ASX ANNOUNCEMENT

CLARIFICATION - PROJECT ECONOMICS

17 June 2026

Arafura Rare Earths Limited (**ASX: ARU**) (**Arafura** or the **Company**) refers to its ASX announcement titled "Investor Presentation" released on 22 May 2026 alongside the announcement of the Company's A$350m placement and A$25m Share Purchase Plan (**Investor Presentation**).

The Investor Presentation contains a slide (slide 24) referring to the project economics for the Nolans Project which includes forecast financial information (**FFI**). The FFI included in the Investor Presentation is the same as the project economics table that was disclosed to the market on 28 October 2025 in an ASX announcement entitled "Investor Presentation" (**28 October 2025 Announcement**).

The Company disclosed its previous project economics table to the market on 11 November 2022 in ASX announcement titled Nolans Project Update (**2022 Project Update**) and the 28 October 2025 Announcement was the Company's most recent update to that FFI.

Slide 2 of the Investor Presentation confirms that the material assumptions that form the basis for the FFI (contained in the Investor Presentation) are those included in (or referred to in) the 28 October 2025 Announcement. For ease of reference, the Company has set out in this announcement how the relevant line items in the FFI contained in the Investor Presentation have changed since the 2022 Project Update along with the key assumptions that underpin those updated numbers in the Investor Presentation. This comparison is against the "Base" case reference only. The "Incentive" case pricing was disclosed for the first time in the 28 October 2025 Announcement to demonstrate the forecast price required to incentivise the diversification of the rare earth supply chain (and the assumptions below are equally applicable to the "Incentive" case). Where no specific reference to an assumption is stated for a line item, that financial measure is based on all applicable assumptions referred to in this announcement.

The production target from which the FFI in the Investor Presentation is derived, which was first disclosed in the 2022 Project Update, is also set out below.

FFI – 22 May 2026	FFI – 2026 (Base)	FFI – 2026 (Incentive)	FFI – 2022 Project Update	Change from 2022 Project Update
Key Project Information[1,2]				
Mining and Production				
Mine Life (years)	38		38	No change
NdPr Oxide (tpa)	4,440		4,440	No change
SEG/HRE Oxide (tpa)	573[3]		474	See note 3 below.
Phosphoric Acid (tpa 54% P_2O_5 MGA)	144,393		144,393	No change
Realised Product Pricing (US$/kg)				
NdPr Oxide price – offtake period[4]	117	130	125.5	Decrease 6.8% - Refer to Assumption 1.
NdPr Oxide price – LOM	136	154	130.1	Increase 4.5%- Refer to Assumption 1.
Financial (US$ (m))				
Capital Cost				
Pre-Production Capital	998	998	995	Increase 0.3%. Refer to Assumptions 4 and 6.

Arafura Rare Earths Limited
ABN: 22 080 933 455
Level 1, 11 Mounts Bay Road, Perth WA 6000
PO Box 5773, St Georges Terrace, Perth WA 6831
T: +61 8 6370 2800 | **W:** www.arultd.com | **E:** arafura@arultd.com

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FFI – 22 May 2026	FFI – 2026 (Base)	FFI – 2026 (Incentive)	FFI – 2022 Project Update	Change from 2022 Project Update
Other Pre-Production Costs and Escalation	106	106	*Not reported*	N/A Refer to Assumptions 6 and 7.
Contingency	87	87	140	Decrease 37.9%. Refer to Assumption 5.
Total	1,191	1,191	1,135	Increase 4.9%
Revenue				
Rare Earth Sales Revenue (per annum)	637	717	587	Increase 8.5%. Refer to Assumptions 1 and 2.
Phosphoric Acid Sales Revenue (per annum)	77	77	65	Increase 18.5%. Refer to Assumption 3.
Operating Costs				
Mining Costs (per annum)	(30)	(30)	(31)	Decrease 3.2%. Refer to Operating Costs Section below and Assumptions 8 – 12.
Processing Costs (per annum)	(154)	(154)	(138)	Increase 11.6%. Refer to Operating Costs Section below and Assumptions 8 – 12.
General and Administration Costs (per annum)	(22)	(22)	(26)	Decrease 15.4%. Refer to Operating Costs Section below (Assumptions 8 – 12).
Product transport, royalties and selling costs (per annum)	(36)	(39)	*Not reported*	N/A Refer to Operating Costs Section below (Assumptions 8 – 12 and 14).
EBITDA (per annum)	472	549	409	Increase 15.4%.
Post Tax Free Cash Flows (LOM)	10,582	12,488	*Not reported*	N/A
KPI Analysis				
Operating Cost US$/kg NdPr	46.4	46.4	43.95	Increase 5.6%
Operating Cost US$/kg NdPr net of P_2O_5 credit	31.9	31.9	34.64	Decrease 7.9%. Refer to Assumption 3 and Operating Costs Section (Assumptions 8-12).
NPV_8 after tax (US$m)	1,859	2,327	1,693	Increase 9.8%
IRR after tax (%)	18.1%	20.1%	19.3%	Decrease 6.2%

[1] *Refer below for key project economic assumptions.*
[2] *Numbers may not compute due to rounding. Revenue, costs and EBITDA are calculated as the arithmetic annual average following the anticipated two year ramp up period and excluding the final years of production from low grade stockpiles.*
[3] *In the 2022 Project Update, SEG/HRE was reported as 474tpa (as that figure did not include the 99tpa Heavy Rare Earth (HRE) component of the line item). The Project Economics table above includes the 99tpa HRE component. There has been no change to the SEG/HRE oxide forecast since the 2022 Project Update, and Table 4 of the 2022 Project Update (on page 19) sets out SEG/HRE oxide production by operating year. The 573 tpa SEG/HRE oxide production target is the average of SEG/HRE oxide production for years 3 to 33 (inclusive) which represents the years of anticipated steady state production. This table is re-presented as Table 9 in this announcement.*
[4] *Product prices during the offtake period refer to first seven years of production when offtake agreements will include discounts & other contract mechanisms put in place to underpin project finance.*

The material assumptions that underpin each of the updated metrics above are set out below.

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Product Pricing

Assumption 1 - NdPr Oxide

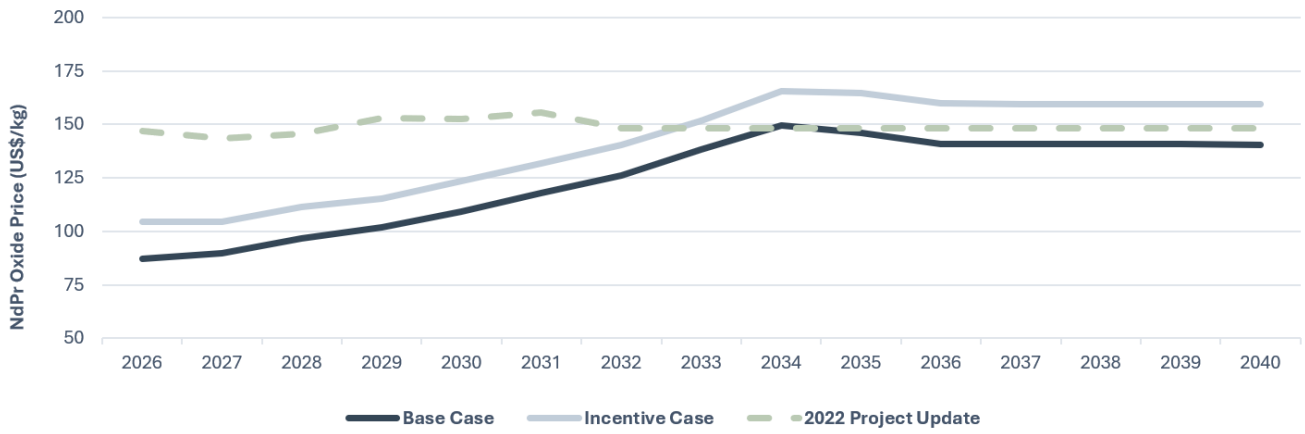
Forecast NdPr oxide prices have been sourced from two independent consulting groups, CRU Group (**CRU**) and Adamas Intelligence (**Adamas**). Arafura obtains independent forecast reports (rather than utilising spot pricing) to support its pricing assumptions given the global macroeconomic environment in the critical minerals space. Nolans, as Australia's first fully integrated ore-to-oxide operation, seeks to support the diversification of critical supply chains, which is factored into these independent forecasts. Adamas prepares low, mid and high NdPr price forecast cases to reflect a range of potential market outcomes in regard to forecast rare earth supply and demand fundamentals, including electric vehicle and wind energy growth, project development pipelines, production costs and broader market dynamics. Similarly, CRU prepares base and incentive case forecasts, with the base case representing its view of the most likely long-term market outcome and the incentive case reflecting the price levels required to incentivise sufficient ex-China rare earth supply to meet future demand growth. CRU and Adamas publish forecast pricing reports from time to time which are utilised in the Nolans Project's economic analysis.

The Company's Base Case NdPr oxide price forecast contained within the 28 October 2025 Announcement is derived from an equal blend of CRU[1]'s base and incentive case, and Adamas[2]' low, mid and high cases. The Company's Incentive Case NdPr oxide price forecast is based on an equal blend of CRU's incentive case and Adamas' high case. The Base and Incentive Case forecasts extend to 2040, with prices assumed to remain constant in real terms for the remainder of the life of mine (**LOM**).

Under the Base and Incentive Cases, Arafura has adopted the NdPr oxide price forecast on a real basis and has included 13% VAT in the sales price for all NdPr sales volumes not contracted under its offtake agreements. Product sales under the Company's existing agreements are modelled to include agreed contract pricing mechanisms.

Figure 1 details the Base and Incentive Case NdPr oxide price forecasts in comparison with the 2022 Project Update.

Figure 1 – Forecast NdPr Oxide Price



Assumption 2 - SEG-HRE Oxide

The current Incentive and Base Case SEG/HRE oxide price forecast and pricing mechanisms are the same as each other.

[1] Reference: CRU REE Special Report July 2025
[2] Reference: Adamas Intelligence Rare Earth Pricing Quarterly Outlook- Q3 2025

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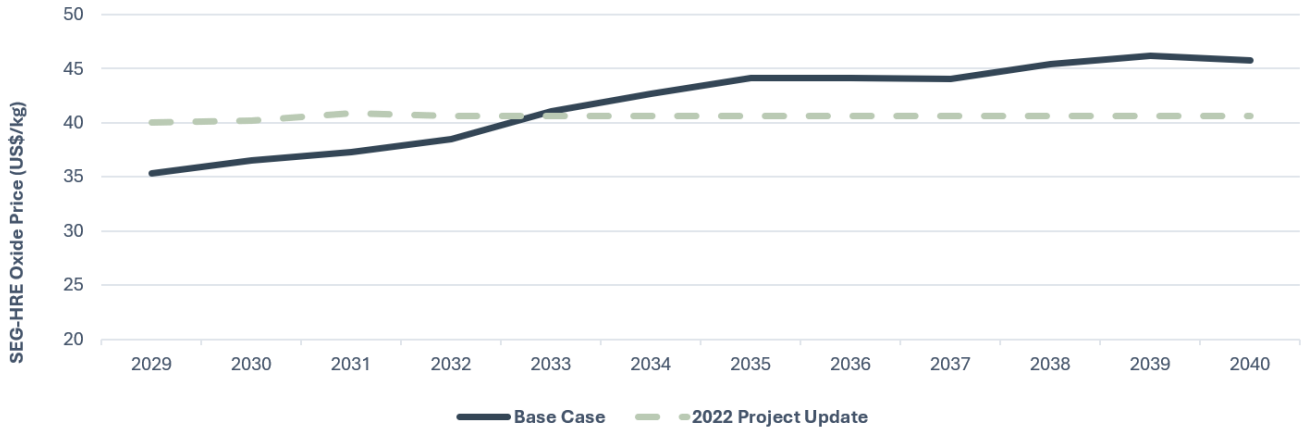
The SEG-HRE oxide price forecast is based on an independent price forecast from CRU on a real basis. The pricing mechanism is based on 70% payability of the contained dysprosium and terbium within Arafura's SEG-HRE product. In 2022, pricing was derived from a 35% payability on all elements contained within the Company's SEG-HRE product. The change in assumed pricing mechanism reflects Arafura's market engagement since 2022 and the increasing market focus on the heavy rare earth elements dysprosium and terbium following the introduction of China's heavy rare earth export controls in 2025. The SEG-HRE price forecast extends to 2040, with prices assumed to remain constant in real terms for the remainder of the LOM.

Figure 2 details the realised SEG-HRE oxide prices in comparison with the 2022 Project Update.

Figure 2 – Realised SEG-HRE Oxide Price



Assumption 3 - Phosphoric Acid

The Incentive and Base Case phosphoric acid price forecast are the same as each other.

The phosphoric acid price is based on an independent price forecast from CRU. CRU's forecast is prepared on an FOB-Darwin Port basis and is derived by CRU via a netback calculation from the forecast market price of phosphoric acid on a CFR-India basis.

Figure 3 details the forecast phosphoric acid prices in comparison with the 2022 Project Update. The increase in the long-term phosphoric acid price forecast since the 2022 Project Update resulted in an increase to the phosphoric acid by-product credit from US$9.3/kg NdPr to US$14.5/kg NdPr.

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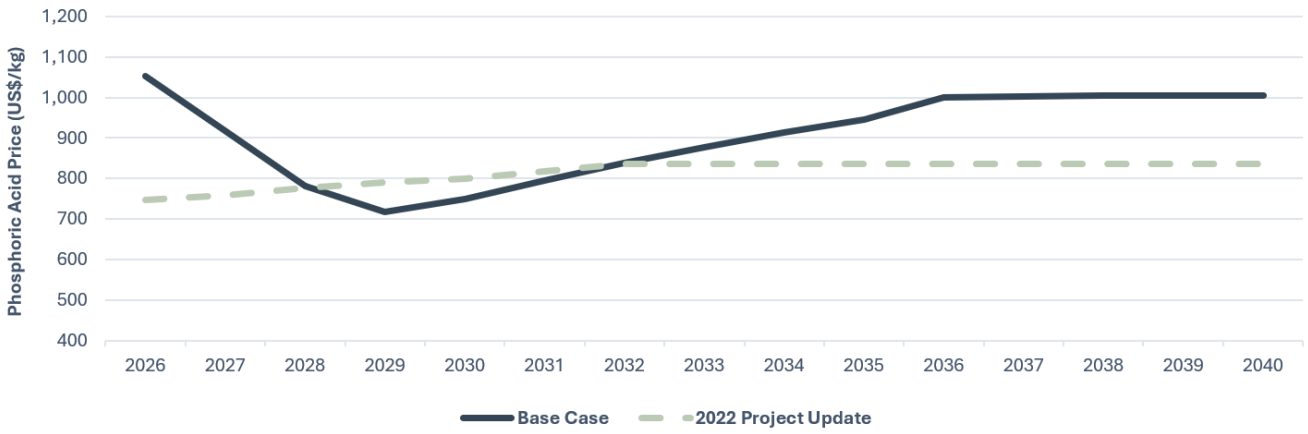
Figure 3 – Phosphoric Acid Price (100% P_2O_5 Basis)



Capital Costs

Assumption 4 - Pre-production Capital

Detailed capital cost estimates for the Project are contained in the 2022 Project Update, which was the most recent first principles estimate for the Project provided to the market.

Since publication of those estimates, the Company has undertaken trending analysis and forecasting of the major costs associated with delivering the Project. As announced in Arafura's September 2023 Quarterly Activities Report (refer to ASX announcement dated 31 October 2023), Arafura's capital cost trending at the time indicated the capital cost to first production was likely to be approximately A$1,680 million. The trend represented an approximate 5.7% increase from the A$1,590 million estimate provided in the 2022 Project Update. The Company has continued to undertake trending analysis and forecasting which indicates immaterial movement since that point, ignoring any impact from escalation which is considered below. Pre-production capital is now estimated to be A$1,723 million (excluding escalation) and includes amounts previously recognised as contingency (Refer Assumption 5).

The Capital cost trending analysis includes:

- Trending adjustments to cost estimates provided in the November 2022 Project Update, including:
  - Engineering and consultant cost increases for various packages.
  - Movement in prices for equipment and other contract packages as a result of final tendering.
  - Increases in costs driven by variations to work being undertaken (e.g., camp installation costs, earthworks costs from rock excavation, increased unanticipated water haulage costs).
  - Movements in costs due to engineering changes, resulting from changes to duty requirements or addition/removal of equipment or bulk quantities.
  - Project insurance re-pricing.
  - Changes to time-based 'level of effort' costs due to schedule slippage.
  - Savings through engineering (e.g., skid mounting), methodology (e.g., pre-cast concrete) and design changes (e.g., changing tank dimensions to allow for off-site fabrication) realised as part of the various ECI processes undertaken with Monadelphous and others.
- Purchase costs for the permanent accommodation village, which was assumed to be under a build, own, operate arrangement in the 2022 Project Update. Refer to ASX Announcement 'Execution Readiness

Update' dated 10 March 2026 and ASX Announcement 'Quarterly Activities Report and Appendix 5B for period ending 31 March 2025' dated 30 April 2025 for details regarding camp purchases.

- Incurred sunk costs relating to procurement, engineering and construction from March 2023 to February 2024.

The Capital cost trending excludes:

- Actual and forecast expenditure that has not reduced estimated completion costs, such as owner's team overheads, temporary facility leasing costs and construction camp leasing costs, from March 2023 through to the targeted commencement of main construction.
- Pre-production costs including mining, labour, spares and inventory.
- Project overheads including levies, insurances and other payments.
- Allowances for escalation.
- Working capital and financing costs.
- Corporate overheads.

Assumption 5 - Capital Cost Contingency

The 2022 Project Update included a base capital contingency of A$133m and contingency for capital optimisation initiatives that were still under assessment at the time of issue to the value of A$64m. Following completion of these initiatives and their incorporation into Arafura's baseline pre-production capital cost estimate (refer Assumption 4), the contingency was reduced by A$64 million. The base capital contingency in AUD remains unchanged however it has reduced in USD due to the updated exchange rates adopted in the financial model (refer to Assumption 13).

Assumption 6 - Capital Cost Escalation

An allowance of US$69m (A$107m) for escalation has been included in the Project's capital cost estimate to account for the change in the cost of labour, materials and equipment between the capital cost estimate date and the point in time it is forecast to become fixed in the Project delivery schedule. An escalation model was developed to determine the value of escalation by:

- splitting each package of work into engineering, equipment and material procurement, labour and indirect costs;
- developing a cashflow forecast based on the project delivery schedule for each expenditure item based on award and mobilisation timing, labour usage and completion milestones;
- determining whether the escalation for each expenditure item stopped at contract award, payment date or was not applicable; and
- Applying a 2.5% per annum escalation from the estimate date.

Assumption 7 - Other Pre-Production Costs

Other pre-production costs comprise:

- pre-production mining;
- other pre-production labour; and
- spares and inventory.

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In the 2022 Project Update, other pre-production costs totalled A$61.4m and were included within the financial evaluation of the Project. Other pre-production costs were not reported within "capital costs" as they were determined to be early operating costs. These costs were instead disclosed within Table 12 of the 2022 Project Update.

In the 28 October 2025 Announcement, the same costs were included within the reported "capital costs" at an unchanged value of A$61.4m. The corresponding USD value has reduced due to the updated exchange rates adopted in the financial model (refer to Assumption 13).

Operating Costs

The Project's nominal initial processing capacity is 1.0m tonnes per annum (**tpa**) but the average scheduled throughput for the first 15 years of operation in the LOM plan is around 0.72m tpa. Operating cost estimates have been prepared on an average treatment rate of 0.72m tpa of ore with the beneficiating plant operating at a 91.3% plant utilisation (8,000 hours per annum) and the refinery at 85.6% utilisation (7,500 hours per annum). Throughput increases to 1.2m tpa as the feed grade decreases, with a further increase up to 1.4m tpa over the last nine years of the LOM when lower grade stockpiles are planned to be processed. This estimation basis is unchanged from the 2022 Project Update.

The operating costs have been built up from budget prices obtained from vendors and suppliers, consumable prices from budget quotations, industry benchmarks and consultants' data bases, and have been updated since the 2022 Project Update where required.

A summary of the Project's annual steady state operating costs is provided in

Table 1. Consumables, maintenance, site general and administration and laboratory costs individually account for less than 5% of total C1 operational costs and are not considered material to the Project.

Table 1 – Operational Cost Summary

Operational Cost	US$m p.a.	US$/kg NdPr
Power and gas	55.1	12.4
Reagents	46.2	10.4
Contract mining	26.4	5.9
Labour	25.4	5.7
Transport and logistics	23.5	5.3
Consumables	9.8	2.2
Maintenance	9.6	2.2
Site general and administration	6.3	1.4
Laboratory	3.9	0.9
Total mine gate costs	**206.2**	**46.4**
Product transport	12.4	2.8
Total C1 costs	**218.6**	**49.2**

Assumption 8 - Power and Gas

Power supply and natural gas will be used for energy generation, steam production for heating in the extraction plant, and for use during processing for oil heaters in paddle mixers, and product kilns and dryers. Usage of gas for steam and processing has been calculated from the mass and energy balance and is regarded as a fixed cost. The requirement for electricity generation is also considered as fixed since usage will be primarily determined by operating time rather than production rate.

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In the 2022 Project Update, the Project's average power demand was estimated at approximately 38MW. The proposed power solution comprised an on-site power station using gas-fired reciprocating engine generators, supplemented by a steam turbine generator utilising high-pressure steam produced by the Project's sulphuric acid plant. Process steam requirements were to be supplied by gas-fired package boilers. The power station was intended to be delivered under a build-own-operate (**BOO**) model, whereby the facilities would be funded, owned and operated by a third-party provider. This structure would avoid the need for the Project to incur upfront capital expenditure for the power facilities, with costs instead recovered through ongoing operational charges payable to the provider over the life of the operation.

Following a review of the Project's power requirements and Arafura's commitment to reducing emissions over the life of the Project, the Company conducted a competitive tender process involving multiple power solution providers to identify a solution that met requirements for reliability, cost, schedule and emissions performance. In parallel, engineering studies progressed to refine power demand forecasts and assess alignment with the applicable Safeguard Mechanism baseline for the Nolans Project (discussed further below).

Following the tender process, the Company selected a preferred provider to deliver a proposed thermal power station under a BOO model comprising 44 units of 1.5 MW capacity and 41 gas-fired steam boilers with 5.5 t/hr capacity, with diesel generators providing emergency backup. Local diesel generators will continue to power the mine area infrastructure and borefield.

The revised power solution has been incorporated into the Project's financial model and includes the phased introduction of renewable energy. This includes an initial 10 MW solar installation, expanding to 50 MW by Year 3, and 64 MW of wind generation by Year 5.

The proposed power solution requires an upfront cash payment of A$5m to offset fixed charges, which has been included within pre-production capital costs.

Annual costs have been determined from:

- electrical load calculation;
- the natural gas price has been updated to align with forecast Wallumbilla hub pricing less delivery tariffs;
- BOO power plant fixed and variable costs, including phased implementation of renewables;
- fixed connection cost to the Amadeus Gas Pipeline;
- fixed gas transport costs based on maximum contracted daily transport amount; and
- a fixed cost for management.

The Australian Federal Government implemented the Safeguard Mechanism under the *National Greenhouse and Energy Reporting Act 2007*. This framework sets emission baselines for designated Australian facilities, including the Nolans Project. These baselines are designed to decline progressively over time, with financial liabilities arising if a facility exceeds its prescribed baseline calculated per tonne of CO_2. The LOM average annual Safeguard Mechanism liability is US$5.3m and has been estimated as follows:

- Preliminary emissions baselines and declines rates issued by the Department of Climate Change, Energy, the Environment and Water based on international best practice emissions intensity values.
- Actual emissions based on the project's modelled gas and diesel consumption.
- A carbon cost of A$40/t CO2.

Costs associated with the Safeguard Mechanism were not included in the 2022 Project Update as the framework had not been designed and implemented.

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Assumption 9 - Reagents

Reagents are a variable cost which depend on throughput rate, chemistry requirements and final production. Reagent consumption rates are based on test work undertaken and the process plant's mass balance, and costs are based on delivery to Darwin or Adelaide, with subsequent transport to site. Following the proposed chlor-alkali plant installation across Years 6 to 8 of operations, the costs of hydrochloric acid and sodium hydroxide will reduce, with those reagents being produced from salt with the extra capital and operating costs of the chlor-alkali plant.

Sulphur is a key reagent for the Project, accounting for approximately 40% of total reagent costs. Sulphur is required in the production of wet-process phosphoric acid and there is therefore a relationship between the sulphur (operating costs) and phosphoric acid (revenue) price. A revised phosphoric acid price forecast prepared by CRU has been adopted and given its strong correlation to sulphur pricing, a revised independent sulphur price from CRU has also been adopted of US$182/t (previously US$167/t in the 2022 Project Update).

Other important reagent costs are detailed in Table 2 and account for a further 45% of total reagent costs. Regional freight is not included in the below estimates as it is accounted for separately under transport and logistics cost.

Table 2 – Important Reagent Assumptions

Reagent	Basis	Value
Quicklime	A$/t	298
Sodium hydroxide	US$/t	350
Oxalic acid	A$/t	940
Diesel	A$/L	1.5

Assumption 10 - Contract Mining Costs

The contract mining cost estimate was originally estimated in the feasibility study (Refer ASX Announcement 'Nolans project Definitive Feasibility Study' dated 7 February 2019) using first principles buildup of costs by area based upon the mining schedule, mine design and budget mining contractor submissions. The costs were split into fixed and variable components with the variable components applied to the relevant mining physicals as per Table 3.

Table 3 – Contract Mining Variable Costs

Variable Cost	Basis	Value
Clear and grub	A$/ha	2,831
Topsoil removal and reclaim	A$/m3	3.5
Spread topsoil and rock armour	A$/m2	1,695
Drilling: pre-strip	A$/m	16.4
Drilling: oxide	A$/m	20.2
Drilling: trans	A$/m	18.8
Drilling: fresh	A$/m	17.2
Blasting: prestrip	A$/m	39.9
Blasting: oxide	A$/hole	158.9
Blasting: trans	A$/hole	186.2
Blasting: fresh	A$/hole	137.7
Load and haul	A$/t	2.3
Diesel	A$/l	1.5

Fixed costs include normal mining operations and campaign mining specific variations. Fixed equipment and supporting infrastructure charges including but not limited to:

- mining contractor equipment charges;
- administration costs;
- generator set hire;
- dewatering pumps and pipes; and
- maintenance support.

Based on all parameters considered for the mining cost estimate, the following metrics are generated:

Table 4 – Contract Mining Costs

Contract Mining Cost	US$m per annum	US$/t ore mined
Fixed costs	10.7	8.8
Variable costs	15.7	12.9
Total	**26.4**	**21.7**

The Project's overall economics are insensitive to changes in contract mining costs. Sensitivity analysis demonstrated that a ±10% movement in mining costs results in less than a ±1% movement in the Project's net present value and internal rate of return. Accordingly, the mining cost assumptions adopted in the 2022 Project Update were considered reasonable and appropriate for the 28 October 2025 Announcement.

Assumption 11 - Labour Costs

Labour costs were estimated from first principles based on creating a suitable organisational structure to suit the Project's operations. For each role the following costs per employee were estimated:

- salary per position;
- messing and accommodation;
- fly in-fly out (**FIFO**) flight allowance to and from Alice Springs for selected roles;
- living allowance for personnel employed from Alice Springs;
- leave flights to family for selected roles; and
- telephone allowance for selected roles;

A small technical owners' team will support contract mining operations, and allowance is made for an experienced technical team in processing, with FIFO as necessary to attract the required skills. Estimates allow for fixed plant maintenance by FIFO workers. Mobile plant maintenance will be outsourced to the mining contractor.

Operations, and particularly commissioning and ramp-up will rely on skilled technical, engineering and maintenance staff and is summarised in Table 5 below.

Table 5 – Project Labour Summary

Role	US$m per annum	Number of Roles
Owner mining	2.2	11
Processing, maintenance and HSE	18.8	141
Administration and commercial	4.4	16
Total	**25.4**	**168**

The Project's overall economics are insensitive to changes in labour costs. Sensitivity analysis demonstrated that a ±10% movement in labour costs results in less than a ±1% movement in the Project's net present value and internal rate of return. Accordingly, the labour cost assumptions adopted in the 2022 Project Update were considered reasonable and appropriate for the 28 October 2025 Announcement.

In addition to direct labour, the Company has assumed major contract operations will be utilised for the operation of the Project, including:

- Contract mining operations, including drill and blast activities, mining activities, ROM pad operation and haulage of ore to the process plant.
- Logistics operations for transport of goods to and from site, including port operations, intermodal operations, rail operations, road transport and loading and unloading at site.
- Camp operations, including messing, camp cleaning, cleaning of site offices, laundry operations and staff transport to and from Alice Springs.
- Laboratory services, including provision of laboratory equipment, consumables, systems and staff.
- Shutdown maintenance.

Table 6 summarises the assumed contractor requirements which are costed to other operational cost areas.

Table 6 – Project Contractor Summary

Role	Number of Roles
Administration and commercial	6
Mining	106
Laboratory	37
Camp operations	25
Total	**174**

Assumption 12 - Product Transport

The cost of product transport to Darwin (FOB) has been estimated applying two transport components:

- estimating the quantity of each product in twenty-foot container equivalent units (**TEU**); and
- applying the quoted costs of moving each TEU by rail to Darwin, stevedoring costs and transfer costs (phosphoric acid product only).

The estimated product tonnages and transport costs per TEU are presented in Table 7:

Table 7 – Project Contractor Summary

Role	Tonnes per TEU	US$m per annum	US$/t product
NdPr oxide	20	0.4	96.4
SEG-HRE oxide	20	0.1	96.4
Phosphoric acid	25	11.9	83.2
Total		**12.4**	**276.1**

The Project's overall economics are insensitive to changes in product transport costs. Sensitivity analysis demonstrated that a ±10% movement in product transport costs results in less than a ±1% movement in the Project's net present value and internal rate of return. Accordingly, the product transport cost assumptions adopted in the 2022 Project Update were considered reasonable and appropriate for the 28 October 2025 Announcement.

Other Assumptions

General

The Nolans Project definitive feasibility study (**DFS**) was delivered in early 2019 (*refer to ASX announcement dated 7 February 2019*) demonstrating that Nolans is a world-class NdPr rare earths project which has the capacity to deliver robust economic outcomes at low unit operating costs over a LOM of 23 years. Further work on the processing of certain geological material types, along with additional mine optimisation, design and mine scheduling, resulted in the Ore Reserves being updated (*refer to ASX announcement dated 16 March 2020*). These updated Ore Reserves support a 33-year production life based on Ore Reserves only or a 38-year life based on the ore reserves and inferred mineral resources. To optimise the Project production profile and economic outcomes, the updated mine scheduling also includes a minor increase in concentrate processing capacity in the proposed processing plant design.

In addition, since the release of the DFS, Arafura has completed the final phases of an extensive 4-year metallurgical pilot program and finalised the assessment and analysis of the results of this program *(refer to ASX announcement dated 21 January 2021)*. The completion of this metallurgical pilot program resulted in several process flowsheet modifications to incorporate the results of the testing and optimise the metallurgical performance of the circuit. The changes included the deferral of cerium production *(refer to ASX announcement dated 21 April 2021),* to allow for the focus on the ramp-up of on-specification high value NdPr production and offset the risk of downward pressure on cerium price.

In 2021, the Company completed a Feasibility Study Update to incorporate the impact of the increased Ore Reserve and process flowsheet changes from the Project's DFS (refer ASX announcement dated 11 May 2021). The mining and production scheduling have not been updated from the 2021 Feasibility Study Update (*refer ASX announcement dated 11 May* 2021) with all assumptions and constraints relating to mining and production being unchanged. All scheduling in this previous work was carried out in the same manner and using the same constraints, unless otherwise noted, and techniques as those used in the Updated Mining Study (*refer to ASX announcement dated* 16 March *2020*).

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In 2022, the Company prepared a Nolans Project Update to provide updates to material assumptions given significant work was completed to finalise the project definition and to provide cost certainty of project outcomes from the completion of front-end engineering and design (FEED) works on the hydrometallurgical plant.

All other material assumptions, unless otherwise noted in this announcement, have been previously disclosed (or referred to) in the 2022 Project Update and the Company confirms that these unaltered assumptions continue to apply and have not materially changed.

Assumption 13 - Foreign Exchange

The USD:AUD and EUR:AUD exchange rate forecasts have been updated based on Deloitte's June 2025 Access Economics report and average 0.69 and 0.62 over LOM respectively.

Assumption 14 - Royalties

In May 2024, the Northern Territory Legislative Assembly passed the *Mineral Royalties Bill 2024* (**Royalty Bill**) which imposes an ad valorem mineral royalty on minerals extracted from the Northern Territory effective from 1 July 2024. The Royalty Bill replaced the *Mineral Royalty Act 1982* which imposed a net profit mineral royalty on minerals extracted from the Northern Territory combined with a minimum royalty amount and was used to derive the cost of royalties in the 2022 Project Update.

The mineral royalty calculation for the project has been updated to align with the Royalty Bill and is calculated as 2.5% of product revenues less transport costs.

In addition, an allowance has been made for payments in accordance with the Project's Native Title Agreement executed with the native title holders of the Project area.

The total average annual royalty cost over the LOM is US$20.0m.

Assumption 15 - Income Tax

Income tax assumptions have been prepared with reference to the provisions of the *Income Tax Assessment Act 1997* and other applicable Australian taxation legislation. The Company's carried-forward tax losses have been updated to A$242.6m, which have been assumed to be available for utilisation against future taxable income, based on the Company's assessment of the relevant legislative requirements in consultation with its tax advisers.

In addition, project development costs of A$197.4m which have been capitalised for income tax purposes have been assumed to be deductible over the life of the Project through tax amortisation, consistent with the applicable tax treatment of those expenditures.

The financial analysis incorporates the Critical Minerals Production Tax Incentive (**CMPTI**), which was introduced by the Federal Government as part of its Future Made in Australia framework. The CMPTI was enacted through the *Future Made in Australia (Production Tax Credits and Other Measures) Act 2025*, which received parliamentary approval in February 2025. The incentive provides eligible producers of specified critical minerals with a refundable tax offset equal to 10% of eligible processing and refining expenditure incurred in Australia up to a maximum period of 10 years. The Project has been assumed to satisfy the relevant eligibility criteria to receive the benefit of the CMPTI over the first 10 years of operations.

Assumption 16 – Financial Analysis Methodology

The financial evaluation of the Project has been undertaken using a discounted cash flow (**DCF**) analysis. The evaluation includes only cash flows from the Project and excludes potential cash flows from activities or other assets held by the Company. A net present value and internal rate of return for the Project have been calculated over a 38-year operational period.

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Accordingly, the DCF analysis and financial evaluation of the Project are undertaken on an ungeared basis and do not incorporate any potential uplift to equity returns from debt financing, with the Project assumed to be funded entirely through equity. This approach is standard practice in project financial evaluation, with financing effects considered separately to the underlying assessment of project cash flows.

The following assumptions are relevant to the financial analysis of the Project:

- The estimated project construction period is 37 months, consistent with recent disclosures on the Project schedule contained within the Company's quarterly reports.
- The estimated operational period for the Project is 38-years, based on processing the ore reserves and inferred mineral resources, including a two-year ramp-up period to full production and five years at the end of the LOM processing low grade material from long term stockpiles. Production scheduling is presented in this announcement under the heading "Assumption 18 - Production Forecast".
- Capital costs, including sustaining and debottlenecking capital, as presented in this announcement under the heading "Capital Costs".
- Operating costs as presented in this announcement under the heading "Operating Costs". An allowance for additional labour, reagents, consumables, and consultants has been made during the ramp-up period with an aim of reducing the ramp-up time.
- Product pricing forecasts as presented in this announcement under the heading "Product Pricing".
- Foreign exchange rates as presented in this announcement under the heading "Assumption 13 - Foreign Exchange".
- Closure costs have been developed in accordance with the Mine Closure Plan included in the Mine Management Plan and cover rehabilitation of the mining area, waste rock dumps, and the residue storage facility (**RSF**). Closure costs for the process plant and other infrastructure, including the accommodation village, are assumed to be offset by the salvage value of the assets for modelling purposes. A significant portion of closure costs are incurred in the later years of the Project life and therefore do not have a material impact on NPV and IRR.
- Discount rate of 8%.
- Royalty costs as presented in this announcement under the heading "Assumption 14 - Royalties".
- Income tax as presented in this announcement under the heading "Assumption 15 - Income Tax".

Assumption 17- Mining Operations

The use of contract mining operations was reviewed in the 2022 Project Update. It was determined that while contract mining operations offered a benefit in the early years of mining, there are significant operating cost savings possible by moving to an owner-operator model in the later years of the operation, once the mining operation had matured. As such it has been assumed that following commencement of mining using an external mining contractor for the campaign mining periods, through to Year 9 of operations, the operation will switch to an owner-operator model utilising leased mining equipment for the remainder of the LOM.

Assumption 18 - Production Forecast

The process plant has been designed for 1Mtpa of ore to produce 340,000 tpa of concentrate, which relates to a nominal 4,518 tpa NdPr oxide with a potential maximum of approximately 4,700 tpa depending on the mining schedule. Table 8 provides a breakdown of the specifications and average tonnages of the rare earth products.

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Table 8: Nolans Rare Earth Products

Rare Earth Products			
Product	**TREO (%)**	**REO / TREO (%)**	**Average REO* (t)**
NdPr Oxide	>99.5%	>99.9%	4,440
SEG/HRE Oxide	>99.5%	>99.5%	573
Total			**5,013**

** Average production is calculated as the arithmetic annual average following the anticipated two year ramp up period and excluding the final years of production from low grade stockpiles.*

The by-product of the process will be P_2O_5 contained in merchant grade (**MGA**) phosphoric acid with an average *annual* production of 77,972 tpa P_2O_5 in 144,393 tpa of MGA phosphoric acid.

Production by operating year is provided in Table 9.

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Table 9: Production by Operating Year

Year	yr.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Ore Processed	kt	590	814	699	765	814	919	853	853	854	1,098	980	740	947	1,020	999	1,384	1,296	998	771	835
Head Grade																					
P_2O_5	%	13.0	12.6	14.2	14.8	14.9	14.5	15.0	14.9	14.9	11.9	12.5	15.8	13.2	13.7	14.7	11.0	11.0	13.0	15.2	14.8
TREO	%	3.3	3.2	3.4	3.3	3.3	3.2	3.3	3.3	3.3	2.7	2.7	3.3	2.8	3.0	3.2	2.6	2.6	2.8	3.2	3.1
Beneficiation																					
P2O5 Recovery	%	68.8	78.7	85.7	84.1	80.9	75.6	77.0	77.0	77.0	76.1	83.2	87.7	80.3	68.6	67.3	61.9	67.6	78.9	86.4	80.8
TREO Recovery	%	66.5	75.8	83.5	79.0	74.9	67.0	70.2	70.3	70.3	67.2	74.9	82.6	72.4	59.0	59.4	49.8	57.9	71.4	81.2	75.5
Concentrate	kt	198	278	280	314	326	341	333	333	333	341	340	334	334	334	340	340	340	342	334	333
Final Production																					
NdPr Oxide	t	2,529	4,485	4,621	4,661	4,706	4,677	4,710	4,709	4,708	4,533	4,472	4,648	4,374	4,270	4,505	4,123	4,531	4,620	4,639	4,679
SEG/HRE Oxide	t	374	595	610	611	606	596	601	601	601	589	579	602	567	544	572	539	602	612	607	606
P_2O_5	kt	47	66	68	76	79	81	79	78	78	79	82	82	80	77	79	76	77	81	81	80
MGA Phos Acid	kt	88	123	126	141	145	149	146	145	145	147	151	152	147	142	146	140	143	150	150	148

Year	yr.	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	TOTAL
Ore Processed	kt	1,116	1,101	1,232	1,111	879	864	901	940	940	1,125	1,351	1,351	1,351	1,511	1,506	1,506	1,506	1,423	**39,940**
Head Grade																				
P_2O_5	%	12.1	11.5	11.2	12.4	15.5	16.0	15.8	15.3	15.3	13.3	11.6	11.6	11.6	8.6	8.1	8.1	8.1	8.1	**12.4**
TREO	%	2.7	2.7	2.5	2.7	3.4	3.4	3.4	3.3	3.3	2.9	2.6	2.6	2.6	2.1	2.0	2.0	2.0	2.0	**2.8**
Beneficiation																				
P2O5 Recovery	%	73.4	74.8	69.9	70.6	72.4	72	69.1	68.7	68.7	64.6	59.5	59.5	59.5	57.9	57.5	57.5	57.5	57.5	**69.6**
TREO Recovery	%	65.3	66.9	56.9	58.3	65.3	65.0	61.1	59.8	59.8	53.1	44.9	44.9	44.9	39.0	37.8	37.8	37.8	37.8	**58.7**
Concentrate	kt	341	325	340	340	340	341	340	340	340	341	340	340	340	276	258	258	258	243	**12,147**
Final Production																				
NdPr Oxide	t	4,662	4,578	4,133	4,144	4,585	4,590	4,498	4,448	4,448	4,128	3,701	3,701	3,701	2,841	2,610	2,610	2,610	2,754	**157,946**
SEG/HRE Oxide	t	610	604	540	533	584	587	575	570	570	530	477	477	477	373	345	345	345	326	**20,480**
P_2O_5	kt	79	75	77	78	79	80	79	79	79	77	75	75	75	60	56	56	56	53	**2,813**
MGA Phos Acid	kt	146	139	143	144	146	147	146	146	146	143	138	138	138	112	104	104	104	98	**5,209**

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Assumption 19 - Debottlenecking, Deferred and Sustaining Capital

Debottlenecking capital has been allowed over the ramp up period, at A$20m during the first and second years of operation, to cover unforeseeable modification to the processing plant to reach the design capacity. In addition, A$11m is included in Years 13 and 14 of operations to increase the capacity of the beneficiation plant from Year 14 through the addition of a ball mill, additional flotation capacity and a larger tailings thickener to maintain production rates as ROM grade declines.

Deferred capital for the chlor-alkali plant totals A$42m scheduled to commence in the sixth year of production and come into operation at the beginning of the eighth year of production.

Sustaining capital has been estimated as a below-the-line item to cover the funding required over the life of the Project to replace equipment at the end of its useful life or planned expenditure to modify the plant as necessary to sustain operations at the rated capacity. General sustaining capital was estimated by applying factors to direct costs, excluding earthworks using the same factors as outlined in the DFS.

In addition, sustaining capital has been estimated based on first principles for the following:

- RSF lifts.
- Re-sheeting of unsealed roads and hardstand areas.
- Surface water management relating to the diversion of Kerosene Camp Creek around the mining area.
- Geological grade control.

-ENDS-

Further Information:

Investors
Penelope Stonier
Chief Corporate Affairs Officer
+61 476 435 120
pstonier@arultd.com

Media
Luke Forrestal
GRA Partners
+61 411 479 144
luke.forrestal@grapartners.com.au

Authorised by:
Darryl Cuzzubbo
Managing Director

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Production targets

The information in this announcement that relates to production targets at the Nolans Project is extracted from the Company's ASX announcement dated 11 November 2022 (2022 Project Update). The Company's mineral resources includes 9% Measured Resources, 54% Indicated Resources and 37% Inferred Resources. The production target is based on 12% Proved Reserves, 62% Probable Reserves and 26% inferred resources as reported in the Company's ASX announcement dated 11 November 2022. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. Arafura confirms that all material assumptions underpinning the production target set out in the 2022 Project Update continue to apply and have not materially changed.

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