ASX ANNOUNCEMENT

Business and Offtake Update

30 June 2026

Arafura Rare Earths Limited (**ASX: ARU**) (**Arafura** or the **Company**) is pleased to provide an update on activities supporting the development of the Nolans Project (**Nolans** or **Project**) including ongoing progress on construction readiness, offtake arrangements and financing.

As the Company finalises project funding requirements, workstreams are increasingly focused on construction mobilisation and execution readiness.

HIGHLIGHTS

- **Binding Term Sheet signed with a member of an Indian Industrial group for 500tpa of NdPr Oxide over a minimum five (5) year period, with an option to extend for a further two (2) years by mutual agreement with pricing to be based on a seaborne traded index**
- **Northern Territory Procurement roadshows scheduled to connect Territory Capability to Territory Opportunities**
- **Funding strategy is nearing completion with lenders working through final credit approvals ahead of executing project finance documentation**

Construction Update

Priority activities relating to the reinstatement of site-based camp facilities, water and power have now been completed at the project site following the Company announcing a final investment decision (**FID**) for Nolans on 21 May 2026. These initial activities enable the Company to be in a position to commence construction in September (as targeted)[1].

In addition, since FID, the Company has filled the currently available roles within the owner's team, with all members expected to be mobilised before the end of July 2026.

Following the announcement of Nolans being declared a Significant Project by the Northern Territory Government (**NTG**) (refer to the Company's ASX announcement dated 1 June 2026), the Company has issued a Letter of Commitment to the NTG. The Company has committed to maximising the benefits generated by the Project, not only through direct investment in local infrastructure and employment opportunities, but by contributing to the Territory's long-term growth, capability and prosperity through ongoing collaboration.

Representatives from Arafura, Hatch (as the Company's EPCM contractor) and the Industry Capability Network Northern Territory (**ICN-NT**) will commence a series of events aimed at strengthening local and industry awareness and connecting Territory capability to Territory opportunities. The first of these events will take place in Alice Springs

[1] Commencement of construction remains subject to the Company achieving all remaining milestones, including in relation to debt and equity funding, and obtaining all required shareholder approvals in relation to those arrangements (which will be sought at the Company's EGM on 2 July 2026).

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and Darwin on the 29th and 30th of June respectively. The events are supported by ICN-NT with the ICN Gateway being a nationwide platform for accessing available packages, registering expressions of interest and submissions.

Offtake Update

The Company has today executed a Binding Terms Sheet for offtake under which the Company will supply up to 500 tonnes per annum (**tpa**) of rare earth magnet feed including NdPr, Dy and Tb over an initial five (5) year period, with an option to extend for a further two (2) years by mutual agreement. The price payable by the offtaker will be determined with reference to a seaborne traded index.

The offtake partner[2] is a special purpose vehicle (**SPV**) established by a member of a privately owned Indian industrial group that produces metals, critical minerals and technology. The Binding Terms Sheet is subject to the execution of full form documentation, compliance with Arafura's offtake policy as stipulated by Arafura's senior lenders and the offtake partner being selected, approved and formally designated as a beneficiary under the Indian Government's Ministry of Heavy Industries Scheme to Promote Manufacturing of Sintered Rare Earth Permanent Magnets (**Scheme**). The Scheme provides for a ₹7,280 crore (~US$800m) incentive aimed at establishing a combined production capacity of 6,000 tonnes per annum of sintered rare-earth magnets in India across five projects (and provides capital incentives for plant construction and sales-linked incentives over five years). The Company understands that beneficiaries of the Scheme will be notified of their designation as beneficiaries during Q1 FY2027.

As referred to in the Company's Investor Presentation released to ASX on 22 May 2026, Arafura is in continuing discussions with other offtake counterparties regarding potential revisions to contract pricing, volumes and the inclusion of heavy rare earths. Discussions also include the potential to transition to an independent and transparent pricing index such as BMI or S&P Platts. The execution of additional volumes on improved pricing terms creates an opportunity to offset any potential volume adjustments with existing contracts. While these discussions continue, existing arrangements remain on foot and no offtake arrangements are expected to expire prior to entering into revised arrangements. If any revised arrangements are entered into or any existing arrangements expire, further announcements will be made at that time.

As the Company remains in offtake discussions with a number of parties, the Company intends to ensure that its disclosures do not compromise any commercially sensitive information or prejudice the Company's negotiating position. As a result, to the extent permitted by ASX guidance, Arafura will no longer disclose the identity of offtake counterparties unless the identity of the particular counterparty is itself material.

Financing

The Company confirms that lenders are now working through their final credit approvals. Contractual close on the project finance facilities remains subject to the completion of lender due diligence ahead of executing final form documentation. Following contractual close and subject to the satisfaction of various other conditions precedent (including the Company obtaining shareholder approval for the issue of securities to the cornerstone investors at its upcoming EGM), the Company will proceed to completion of the Export Finance Australia (EFA) and Kreditanstalt für Wiederaufbau (KfW) subscriptions.

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[2] For the purposes of ASX Compliance Update 02/25, the Company confirms that:

1. it does not consider the identity of the offtake partner to be information that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
2. this announcement contains all material information relevant to assessing the impact of the Binding Terms Sheet on the price or value of the Company's securities, and is not misleading by omission; and
3. it has included a description of the offtake partner in this announcement that is sufficient to describe any market sensitive information about the offtake partner, including its standing and creditworthiness (noting that if the SPV is designated as a beneficiary under the Scheme, the Company believes that it will have sufficient standing and creditworthiness).

Furthermore, the Company confirms that all relevant actions under the lenders' Environmental and Social Action Plan have been completed or are being progressed by the Company to support contractual close and commencement of construction.

Employee Incentives

2023 performance rights

On 1 July 2026, 4,811,712 performance rights issued under Arafura's Incentive Plan (which was approved by shareholders at the Company's 2023 Annual General Meeting) will vest following satisfaction of the vesting condition which required three years of continuous service from participants with the Company from the issue date of the performance rights. Each performance right entitles the participant to receive one fully paid ordinary share on exercise. No price is payable on exercise and these rights are exercisable for a period of two (2) years.

2026 performance rights

In relation to the performance rights issued under the Company's FY2026 Performance Rights Plan, the Company notes that the relevant measurement period for testing of milestones is from 1 July 2025 to 30 June 2026. The Company will assess performance milestones and determine which performance rights have vested. Further details will be provided in due course once milestone testing has been completed. The Company also notes that any vested performance rights are subject to a restriction period of 12 months (in relation to 50% of vested rights) and 24 months (in relation to the remaining 50% of vested rights). During the restriction period, the Board has the right to forfeit those rights in the event of material changes in the Nolans Project's capital and operating costs since the date of vesting where such material changes are deemed by the Board to have been within the control of the Company.

Waiver update

As set out in the Company's Notice of Meeting released to ASX on 3 June 2026, the Company had applied to ASX for a waiver of ASX Listing Rule 7.3.4 in relation to Resolution 3 (relating to the issue of Convertible Notes to NRFC). If obtained, the waiver would have enabled the Company to issue the Convertible Notes to NRFC later than three months after the date of the Meeting (which is to be held on 2 July 2026), subject to shareholders approving Resolution 3.

The Company advises that the waiver was not granted by ASX. Accordingly, unless another waiver is sought and obtained, the Convertible Notes the subject of Resolution 3 must be issued on or before the date that is three months after the date of the Meeting, unless the Company obtains further shareholder approvals in due course at future general meetings of the Company to extend the period for issue.

-ENDS-

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