000
Total	3,194,445	540,598	1,834,725	-	5,569,768

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.

No transactions with Key Management Personnel were undertaken during the reporting period.

In 2024, related party transactions consisted of payment of an Option agreement executed for Australian Rare Earths to acquire 100% of Valrico shares subject to the granting of exploration licences (\$50,000). Payments for serviced corporate office lease for shared staff amenity and meeting areas at L10, 111 Gawler Place, Adelaide (\$32,216).

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 30 June 2025 are:

Issued to	Issue date	Grant date	Number of options granted	Option exercise price ¹	Expiry date
Director	01/12/2021	26/11/2021	2,000,000	\$0.60	29/07/2025
Employee	8/07/2022	8/07/2022	500,000	\$0.57	4/07/2025
Director	1/03/2023	1/03/2023	500,000	\$0.47	28/02/2026
Director	2/12/2022	2/12/2022	1,750,000	\$0.50	2/12/2025
Director & Co. Secretary	2/12/2022	2/12/2022	1,150,000	\$0.50	2/12/2026
Employee	2/12/2022	2/12/2022	400,000	\$0.50	2/12/2026
Director	8/11/2023	26/11/2023	1,500,000	\$0.50	26/11/2026
Director	8/11/2023	26/11/2023	1,500,000	\$0.37	26/11/2026
Director	8/11/2023	26/11/2023	700,000	\$0.435	30/06/2027
Employee & Co. Secretary	26/11/2023	26/11/2023	1,108,333	\$0.435	30/06/2027
Employee	20/12/2023	20/12/2023	1,500,000	\$0.4739	30/06/2026
Placement	01/05/2025	01/05/2025	26,498,954	\$0.10	30/03/2029
			39,107,287		

¹ In accordance with ASX listing rule 6.22.2 and the terms of the Option, relevant exercise prices were adjust as a result of the pro-rata non-renounceable entitlement offer that closed April 28 2025. See ASX announcement 22 July 2025.

EVENTS SUBSEQUENT TO THE END OF REPORTING DATE

On 10 July 2025, the Company entered into an agreement to expand the Overland Project's area by acquiring EL6895. The acquisition was for \$10,000 and provided immediate access to a further 972km² of strategic uranium prospective ground adjacent to AR3's Overland Uranium Project.

On 11 August 2025, the Company announced it had received a \$1 million progress instalment from the Australian Government under the International Partnerships in Critical Minerals Program (IPCM) grant of \$5 million. This brings total funding received to date to \$1.75 million, with the remaining \$3.25 million scheduled to be received during 2026.

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2025 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.



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 2025, 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>.

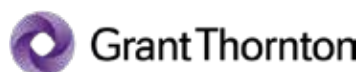
AUDITOR'S DECLARATION

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 Directors' Report for the financial period ended 30 June 2025.

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

Chairman

Dated this 29th day of September 2025



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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 2025, 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 AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner – Audit & Assurance

Adelaide, 29 September 2025

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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)

	Notes	30 June 2025 \$	30 June 2024 \$
REVENUE			
Other income	3	222,150	448,498
EXPENSES			
Employee benefits expense		(1,673,597)	(2,034,034)
Share based payments expense		(486,265)	(459,862)
Corporate consulting expenses		(276,921)	(262,097)
Exploration expenditure expensed		(11,598)	(121,642)
Amortisation - leases		(146,832)	(146,803)
Depreciation		(76,126)	(74,261)
Other expenses	4	(1,029,292)	(798,693)
LOSS BEFORE INCOME TAX EXPENSE		(3,478,481)	(3,448,894)
Income tax benefit		-	-
LOSS FOR THE YEAR		(3,478,481)	(3,448,894)
LOSS ATTRIBUTED TO MEMBERS OF THE PARENT ENTITY		(3,478,481)	(3,448,894)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(3,478,481)	(3,448,894)
EARNINGS PER SHARE			
		Cents	Cents
Basic loss per share	20	(2.08)	(2.23)

The accompanying notes form part of the financial statements.



Statement of Financial Position

(For the year ended 30 June)

	Notes	30 June 2025 \$	30 June 2024 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	4,906,696	7,605,032
Trade and other receivables	10	836,911	812,262
Other assets		80,820	120,140
Total current assets		5,824,427	8,537,434
NON-CURRENT ASSETS			
Other financial assets - bank guarantees	9	194,301	174,301
Property, plant and equipment	14	300,321	367,836
Right of use asset - office lease	18	397,698	513,401
Exploration and evaluation expenditure	12	18,360,789	14,171,743
Total non-current assets		19,253,109	15,227,281
TOTAL ASSETS		25,077,536	23,764,715
CURRENT LIABILITIES			
Trade and other payables	15	902,844	502,473
Contract Liability	16	291,682	-
Lease liability	18	138,253	135,960
Employee benefits	17	549,861	535,102
Total current liabilities		1,882,640	1,173,535
NON-CURRENT LIABILITIES			
Lease liability	18	381,921	507,794
Employee benefits	17	5,781	4,249
Total non-current liabilities		387,702	512,043
TOTAL LIABILITIES		2,270,342	1,685,578
NET ASSETS		22,807,194	22,079,137
EQUITY			
Issued capital	19	34,582,912	30,750,364
Share based payment reserve	22	2,356,766	2,827,265
Retained losses		(14,132,484)	(11,498,492)
TOTAL EQUITY		22,807,194	22,079,137

The accompanying notes form part of the financial statements.

**Statement of Changes in Equity**

(For the year ended 30 June)

	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	-	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

	Issued Capital \$	Retained Losses \$	Share Based Payment Reserve \$	Total \$
BALANCE AT 1 JULY 2024	30,750,364	(11,498,492)	2,827,265	22,079,137
Shares issued during the year	3,877,870	-	-	3,877,870
Share issue costs	(45,322)	-	-	(45,322)
Fair value of performance rights issued during the year	-	-	286,471	286,471
Fair value of options issued in prior years	-	-	87,519	87,519
Transfer of share based payments reserve to retained earnings	-	844,489	(844,489)	-
Transactions with owners	3,832,548	844,489	(470,499)	4,206,538
Total loss for the year	-	(3,478,481)	-	(3,478,481)
BALANCE AT 30 JUNE 2025	34,582,912	(14,132,484)	2,356,766	22,807,194

The accompanying notes form part of the financial statements.



Statement of Cash Flows

(For the year ended 30 June)

	Notes	30 June 2025 \$	30 June 2024 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,273,269)	(3,643,020)
Interest received		233,175	470,906
Proceeds from Research and development tax concession		707,638	771,251
NET CASH USED IN OPERATING ACTIVITIES	23	(1,332,456)	(2,400,863)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(5,489,099)	(4,713,188)
Grant funding received		750,000	-
Payments for property, plant and equipment		(8,611)	(150,373)
Transfer to other financial assets - bank guarantees		(20,000)	(25,500)
NET CASH USED IN INVESTING ACTIVITIES		(4,767,710)	(4,889,061)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,603,851	-
Share issue costs		(45,322)	(25,039)
Repayment of lease liability		(156,699)	(61,237)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		3,401,830	(86,276)
Net increase / (decrease) in cash and cash equivalents		(2,698,336)	(7,376,200)
Available cash at beginning of year		7,605,032	14,981,232
AVAILABLE CASH AT THE END OF THE YEAR	8	4,906,696	7,605,032

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.

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 Company 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.

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 Company'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.



Note 1 – Statement of Material Accounting Policies (continued)

SHARE-BASED PAYMENTS

Equity-settled transactions

The Company 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 Company 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 Company ('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.

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

Where a grant is received in relation to the purchase or development of an asset, the proceeds of the grant are recognised as a reduction in the carrying value of the asset.

GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

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.

GOING CONCERN

The financial statements are prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities and commitments in the normal course of business.

During the year ended 30 June 2025 the Group recognised a loss of (\$3,478,481), had net cash outflows from operating and investing activities of (\$6,100,166) and had accumulated losses of (\$14,132,484) as at 30 June 2025. The continuation of the Company as a going concern is dependent upon its ability to generate sufficient net cash inflows from operating and financing activities and manage the level of exploration and other expenditure within available cash resources.

The Directors consider that the going concern basis of accounting is appropriate, as the Group has the following options:

- The ability to issue share capital under the Corporations Act 2001, by a share purchase plan, share placement or rights issue.
- The option of farming out all or part of its assets;
- The option of selling interests in the Company's assets; and
- The option of relinquishing or disposing of rights and interests in certain assets.

In the event that the Group is unsuccessful in implementing one or more of the funding options listed above, such circumstances would indicate that a material uncertainty exists that may cast significant doubt as to whether the Company will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

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 Company.

Key estimates

(i) Impairment Assessment

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 2025 (30 June 2024: 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 29 September 2025 by the Board of Directors.



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 2025 \$	30 June 2024 \$
Interest received	222,150	448,498
Total other income	222,150	448,498

Note 4 – Other Expenses

	30 June 2025 \$	30 June 2024 \$
Compliance	192,792	145,239
Legal, insurance and registry	418,334	223,160
Office and website expenses	124,760	124,881
Travel and Airfares	103,685	123,748
Other expenses	189,721	181,665
Total other expenses	1,029,292	798,693



Note 5 – Income Tax Benefit / (Loss)

	30 June 2025 \$	30 June 2024 \$
(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	(3,478,481)	(3,448,984)
Income tax rate	25%	30%
Prima facie tax benefit on loss from activities before income tax	(869,620)	(1,034,695)
Non-deductible expenses	122,054	198,694
Tax effect of temporary differences not brought to account as they do not meet the recognition criteria	747,566	836,001
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 25% (2024: 30%)	1,456,542	1,084,643

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)

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 2025 \$	30 June 2024 \$
Short term benefits	1,105,001	1,555,693
Post-employment benefit	71,635	103,280
Share - based payments	164,102	240,008
	1,340,738	1,898,981



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 2025 \$	30 June 2024 \$
Audit Services		
Audit and review of Financial Reports	56,175	64,625
	56,175	64,625

Note 8 – Cash and Cash Equivalents

	30 June 2025 \$	30 June 2024 \$
Available cash at bank and on hand	4,906,696	7,605,032
	4,906,696	7,605,032

Note 9 – Other Financial Assets – Bank Guarantees

	30 June 2025 \$	30 June 2024 \$
Bank guarantees in relation to rehabilitation obligations	130,000	110,000
Bank guarantees in relation to lease obligations	64,301	64,301
	194,301	174,301

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 (\$110,000) 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).

Note 10 – Trade and Other Receivables

	30 June 2025 \$	30 June 2024 \$
Research and development tax receivable	617,636	707,638
GST receivable	200,628	74,954
Other receivables	18,647	29,670
	836,911	812,262



Note 11 – Investment in Controlled Entities

	Country of Incorporation	Percentage Owned	
		30 JUNE 2025 %	30 JUNE 2024 %
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
- Valrico Resources Pty Ltd	Australia	100	-

Note 12 – Exploration and Evaluation Expenditure

	30 June 2025 \$	30 June 2024 \$
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation at cost	18,360,789	14,171,743
Movements in carrying amounts:		
Balance at the beginning of the year	14,171,743	10,172,163
Amounts capitalised during the year	4,552,070	4,657,218
Acquisition of projects - equity	142,930	-
Acquisition of projects -cash	570,000	50,000
Grant income	(458,318)	-
R&D tax incentives as receivable	(617,636)	(707,638)
Balance at the end of the year	18,360,789	14,171,743

During the year ended 30 June 2025, \$29,191 of equipment depreciation was included in the amount capitalised as exploration and evaluation expenditure (30 June 2024: 29,152).

During the year ended 30 June 2025, the Group completed the acquisition of Valrico Resources Pty Ltd. Acquisition costs for the transaction were \$570,000 (30 June 2024: \$50,000) and shares of \$142,930 (30 June 2024: Nil).

Note 13 – Tenement Interests

All tenement interests are 100% owned by the Group.



Note 14 – Property, Plant and Equipment

	30 June 2025 \$	30 June 2024 \$
Plant and Equipment at cost	527,635	519,024
Accumulated depreciation	(227,314)	(151,188)
	300,321	367,836
Movements in carrying amounts:		
Balance at the beginning of the year	367,836	291,724
Additions	8,611	150,373
Depreciation	(76,126)	(74,261)
Balance at the end of the year	300,321	367,836

Note 15 – Trade and other Payables

	30 June 2025 \$	30 June 2024 \$
Trade payables	857,961	315,761
Other creditors and accruals	44,883	186,712
	902,844	502,473

Note 16 – Contract Liability

	30 June 2025 \$	30 June 2024 \$
Grant funding received	750,000	-
Grant income earned	(458,318)	-
	291,682	-

During the financial year, the Company was awarded a grant under the International Partnership in Critical Minerals program. During the year the first tranche of funding was drawn totaling \$750,000.



Note 17 - Employee Benefits

	30 June 2025 \$	30 June 2024 \$
Current		
Employee leave entitlements	92,005	88,138
Accrued bonus payments	457,856	446,964
	549,861	535,102
Non-current		
Employee leave entitlements	5,781	4,249
	555,642	539,351

Note 18 - Right-Of-Use Assets and Lease Liabilities

	30 June 2025 \$	30 June 2024 \$
Right-of-use assets		
Right-of-use assets - Office/Warehouse leases	773,148	740,029
Accumulated depreciation	(375,450)	(226,628)
	397,698	513,401
Reconciliation of right of use carrying amounts at beginning and end of period		
Carrying amount at beginning of year	513,401	222,361
Additions	33,119	437,684
Depreciation	(148,822)	(146,644)
Carrying amount at end of year	397,698	513,401
Lease Liabilities		
Current	138,253	135,960
Non-current	381,921	507,794
	520,174	643,754
Reconciliation of lease liabilities carrying amounts at beginning and end of period		
Carrying amount at beginning of period	643,754	224,508
Additions	12,024	488,393
Accretion of interest	21,095	22,371
Payments	(156,699)	(91,518)
Carrying amount at end of period	520,174	643,754

**Note 19 – Issued Capital**

	30 June 2025 \$	30 June 2024 \$
211,987,365 (30 June 24: 155,921,890) fully paid ordinary shares	34,582,912	30,750,364

(A) SHARES ON ISSUE: 30 June 2025	Number of Shares	30 June 2025 \$
Issued and paid up capital		
Fully paid ordinary shares	211,987,365	34,582,912
Movements in fully paid shares		
Balance as at 1 July 2024	155,921,890	30,570,364
Shares issued – Valrico Pty Ltd acquisition	2,041,855	142,930
Shares issued – Officers and Employee's	1,025,982	131,089
Shares issued – Rights Issue	52,997,638	3,603,851
Costs of shares issued		(45,322)
Balance as at 30 June 2025	211,987,365	34,582,912

(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 – Landholder compensation	1,755,928	200,000
Costs of shares issued	-	(25,039)
Balance as at 30 June 2024	155,921,890	30,750,364



(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 ¹	Expiry date	30 June 2025	30 June 2024
Director	10/02/2021	25/01/2021	6,000,000	\$0.30	25/01/2025	-	6,000,000
Director & Co. Secretary	01/12/2021	26/11/2021	1,600,000	\$1.44	01/12/2024	-	1,600,000
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
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 & Co. 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
Director & Co. Secretary	27/06/2023	27/06/2023	297,965	\$0.57	9/05/2025	-	297,965
Director	8/11/2023	26/11/2023	1,500,000	\$0.50	26/11/2026	1,500,000	1,500,000
Director	8/11/2023	26/11/2023	1,500,000	\$0.37	26/11/2026	1,500,000	1,500,000
Director	8/11/2023	26/11/2023	700,000	\$0.435	30/06/2027	700,000	700,000
Employee & Co. Secretary	26/11/2023	26/11/2023	1,108,333	\$0.435	30/06/2027	1,108,333	1,108,333
Employee	20/12/2023	20/12/2023	1,500,000	\$0.4739	30/06/2026	1,500,000	1,500,000
Placement	01/05/2025	01/05/2025	26,498,954	\$0.10	30/03/2029	26,498,954	-
			55,870,434			39,107,287	29,371,480

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

¹ In accordance with ASX listing rule 6.22.2 and the terms of the Option, relevant exercise prices were adjusted as a result of the pro-rata non-renounceable entitlement offer that closed 28 April 2025. See ASX announcement 22 July 2025.

Options granted during the year

On 1 May 2025, 26,498,954 Options were issued to the participants of the April 2025 Non Renounceable Rights Offer. Offer participants were issued one free attaching Option for every two Shares subscribed for in the Rights Offer. The Options are exercisable at \$0.10 each.

Options exercised, lapsed or forfeited during the year

- On 1 December 2024, 1,600,000 Options expired unexercised. The Options were exercisable at \$1.44 each.
- On 25 January 2025, 6,000,000 Options expired unexercised. The Options were exercisable at \$0.30 each.
- On 9 May 2025, 1,000,000 Options expired unexercised. The Options were exercisable at \$1.02 each.
- On 9 May 2025, 8,163,147 Options issued to the participants of the April 2023 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.

See Note 22 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.

**Note 20 - Loss Per Share**

	30 June 2025 \$	30 June 2024 \$
Reconciliation of earnings to Statement of Profit or Loss and other Comprehensive Income		
Loss for year used to calculate basic EPS	(3,478,481)	(3,448,894)
	Number	Number
a) Weighted average number of shares outstanding during the year used in calculation of basic EPS	166,987,073	154,666,281
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 21 - Share Based Payment Reserve

	30 June 2025 \$	30 June 2024 \$
Share based payment reserve	2,356,766	2,827,265
Movement associated with Options during the year:		
Opening Balance	2,827,265	2,700,012
Issued Options	87,519	427,921
Issued Performance Rights	286,472	31,941
Lapsed / Forfeited Options	(844,490)	(332,609)
Closing Balance	2,356,766	2,827,265

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

An amount of \$87,519 was expensed to profit and loss for the year ended 30 June 2025 in respect of unlisted options issued to Directors, Company Secretary, other employees and third party service providers (30 June 2024: \$427,921 expensed). An amount of \$286,472 was recognised in the profit or loss for the year ended 30 June 2024 in respect of unlisted performance rights issued during the period (30 June 2024: \$31,941). An amount of (\$844,490) was recognised in Equity for the year ended 30 June 2025 in respect of unlisted options lapsed during the period (30 June 2024: (\$332,609)).

Refer Note 22 for further details regarding the fair value of Options and Rights issued as remuneration during the year.



Note 22 – Share Based Payments

UNLISTED OPTIONS & RIGHTS

30 June 2025

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

	Number of options	Weighted average exercise price per share
Opening Balance - 1 July 2024	23,831,417	\$0.53
Granted as remuneration - Rights	12,804,348	
Exercised	-	-
Forfeited	(8,600,000)	\$0.23
Closing Balance as at 30 June 2025	28,035,765	\$0.46

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

All Options are fully vested and exercisable

Options granted during the year

Nil new Options issued during the year; however partial vesting of prior year Options occurred.

Options exercised during the year

No Options issued as remuneration or as payment for services provided to the Company have been exercised during year ended 30 June 2025 or as at the date of this report.

Options lapsed/forfeited during the year

- On 1 December 2024, 1,600,000 Options expired unexercised. The Options were exercisable at \$1.44 each, and at issue had a fair value of \$620,309.
- On 25 January 2025, 6,000,000 Options expired unexercised. The Options were exercisable at \$0.30 each, and at issue had a fair value of \$46,727.
- On 9 May 2025, 1,000,000 Options expired unexercised. The Options were exercisable at \$1.02 each, and at issue had a fair value of \$128,676.

Performance Rights granted during the year

- On 13 December 2024, 746,921 Performance Rights were issued to an Executive employee of the Company 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 Company for each performance right.
- On 13 December 2024, 4,529,462 Performance Rights were issued to the Managing Director as FY25 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 Company for each performance right.
- On 2 May 2025, 7,527,965 Performance Rights were issued to Executive Key Management Personnel, executive and management employees of the Company as FY25 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 Company for each performance right.

**Note 22 – Share Based Payments** (Continued)**Performance Rights**

Details of the Performance Rights granted as remuneration during the year ended 30 June 2025 are set out below:

Issued to	Grant date	Issue date	Number of rights granted	1st Vesting date	2nd Vesting date	3rd Vesting date
Employee	27/11/2024	13/12/2025	746,921	30/06/2026	30/06/2027	30/06/2028
Director	27/11/2024	13/12/2025	4,529,462	30/06/2027	30/06/2027	30/06/2027
Employee & Co Sec	29/01/2025	2/05/2025	7,527,965	30/06/2027	30/06/2027	30/06/2027
			12,804,348			

Granted to Employee 27/11/2024	Employee T1	Employee T2	Employee T2
Exercise price (\$)	Nil	Nil	Nil
Share price at date of grant (\$)	\$0.10	\$0.10	\$0.10
Value of performance right	\$0.099	\$0.099	\$0.099
Historic volatility (%)	80%	80%	80%
Risk free interest rate (%)	4.01%	3.98%	4.04%

Granted to Director 27/11/2024	Director T1	Director T2	Director T2
Exercise price (\$)	Nil	Nil	Nil
Share price at date of grant (\$)	\$0.10	\$0.10	\$0.10
Value of performance right	\$0.097	\$0.097	\$0.097
Historic volatility (%)	80%	80%	80%
Risk free interest rate (%)	3.98%	4.04%	4.06%

Granted to Employees and Company Secretary 29/01/2025	Employee & Co Sec T1	Employee & Co Sec T2	Employee & Co Sec T2
Exercise price (\$)	Nil	Nil	Nil
Share price at date of grant (\$)	\$0.09	\$0.09	\$0.09
Value of performance right	\$0.097	\$0.097	\$0.097
Historic volatility (%)	80%	80%	80%
Risk free interest rate (%)	3.79%	3.85%	3.91%



Note 22 – Share Based Payments (Continued)

SHARES

30 June 2025

Shares issued during the year

During the year a total of 2,041,855 shares were issued pursuant to commercial agreements for the purchase of Valrico Resources Pty Ltd.

A total of 672,917 shares were issued to employees in lieu of cash payments relating to FY24 STI awards. A further 353,065 shares were issued to the Managing Director in lieu of cash payments relating to FY24 STI awards following shareholder approval at the Company's AGM.

A total of 52,997,638 shares were issued to participants in the Company's non-renounceable rights offer conducted in April 2025.

Note 23 – Cash Flow Information

Reconciliation of cash flows from operations with Loss after Income Tax	30 June 2025 \$	30 June 2024 \$
Loss after income tax	(3,478,481)	(3,448,894)
Depreciation (net of capitalised depreciation)	76,126	74,261
Amortisation - leased assets	146,832	146,803
Share based payments expense	486,265	459,862
Earned Income – Government Grant	458,318	-
R&D Tax incentive	419,737	
Changes in assets and liabilities:		
- Decrease in trade and other receivables	173,250	274,091
- Increase in trade and other payables	401,787	181,994
- Increase in employee entitlements	(16,290)	(88,980)
Net cash used in operating activities	(1,332,456)	(2,400,863)

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Note 24 – 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 Company 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 2025 \$	30 June 2024 \$
Exploration expenditure commitments		
Expenditure Commitment	1,450,000	1,431,610

Other than the commitments disclosed above, the Group does not have any further commitments at 30 June 2025 (30 June 2024: Nil).

B) CONTINGENT ASSETS/LIABILITIES

Contingent assets

The Group did not have any contingent assets as at 30 June 2025 (30 June 2024: 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 Rickie 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 \$130,000, in respect of rehabilitation bonds required as part of the licence conditions associated with the granting of two South Australian tenements (\$110,000) 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 guarantees are cash backed by a term deposit of the same value (refer Note 9).

Note 25 – 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

In September 2024, the Company acquired 100% of Valrico Resources Pty Ltd shares. Messrs Jones and Pobjoy were shareholders of Valrico Resources Pty Ltd. Messrs Pobjoy and Jones ceased to be KMP of AR3 effective April 2024, and June 2024 respectively.

The Company has an agreement for the lease of serviced corporate office space with entX Limited with expenditure for the year ended 30 June 2025 of \$24,555 (\$32,216). Mr Jones is Managing Director of entX. Mr Jones ceased to be a KMP of AR3 in June 2024.

Refer to Note 24 b) above for disclosure of a Royalty Deed between the Company 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 2025.



Note 26 – 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 Company 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 Company 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.

Interest Rate Sensitivity Analysis

At 30 June 2025, 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:

	2025 \$	2024 \$
Change in loss		
- Increase in interest rates by 2%	102,020	155,586
- Decrease in interest rates by 2%	(102,020)	(155,586)
Change in equity		
- Increase in interest rates by 2%	102,020	155,586
- Decrease in interest rates by 2%	(102,020)	(155,586)

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 net fair value of cash and cash equivalent and noninterest bearing monetary financial assets and financial liabilities of 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.

**Note 26 – Financial Instruments** (Continued)**F) LIQUIDITY RISK**

The net fair value of cash and cash equivalent and noninterest bearing monetary financial assets and financial liabilities of the Company's liquidity risk management requires the Company 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 Company 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 Company'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.

Consolidated - 2025	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		857,962	-	-	-
Interest-bearing - variable					
Lease liability	4.1%	171,096	176,778	210,193	-
Total		1,029,058	176,778	210,193	-

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	-

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 Company's functional currency. The Company does not currently operate internationally and is not materially exposed to foreign exchange risk arising from various currency exposures.

Price risk

The Company is not exposed to any significant price risk.



Note 27 – Events subsequent to reporting date

On 10 July 2025, the Company entered into an agreement to expand the Overland Project's area by acquiring EL6895. The acquisition was for \$10,000 and provided immediate access to a further 972km² of strategic uranium prospective ground adjacent to AR3's Overland Uranium Project.

On 11 August 2025, the Company announced it had received a \$1 million progress instalment from the Australian Government under the International Partnerships in Critical Minerals (IPCM) Program grant of \$5 million. This brings total funding received to date to \$1.75 million, with the remaining \$3.25 million scheduled to be received during 2026.

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2025 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.

Note 28 – Australian Rare Earths Limited Parent Company Information

Parent Entity	30 June 2025 \$	30 June 2024 \$
Assets		
Current assets	5,156,632	8,421,573
Non-current assets	-	380,582
InterGroup loans	18,291,276	13,940,286
Investments in subsidiaries	4	4
Total Assets	23,447,912	22,742,445
Liabilities		
Current liabilities	812,407	830,979
Non-current liabilities	448,084	507,794
Total Liabilities	1,260,491	1,338,773
Equity		
Issued capital	34,582,912	30,750,363
Share based payments reserve	2,356,766	2,827,265
Retained losses	(14,752,257)	(12,173,956)
Total Equity	22,187,421	21,403,672
Financial Performance		
Loss for the year	(2,578,301)	(3,333,998)
Other comprehensive income	-	-
Total Loss	(2,578,301)	(3,333,998)

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, WRDBD Developments Pty Ltd and Valrico Resources Pty Ltd. Formal loan agreements exist between Australian Rare Earths Limited and each of its wholly owned subsidiaries.

CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

Other than those previously disclosed at Note 24, the Company has no contingent assets, liabilities or commitments as at 30 June 2025.



Note 29 – Consolidated Entity Disclosure Statement

For the Year Ended 30 June 2025

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
Valrico Resources Pty Ltd	Proprietary Limited	N/A	100%	Australia	Australian Resident	N/A



The Directors of the Group declare that:

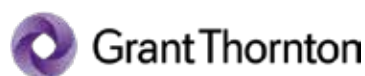
- (a) The consolidated financial statements and notes, and the remuneration report in the Directors' Report, are in accordance with the Corporations Act 2001 (Cth), including:
- (i) giving a true and fair view of the Group's financial position as at 30 June 2025 and of its performance for the financial 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 Company 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 CEO and CFO for the financial year ended 30 June 2025.
 - 2. The Directors draw attention to note 1 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.

Signed in accordance with a resolution of the Directors

Angus Barker
Chairman

Dated this 29th day of September 2025

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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 statement of financial position as at 30 June 2025, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the 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 2025 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 Company 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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Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Group incurred a net loss of \$3,478,481 during the year ended 30 June 2025 and a net cash outflow from operating and investing activities of \$6,100,166. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets – Note 12	
At 30 June 2025 the carrying value of exploration and evaluation assets was \$18,360,789. In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, 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. • 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. • Evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; 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 2025 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
- 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: https://www.auasb.gov.au/media/bwvjcgre/ar1_2024.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2025.

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



Responsibilities

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner – Audit & Assurance

Adelaide, 29 September 2025



Additional Information

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Compiled as at 8 September 2025

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 Company with 5% or greater relevant interest in securities of the Company, 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 Company are as follows:

Shareholder	Number ordinary shares held	% Ordinary shares held
ACORN CAPITAL LTD	19,581,011 shares ¹	9.24%
BEECHCREST INVESTMENTS PTY LTD <JONES FAMILY A/C> and MR BRYN LLYWELYN JONES + MRS KELLIE NICOLE JONES <TAWEL SUPERANNUATION A/C>	17,623,099 shares ²	8.31%
TOO UP HOLDINGS PTY LTD <POBJOY FAMILY A/C>	16,017,044 shares ³	7.56%

¹ As per substantial shareholder notice received by the Company on 2 May 2025.

² As per substantial shareholder notice received by the Company on 3 June 2025.

³ As per substantial shareholder notice received by the Company on 2 May 2025.

Distribution of equity securities

Number of security holders by size of holding:

Range	Number of Shareholders
1 - 1,000	274
1,001 - 5,000	856
5,001 - 10,000	585
10,001 - 100,000	1,078
100,001 and over	260
Total	3,053

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.

Unmarketable Parcels	Minimum parcel size	Holders	Ordinary Shares
Minimum \$500.00 parcel at \$0.12 per share	4,167 shares	938	1,736,364

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Twenty largest holders of each class of quoted equity security

Ordinary Shares

Rank	Name	Shares	% Issued capital
1	TOOUP HOLDINGS PTY LTD <POBJOY FAMILY A/C>	16,017,044	7.52%
2	BEECHCREST INVESTMENTS PTY LTD <JONES FAMILY A/C>	13,358,071	6.27%
3	BNP PARIBAS NOMS PTY LTD	10,343,575	4.86%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,711,460	3.62%
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,006,249	2.82%
6	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	5,372,593	2.52%
7	MUTUAL TRUST PTY LTD	4,000,000	1.88%
8	AE AND SL WATT PTY LTD <WATT FAMILY SUPER FUND A/C>	3,810,501	1.79%
9	MR CHENG XU	3,367,651	1.58%
10	NEO PERFORMANCE MATERIALS INC	3,333,333	1.57%
11	MR BRYN LLYWELYN JONES + MRS KELLIE NICOLE JONES <TAWEL SUPERANNUATION A/C>	3,015,028	1.42%
12	LEGANO PTY LTD <B G FAIRLEY SF A/C>	2,262,162	1.06%
13	MR JOSEPH ZANCA & MRS SZERENKE ZANCA <ZANACORP SUPER FUND A/C>	2,250,000	1.06%
14	MR ANTHONY EDWARD WATT	2,145,151	1.01%
15	CITICORP NOMINEES PTY LIMITED	1,889,559	0.89%
16	B & M LAWS SUPER FUND PTY LTD <B & M LAWS SUPER FUND A/C>	1,749,999	0.82%
17	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	1,662,068	0.78%
18	WILLYAMA ASSET MANAGEMENT PTY LTD <SD INVESTMENT A/C>	1,576,829	0.74%
19	MR ROBERT ALAN PHILLIPS	1,480,000	0.69%
20	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	1,212,156	0.57%
Total		92,563,429	43.47%

Corporate Governance Statement

For the Year Ended 30 June 2025

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



Corporate directory

Directors

Angus Barker

Independent Non-Executive Chairman

Pauline Carr

Independent Non-Executive Director

Travis Beinke

Managing Director and CEO

Company Secretary

Noel Whitcher

Chief Financial Officer

Registered Office

Level 10, 111 Gawler Place
ADELAIDE SA 5000
Telephone: 1300 646 100
Email: hello@ar3.com.au

Share Registry

Automic

Level 5, 126 Phillip Street
SYDNEY NSW 2000

Auditors

Grant Thornton Audit Pty Ltd

Grant Thornton House,
Level 3, 170 Frome Street
ADELAIDE SA 5000

Bankers

Commonwealth Bank of Australia

96 King William Street
ADELAIDE SA 5000

Australian Securities Exchange

The Company is listed on the Australian Securities Exchange

ASX CODE: AR3



Metals for our future

SECURING AUSTRALIA'S ENERGY TRANSITION METALS



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**AUSTRALIAN
RARE EARTHS**

REGISTERED OFFICE

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SECURING AUSTRALIA'S ENERGY TRANSITION METALS

