ARAFURA

RARE EARTHS LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 December 2024

CONTENTS

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Arafura Rare Earths Limited (**Arafura** or the **Company**) and the entities it controlled at the end of or during the half-year ended 31 December 2024.

DIRECTORS

The following persons were Directors of Arafura Rare Earths Limited during the half-year period and up to the date of this report.

- M. Southey
- D. Cuzzubbo
- C. Tonkin (resigned 26 July 2024)
- C. Moises
- M. Spreadborough
- R. Higgins
- I. Murray (appointed 10 September 2024)

REVIEW OF OPERATIONS

During the six months ended 31 December 2024, Arafura incurred a net loss of A$18,851,865 (2023: A$66,865,339). The net loss position decreased as early works at the Nolans Project (**Nolans**) were largely completed and the Company's focus turned to finalising the funding package required to proceed to full-scale project development. Nolans development costs are being expensed to the profit and loss until a Final Investment Decision (**FID**) is made and there is further certainty these costs will be recouped.

CORPORATE

Funding

In July 2024, Arafura launched a fully underwritten two-tranche placement to sophisticated and institutional investors, raising A$20 million. At the same time, an accompanying Share Purchase Plan was announced, raising an additional A$4.6 million from eligible shareholders.

The capital raising was completed at an issue price of A$0.16 per new share. A total of 125 million shares were issued under the placement and 29 million shares were issued under the SPP. Totalling A$24.6 million (before costs), the new funds will be used for the following:

- Integrated project management team costs (including KBR), detailed engineering (including work to be carried out by Hatch) and early contractor involvement works.
- Costs associated with site overheads, Environment Social and Governance (**ESG**), technology, business development and exploration.
- Corporate costs including office operations, project funding, and sales and marketing.
- A cash portion retained as a liquidity buffer.
- General working capital.

Board and Executive Changes

- Non-Executive Director Chris Tonkin retired in July 2024.

- Ian Murray was appointed as a Non-Executive Director on 10 September 2024.
- Tommie van der Walt commenced as Chief Projects Officer on 20 January 2025 and Stuart Macnaughton stepped down as Chief Operating Officer in December 2024.

Annual General Meeting

The Company's annual general meeting was held at Johnson Winter Slattery, Level 49 Central Park, 152-158 St Georges Terrace, Perth at 10.00am AWST on 17 October 2024. All resolutions were passed by way of a poll.

OFFTAKE

Offtake discussions with potential customers are well advanced and the Company has secured 58 percent of its 80 percent Binding Offtake Target[1].

Remaining contracted volumes are aligned to funding strategy and will be used to attract equity in order to reduce the amount of funding being sought through the public raising.

The Company announced a Memorandum of Understanding (**MoU**) with the Saskatchewan Research Council (**SRC**) to collaborate on the global diversification of the magnet value supply chain.

PROJECT FUNDING

In July 2024, conditional credit approvals were secured for the targeted US$775 million in senior debt facilities from a syndicate of lenders. Additionally, project completion support was secured for an US$80 million cost overrun facility and a US$200 million subordinated standby liquidity facility. Altogether, the debt package assembled for Nolans exceeds US$1 billion.

The syndicate comprises Export Finance Australia (**EFA**) (Critical Minerals Facility), Northern Australia Infrastructure Facility (**NAIF**), Export Development Canada (**EDC**) and the Export-Import Bank of Korea (**KEXIM**) with untied loan guarantees from Euler Hermes and KEXIM facilitating commercial lenders KfW IPEX-Bank, KEXIM Global - Singapore, Commonwealth Bank of Australia, ING and EFA (Commercial Account).

[1] Targeting 80% of Planned Production as binding offtake. Planned Production refers to the average annual production from Nolans, being 4,440 tpa NdPr oxide (Refer to ASX Announcement dated 11 November 2022).

Table 3: Indicative Debt Facilities

Facilities	Tenor (Years)	Amount (US$ million)
Senior Debt Facilities		
Export Finance Australia	15	125
Northern Australia Infrastructure Facility	15	100 (1)
Export Development Canada	12	290 (2)
KEXIM	10	75
ECA Covered Tranches		
KfW IPEX-Bank KEXIM Global (Singapore) Commonwealth Bank of Australia ING Export Finance Australia		
Total ECA Covered Tranches (3)	10	185
TOTAL		**775**
Cost Overrun Facility	8	80 (4)
TOTAL SENIOR DEBT		**855** (5)
Subordinated Debt		
EFA Standby Liquidity Facility	15	200
TOTAL DEBT		**1,055**

(1) NAIF commitment of A$150 million converted to US$ at AUD/USD 0.67, being the forecast average exchange rate during the drawdown period. Exchange rate forecast referenced from Deloitte Access Economics Business Outlook December 2024.
(2) US$10 million of EDC funding is included in the COF.
(3) Commercial bank lenders supported by untied loan guarantees from Euler Hermes of US$110 million and KEXIM of US$75 million (refer to ASX Announcements dated 4 July 2024 and 1 July 2024).
(4) US$160 million total Cost Overrun funding, 50% debt funded (COF) with the remaining US$80 million to be funded by equity. COF debt includes A$ tranche with NAIF commitment up to A$50 million.
(5) Excludes Contingent Instrument Facilities to support the provision of bank guarantees.

Material Security Partnership

Arafura and the Nolans Project was recognised as a key initiative by the Minerals Security Partnership (**MSP**). The MSP, which has members including the United States of America, the European Union, Republic of Korea and Australia, focuses on strengthening critical mineral supply chains to ensure sustainable and secure access to vital resources.

OPERATIONAL LICENCING

All major Federal and Northern Territory environmental approvals for the Nolans Project have been secured. Of the suite of Environmental Management Plans (**EMPs**) that have been developed for the project, five are required to be approved by the Department of Climate Change, Energy, Environment and Water (**DCCEEW**), as specified in the project's existing EPBC (Environment Protection and Biodiversity Conservation Act 1999) approval conditions. During the reporting period, the Company received approval from DCCEEW to amend Condition 8 (which requires the five EMPs to be approved prior to the recommencement of construction) and enable a staged approach to approval. Approval of the Biodiversity Management Plan (**BMP**) was received in October 2024, and the final outstanding approval is for the Radiation Protection and Waste Management Plan (**RPWMP**). The Company received feedback from the regulator on the RPWMP in December 2024 and is currently revising this feedback prior to resubmission.

Further revisions of the Mine Management Plan (**MMP**) was submitted to the Northern Territory (**NT**) Department of Environment, Parks and Water Security (**DEPWS**) during the reporting period addressing a Request for Information received during assessment of the current MMP. The revision included matured descriptions of the stages of the construction activities and the associated security calculations. The Company is awaiting final feedback and approval of the MMP and security calculation. The approved MMP remains current and there is no risk to schedule delay with the assessment of the revised MMP. Once approved this will be deemed an Environmental (Mining) Licence under the new NT legislative framework which commenced 1 July 2024.

SUSTAINABILITY

The Company's third sustainability report was published in November 2024 and detailed Arafura's approach to sustainability, referenced against international global reporting standards.

Activities to deliver the Environmental and Social Action Plan (**ESAP**) by Tetra Tech Coffey on behalf of the lenders group continued and the Company remains on track to deliver the ESAP actions (committed to the lenders) prior to the commencement of construction.

Energy and Emissions Reduction

The Company engaged with DCCEEW on the impact of the Safeguard Mechanism to Arafura, with the objective of reducing impact before commercial production. The Company remains committed to environmental responsibility and sustainable development and published its pathway to achieve net zero by 2050.

NOLANS PROJECT DEVELOPMENT

Project development activities were limited to those necessary to support finance, critical path activities, procurement, compliance, and progressing improvement ideas that reduce capital, schedule and risk. The Project Teams were focused on preparations for FID, managing and overseeing the engineering, and supporting the funding efforts.

Work in relation to the construction contract focused on delivery solutions and constructability. Engineering Design and Procurement Hydrometallurgical Plant Engineering continued to progress with a view to advancing the deliverables required for detailed design. The engineering and project teams continued the collaboration on identified opportunities to de-risk the plant start-up and review capital costs.

Phase 2 Preliminary Study

Arafura completed an in-house preliminary study that considered the possibility of expanding the size of the processing facility at Nolans (Phase 2 Study) by a factor of up to a further 150 percent and potentially enable the processing of third-party rare earth feedstocks. A pre-feasibility study (**PFS**) is expected to be commissioned once FID has been taken on Nolans.

Power Station

The Company continued to progress the power station solution for the Nolans operation and is working towards a more definitive costing and a design level sufficient to enable the development of a power-purchase agreement.

EXPLORATION

The Company's exploration activities continued to focus on progressing mining-related studies and further enhancing the geological database, researching opportunities, and reviewing the exploration activities of other rare earth companies. Environmental monitoring continued on-site with no on-ground exploration activity throughout the reporting period.

EVENTS OCCURRING AFTER THE REPORTING DATE

On 15 January 2025, the Company announced that it has signed a binding term sheet with the National Reconstruction Fund Corporation (**NRFC**) for a A$200 million investment commitment in Arafura to support the development of Nolans. The investment commitment will take place through the issue of unsecured convertible notes with a face value of A$200 million.

On 31 January 2025, the Company announced that the gas supply agreement with Mereenie field joint venture has been extended to 31 March 2025 on the same terms.

No other matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years, or

b) the results of those operations in future financial years, or

c) the Group's state of affairs in future financial year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the Directors.

Darryl Cuzzubbo
Managing Director & CEO

Perth
19 February 2025

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

As lead auditor for the review of Arafura Rare Earths Ltd for the half-year ended 31 December 2024, I declare that, to the best of my knowledge and belief, there have been:

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

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

Ashleigh Woodley

Director

BDO Audit Pty Ltd

Perth

19 February 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2024

	Notes	31-Dec-24 A$	31-Dec-23 A$
Other income		705,559	1,278,090
Employee benefits expense	3	(2,974,569)	(2,456,442)
Project development	3	(10,458,249)	(56,241,107)
Other expenses	3	(4,789,657)	(4,612,728)
Depreciation and amortisation	3	(328,526)	(4,662,687)
Finance costs		(56,058)	(218,834)
Share based payments	8	(464,336)	48,369
Impairment of assets	4	(486,029)	-
Loss before income tax		(18,851,865)	(66,865,339)
Income tax benefit		-	-
Net (loss) after income tax for the period		(18,851,865)	(66,865,339)
Total comprehensive (loss) for the half-year attributable to owners of Arafura Rare Earths Limited		(18,851,865)	(66,865,339)
Loss per share attributable to owners of Arafura Rare Earths Limited			
Basic loss per share (cents per share)		(0.8)	(3.1)
Diluted loss per share (cents per share)		(0.8)	(3.1)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	31-Dec-24 A$	30-June-24 A$
CURRENT ASSETS			
Cash and cash equivalents		44,858,193	42,170,343
Trade and other receivables		660,969	569,131
Total Current Assets		45,519,162	42,739,474
NON-CURRENT ASSETS			
Property, plant and equipment		287,476	327,550
Right-of-use assets		484,473	1,208,087
Deferred exploration and evaluation expenditure	4	122,780,764	122,363,994
Other assets		3,453,460	3,451,186
Total Non-Current Assets		127,006,173	127,350,817
TOTAL ASSETS		172,525,335	170,090,291
CURRENT LIABILITIES			
Trade and other payables		4,361,403	6,956,682
Deferred Revenue	5	12,643,320	12,288,689
Lease liabilities		403,215	496,698
Provisions	6	2,900,449	2,912,690
Total Current Liabilities		20,308,387	22,654,759
NON-CURRENT LIABILITIES			
Lease liabilities		96,500	252,833
Provisions	6	3,055,175	3,068,396
Total Non-Current Liabilities		3,151,675	3,321,229
TOTAL LIABILITIES		23,460,062	25,975,988
NET ASSETS		149,065,273	144,114,303

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	31-Dec-24 A$	30-June-24 A$
EQUITY			
Contributed equity	7	**519,473,492**	**496,134,993**
Reserves	8	**14,293,669**	**13,829,333**
Accumulated losses		**(384,701,888)**	**(365,850,023)**
TOTAL EQUITY		**149,065,273**	**144,114,303**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Period Ending 31 December 2024

Consolidated	Contributed equity A$	Equity reserve A$	Accumulated losses A$	Total equity A$
Balance at 1 July 2023	466,203,376	13,573,924	(264,875,591)	214,901,709
Loss for the period	-	-	(66,865,339)	(66,865,339)
Total comprehensive loss for the period	-	-	(66,865,339)	(66,865,339)
Contributions of equity, net of transaction costs and tax	23,774,610	-	-	23,774,610
Share based payments – value of employee services	-	(48,369)	-	(48,369)
Balance at 31 Dec 2023	489,977,986	13,525,555	(331,740,930)	171,762,611
Balance at 1 July 2024	496,134,993	13,829,333	(365,850,023)	144,114,303
Loss for the period	-	-	(18,851,865)	(18,851,865)
Total comprehensive loss for the period	-	-	(18,851,865)	(18,851,865)
Contributions of equity, net of transaction costs and tax	23,338,499	-	-	23,338,499
Share based payments – value of employee services	-	464,336	-	464,336
Balance at 31 Dec 2024	519,473,492	14,293,669	(384,701,888)	149,065,273

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Period Ending 31 December 2024

	31-Dec-24 A$	31-Dec-23 A$
Cash flows from operating activities		
Payments to suppliers and employees	(6,964,849)	(8,724,381)
Payments for project development	(13,698,667)	(68,998,983)
Interest received	1,060,423	1,393,573
Interest paid	(23,574)	(200,456)
Net cash (outflow) from operating activities	(19,626,667)	(76,530,247)
Cash flows from investing activities		
Payments for property, plant and equipment	(32,089)	(85,397)
Payments for security deposits	(2,273)	(1,678,794)
Proceeds from sale of property, plant and equipment	-	25,000
Payments for exploration and evaluation	(725,389)	(1,473,400)
Net cash (outflow) from investing activities	(759,751)	(3,212,591)
Cash flows from financing activities		
Proceeds from share issue	24,644,240	25,000,000
Capital raising expenses	(1,305,743)	(1,225,390)
Repayment of lease liability	(261,022)	(5,824,832)
Net cash inflow from financing activities	23,077,475	17,949,778
Net increase/(decrease) in cash and cash equivalents	2,691,057	(61,793,060)
Cash at the beginning of the period	42,170,343	128,848,075
Effects of exchange rate changes on cash and cash equivalents	(3,207)	(114,603)
Cash and cash equivalents at the end of the period	44,858,193	66,940,412

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

NOTE 1: BASIS OF PREPARATION OF HALF-YEAR REPORT

Basis of Preparation

This consolidated interim financial report for the half-year reporting period ended 31 December 2024 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reports and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by Arafura Rare Earths Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted in the half-year report are consistent with those of the previous financial year and corresponding interim reporting period.

New and Amended Standards Adopted

The Group has adopted all of the new or amended accounting standards or interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new or amended standards has not resulted in any change to the entity’s accounting policies.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

NOTE 2: SEGMENT INFORMATION

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

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

NOTE 3: EXPENSES

	31-Dec-24	31-Dec-23
	A$	A$
Employee benefits expense		
Employee benefits expense	2,974,569	2,456,442
Project Development		
Consultants	7,412,073	34,010,012
Employee benefits expense	703,502	1,173,507
Computer software	69,356	40,121
Early works	1,879,915	13,505,292
Equipment procurement	7,245	6,978,361
Rehabilitation expense	(58,098)	229,780
Other project development costs	444,256	304,034
Total project development[2]	10,458,249	56,241,107
Other expenses		
Accounting and other professional fees	349,950	114,622
Audit fees	30,949	27,537
Consultants fees	619,272	1,566,570
Insurance	234,439	227,865
Legal fees	992,601	465,713
Share registry and stock listing fees	204,242	174,608
Other expenses	2,358,204	2,035,813
Total other expenses	4,789,657	4,612,728
Depreciation		
Depreciation – plant & equipment	72,163	87,897
Depreciation – right-of-use assets	256,363	4,574,790
Total depreciation	328,526	4,662,687

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

NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31-Dec-24 A$	30-Jun-24 A$
Exploration and evaluation costs carried forward		
Balance at beginning of period	122,363,994	119,346,203
Capitalised exploration expenditure	173,782	826,439
Capitalised evaluation expenditure[3]	729,017	2,352,594
Impairment of exploration expenditure	(486,029)	-
R&D Tax Incentive rebate receipted against capitalised evaluation costs	-	(161,242)
Balance at end of period	122,780,764	122,363,994

The exploration and evaluation costs in relation to each area of interest are carried forward as an asset where the Group:

- Has rights to tenure of the area of interest;
- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest or; alternatively by its sale; or
- Exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

NOTE 5: CURRENT LIABILITY – DEFERRED REVENUE

	31-Dec-24 A$	30-Jun-24 A$
Current		
Modern Manufacturing Initiative (MMI) Government Grant	12,643,320	12,288,689
Balance at end of period	12,643,320	12,288,689

Deferred revenue relates to funding received under the Commonwealth Government's MMI Collaboration Stream. Government grants relating to expenditure are deferred and recognised in profit or loss over the period necessary to match them with the expenditure that they are intended to compensate. Government grants relating to depreciable assets are recognised in profit or loss over the periods and in the proportions in which depreciation

[3] Capitalised evaluation expenditure is expenditure on the Nolans Project feasibility works and environment impact assessment to evaluate, formulate and demonstrate the technical feasibility and commercial viability in developing a rare earths processing plant to process and treat the ore to be mined from the Nolans Project.

expense on those assets is recognised. Income recognition of the Grant reflects the amount the Group is entitled to keep should a repayment notice be served.

NOTE 6: CURRENT AND NON-CURRENT LIABILITIES – PROVISION

	31-Dec-24	30-Jun-24
	A$	A$
Current		
Annual and long service leave	614,500	584,253
Provision for restoration of evaluation expenditure	65,000	107,488
Provision for onerous contract	2,220,949	2,220,949
	2,900,449	2,912,690
Non-current		
Long service leave	43,923	31,530
Provision for rehabilitation	3,011,252	3,036,866
	3,055,175	3,068,396

NOTE 7: EQUITY – CONTRIBUTED EQUITY

	31 Dec 2024 Shares	30 June 2024 Shares	31 Dec 2024 A$	30 June 2024 A$
Share capital				
Fully Paid Ordinary Shares	**2,464,328,691**	2,310,302,192	**519,473,492**	496,134,993

Movement in ordinary share capital over the past six months are as follows:

Date	Details	Number of shares	Issue Price	A$
01-Jul-24	**Balance**	**2,310,302,192**		**496,134,993**
31-Jul-24	Share Placement – Tranche 1	88,732,000	0.160	14,197,120
6-Sep-24	Share Placement – Tranche 2	36,268,000	0.160	5,802,880
11-Sep-24	Share Purchase Plan	29,026,499	0.160	4,644,241
31-Dec-24	Capital Raising Costs	-	-	(1,305,742)
31-Dec-24	**Balance**	**2,464,328,691**		**519,473,492**

NOTE 8: EQUITY – RESERVES

	31-Dec-24 A$	30-Jun-24 A$
Reserves		
Share based payments reserve	14,293,669	13,829,333

The movement in the share based payments reserve over the past six months:

	31-Dec-24 A$	30-Jun-24 A$
Share based payments reserve		
Balance at beginning of period	**13,829,333**	**13,573,924**
Vesting of options and performance rights	**464,336**	**2,675,435**
Reversal of cumulative expense recognised for expired options and performance rights[4]	**-**	**(2,420,026)**
Balance at end of period	**14,293,669**	**13,829,333**

A summary of all options and performance rights on issue at 31 December 2024 is detailed below.

Type	Grant Date	Number	Vesting Conditions
Options	21/10/2021	1,240,000	Options vest three years from grant date.
Options	6/9/2022	3,294,000	Options vest three years from grant date.
Options	20/10/2022	2,118,000	Options vest three years from grant date.
Options	28/02/2023	197,000	Options vest three years from grant date.
Performance rights	6/12/2023	40,213,506	Performance rights are split evenly across five tranches subject to five critical milestones linked to the successful delivery of the Nolans Project being: • Commencement of Main Construction. • First Draw down of Debt. • First Ore delivered to ROM Pad. • First NdPr Oxide Production. • Project Close Out.
Performance rights	6/12/2023	7,643,734	Performance rights vest on 1 July 2026.

No options or performance rights were converted during the period.

[4] Relates to the reversal of the cumulative expense recognised for options or performance rights which had not vested by expiry date.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Since the release of the 30 June 2024 financial statements there has been no significant changes to commitments or contingencies.

NOTE 10: RELATED PARTY TRANSACTIONS

Parent entity

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

Outstanding balances arising from sale/purchases of goods and services

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

Loans to/from related parties

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

Terms and conditions

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

NOTE 11: EVENTS OCCURRING AFTER THE REPORTING DATE

On 15 January 2025, the Company announced that it has signed a binding term sheet with the NRFC for a A$200 million investment commitment in Arafura to support the development of Nolans.

The NRFC investment will take place through the issue of unsecured convertible notes (**Convertible Notes**) with a face value of A$200 million (**Face Value**). The Convertible Notes have a conversion period of seven years with a non-convertible period of two years (**Conversion Period**). During the Conversion Period, interest on the outstanding Face Value will accrue at the rate of the 3-month Bank Bill Swap Yield (**BBSY**) + 3.0 percent per annum (**Coupon**). The Coupon will be payable quarterly by the issue of new shares or by capitalising the Coupon into the Face Value. There will be no cash interest payable during the Conversion Period.

On 31 January 2025, the Company announced that the gas supply agreement with Mereenie field joint venture has been extended to 31 March 2025 on the same terms.

No other matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years, or
b) the results of those operations in future financial years, or
c) the Group's state of affairs in future financial years.

DIRECTORS’ DECLARATION

For the Half-Year Ended 31 December 2024

In the Directors’ opinion:

a) the financial statements and notes set out on pages 12-22 are in accordance with the Corporations Act 2001; and

   i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   ii) give a true and fair view of the consolidated entity’s financial position as at 31 December 2024 and of its performance for the half-year ended on that date.

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.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Darryl Cuzzubbo
Managing Director & CEO

Perth
19 February 2025

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Arafura Rare Earths Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Arafura Rare Earths Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

i. Giving a true and fair view of the Group's financial position as at 31 December 2024 and of its financial performance for the half-year ended on that date; and

ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO

Ashleigh Woodley

Director

Perth, 19 February 2025