AUSTRALIAN
RARE EARTHS

2026 Annual Report

SECURING
AUSTRALIA'S
ENERGY
TRANSITION
METALS


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Contents

Chairman's Letter

Dear Shareholders,

A year ago, we said that the strategic significance of rare earths had come into sharp focus. Over the 2025-2026 financial year, that shift has moved from sentiment to substance. Chinese export controls have widened, and in response, other governments have stood up strategic reserves and procurement frameworks. The world's reliance on a single-country supply chain for the magnets that power everything from electric vehicles to wind turbines and defence systems has become a mainstream policy concern rather than a specialist one.

And there's a growing realisation of the similar exposure to supply chain risk in other rare earth elements such as yttrium and the non-magnet heavy rare earths, essential to a range of other industrial and electronic applications.

Against that backdrop, Australian Rare Earths (AR3) has converted years of testwork and drilling into a defined development case. **The Koppamurra Rare Earths Project progressed to a Pre-Feasibility Study (PFS) and maiden Ore Reserve,** with the PFS' central case presenting a post-tax net present value of $858 million and a payback period, from first production, of under a year on initial capital of just $178 million.

Our Overland Uranium Project delivered further systematic drilling and, in the closing weeks of the year, an early-stage discovery of carbonatite with elevated concentrations of niobium and rare earth elements, opening a new avenue of value for the project. We are, in short, in a stronger position today than the macro tailwinds alone would suggest (and the tailwinds themselves have strengthened).

The Macro Context

China's export restrictions on rare earth elements, first announced in April 2025, expanded during the year to capture a wider basket of elements, including yttrium, gadolinium, samarium and lutetium in addition to the magnet rare earths dysprosium and terbium. For Western manufacturers of magnets, defence systems and clean energy technology, this has sharpened an uncomfortable truth: heavy and magnet rare earths are supplied almost exclusively from Chinese-controlled sources, and that concentration is now a live commercial and national security risk rather than a theoretical one. Koppamurra's product basket, weighted toward these elements, sits directly in the path of the diversification response that Western customers and governments are now pursuing.

In Australia, the policy intent we described a year ago has become policy in practice. Rare earths are now among the first minerals named for inclusion in the Federal Government's Critical Minerals Strategic Reserve, and AR3's $5 million grant under the Australian Government's International Partnerships in Critical Minerals program (of which $2.75 million had been received by the financial year end) has directly funded metallurgical testwork and co-funded our pilot-scale processing program with the Australian Nuclear Science and Technology Organisation (ANSTO).

Abroad, we have seen the US move from a one-off price support deal to such deals being struck with several others, Japan moving to strike a price support deal with an established Australian producer, and the launch of Project Vault as a private-sector led, US-EXIM backed commercial stockpile. The US has actively sought to corral countries toward a coordinated policy and pricing response to foster new, diversified rare earths supply, most notably through a February 2026 Critical Minerals Ministerial of over 50 countries.

The G7 Leaders' summit in France included an important declaration of intent to reduce reliance on any non-G7 member for rare earths and permanent magnets supply to below 60% by 2030, with an ambition to further lower that reliance further to 50% as soon as possible.

We await to see how these pledges are converted into concrete policy action, especially in Europe, but the message is clear: Government is no longer a passive observer of this sector; it is an active participant in de-risking projects.

The uranium thematic playing out at Overland is a parallel story. South Australia remains one of the world's premier uranium jurisdictions, home to the only three currently operating uranium mines in the country, and our exploration there this year took place against a backdrop of robust uranium prices driven by expanding global nuclear power programs and energy security imperatives. The new niobium-rare earth carbonatite discovery identified late in the year adds a further, unplanned dimension of upside to that ground. This serves as a reminder that systematic, well-targeted exploration can surface value beyond the commodity originally being sought.

> “Government is no longer a passive observer of this sector; it is an active participant in de-risking projects.”

> Koppamurra's technical and economic case is now defined, and Overland has added a promising new dimension.

AR3 continued to seek to shape rare earths industry policy at home and abroad, and to lift our profile among potential offtake partners. During the year, the Company participated in the Rare Earth Mines, Magnets and Motors Summit in Toronto, attended the opening of a new rare earth processing facility in Estonia by our technical partner Neo Performance Materials, and was invited to join an Austrade-sponsored delegation of Australian critical minerals companies to Washington DC to engage with US administration officials on closing critical minerals supply gaps.

These are not, by themselves, operational milestones, but they matter: they are how projects like Koppamurra become known to the governments, customers and financiers who will ultimately determine which projects get built.

Positioning AR3 for the Opportunity

Being the beneficiary of a favourable macro backdrop is not the same as being positioned to capture it, and the Board's focus this year has been on ensuring AR3 is the latter. Koppamurra's combination of shallow open-pit mining with rapid progressive rehabilitation, a proven heap leach flowsheet and a comparatively low initial capital requirement gives it a shorter, lower-risk path to future production than many peer rare earth developments; a genuine advantage when capital for small-cap developers remains difficult to source.

In the here and now, being confirmed as the first industry partner to access ANSTO's new pilot-scale processing facility removed the need for AR3 to fund and build its own pilot plant, saving time and capital at a critical stage of the Project's development.

With the Pre-Feasibility Study and maiden Ore Reserve now delivered, the task ahead is converting a well-defined project into a funded, constructed one. Much hard work still lies ahead, and the Board is realistic about the work still required to reach a final investment decision.

We believe the combination of a de-risked technical case and a structurally tightening supply picture for magnet and other heavy rare earths gives AR3 – and South Australia - a genuine opportunity to be part of the diversified, non-Chinese supply chain that governments and customers are now actively seeking to build.

With Thanks

The Company's ability to fund its work this year owes much to the continued support of our shareholders, who backed a $6 million placement to institutional, sophisticated and professional investors during the year, and to the Australian Government, whose IPCM grant funding has directly underwritten key testwork and pilot milestones.

I thank our shareholders and the Australian Government for their support, I thank my fellow directors for their continued guidance, and I thank the AR3 team, led by Managing Director Travis Beinke, for all the hard work and technical ingenuity they have brought to a year of substantial progress.

Conclusion

The themes that were emerging a year ago are now well established: governments are active participants in shaping critical minerals supply chains, and the strategic value of non-Chinese heavy and magnet rare earth supply has never been clearer.

Koppamurra's technical and economic case is now defined, and Overland has added a promising new dimension. As geopolitics, policy and market forces continue to move in this sector's favour, we believe AR3 is well placed to convert that opportunity into shareholder value.

Yours sincerely,

Angus Barker
Chairman
Australian Rare Earths Limited

Outlook

OVER THE YEAR AHEAD, OUR PRIORITIES ARE:

Progress pilot-scale operations at ANSTO and deliver Mixed Rare Earth Oxide product samples for customer qualification and offtake discussions.

Submit the Mining Lease Application for Koppamurra and continue the Definitive Feasibility Study, targeted for completion in 2027.

Advance project funding discussions across a range of options, ahead of a final investment decision.

Follow up the niobium-rare earth carbonatite discovery at Overland with further geophysics and drilling, alongside continued uranium exploration across our expanded tenure.

Maintain AR3's engagement with government and industry, in Australia and internationally, to ensure the Company continues to benefit from the policy momentum behind critical minerals.

CEO's Letter

Dear Shareholders,

In 2025–2026, Australian Rare Earths made substantial operational progress across our portfolio, advancing the Koppamurra Rare Earths Project from metallurgical testwork through to a Pre-Feasibility Study (PFS) and maiden Ore Reserve, while our Overland Uranium Project delivered further drilling results and, near year end, an unexpected new discovery. It has been a year in which the technical foundations we have been building came together into a defined, de-risked development case.

Operational Overview

At Koppamurra, we spent the first half of the year progressing metallurgical testwork with ANSTO, achieving magnet rare earth extraction rates of approximately 70% from ore and establishing a viable, low-technical-risk pathway from pregnant leach solution through to a Mixed Rare Earth Oxide (MREO) product.

A step-change improvement in heap leach performance, in which doubling the irrigation rate approximately halved leach cycle times without any loss in recovery, materially improved the Project's capital and operating cost profile.

That testwork underpinned the PFS and maiden Ore Reserve we released in June 2026; a post-tax NPV of A$858 million, a post-tax IRR of 99% and a payback of under a year on initial capital of A$178 million, built around a 26 Mt Ore Reserve at 920 ppm TREO and an updated global Mineral Resource of 243 Mt at 751 ppm TREO.

In parallel, we were confirmed as the first industry partner to access ANSTO's new pilot-scale rare earth processing facility in Sydney, avoiding the cost and time of building our own pilot plant and by year end, had approximately 30 tonnes of Koppamurra ore on-site and ready for processing. We also made steady progress on the regulatory path to production, with the Department for Energy and Mining's Scoping Report and our own baseline environmental studies supporting a Mining Lease Application we intend to submit by the end of calendar year 2026.

At Overland, we expanded our tenure to approximately 8,000 km² and completed 67 holes for approximately 6,370 metres of drilling across two campaigns during the year. The first, completed in the second half of 2025, confirmed a compelling ISR-amenable uranium target in the north-western region of EL7001.

The second, drilled across newly granted tenure in April and May 2026, tested two priority target zones defined from a detailed review of historic drilling, and while it did not return significant uranium intersections, the same program led from samples in drill hole OV167, to the discovery of a niobium-rare earth carbonatite mineral system at the R254 prospect. That is an early-stage result from a single hole, but the presence of pyrochlore and grades up to 1.16% TREO and up to 0.53% niobium make it a discovery we intend to follow up quickly.

Financial Overview

During the year, we raised approximately $6 million via a placement to institutional, sophisticated and professional investors, which together with $2.75 million received at financial year end under our $5 million Australian Government International Partnerships in Critical Minerals grant, has funded our testwork, technical and environmental studies and preparation for our pilot program, while maintaining a disciplined cost base.

I thank our shareholders for that continued support. We are now assessing a range of options from equity, debt, strategic partner investment, offtake-linked financing and government funding, to support Koppamurra through to a final investment decision and ultimately through construction.

Outlook

Looking ahead, our focus shifts from defining Koppamurra to advancing it.

We commenced pilot-scale operations at ANSTO shortly after year end, to produce MREO product samples for customer qualification and to support offtake discussions, alongside submission of our Mining Lease Application in 2026 and completion of a Definitive Feasibility Study targeted for 2027.

At Overland, we will follow up the niobium-rare earth discovery with further geophysics and drilling, while continuing to test the broader uranium potential of our expanded tenure position.

I thank the AR3 team for their commitment and technical depth over the past year, and our shareholders for their ongoing support. We are energised by the progress made and confident in our ability to keep converting technical results into project value.

Yours sincerely,

Travis Beinke
Managing Director and CEO
Australian Rare Earths Limited

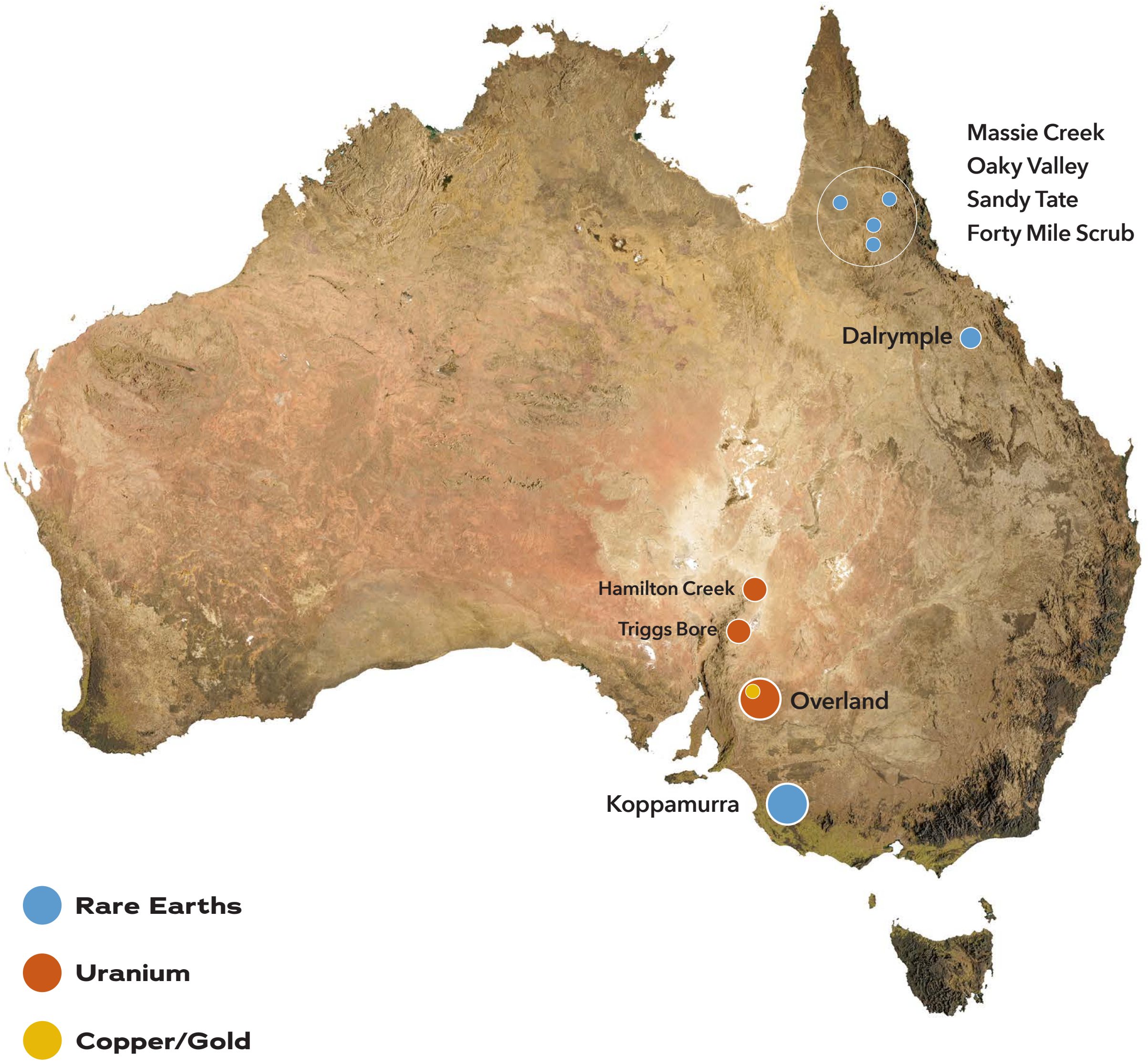
Operations Review

During the 2025–2026 financial year, Australian Rare Earths Limited (AR3 or the Company) continued to advance its diversified project portfolio, anchored by the Koppamurra Rare Earths Project in South Australia and Victoria and the Overland Uranium Project in South Australia, together with a portfolio of early-stage uranium and rare earths interests in South Australia and Queensland.

Koppamurra progressed during the year, advancing from metallurgical testwork through to a Pre-Feasibility Study (PFS) and maiden Ore Reserve, released in June 2026, together with the first delivery of Koppamurra ore to a pilot-scale processing facility.

Overland delivered further systematic drilling across an expanded tenure package, defined new uranium target zones informed by historic drilling data and, in the closing weeks of the year, an early-stage discovery of carbonatite with elevated concentrations of niobium and rare earth elements that represents a new exploration opportunity for the Project.

Diversified Project Portfolio



Koppamurra Project

Rare Earths Project SA & Vic Overview

The Koppamurra Project is AR3's flagship ionic clay-hosted rare earths development, spanning tenure in South Australia and western Victoria. During the year, the Project moved from metallurgical testwork to a fully defined development case, culminating in a Pre-Feasibility Study and maiden Ore Reserve that confirm Koppamurra as one of the more advanced ionic clay rare earths development projects in Australia.

Scale/Size	7,400km^2 Exploration Licence area
Ownership	100%
Maiden Ore Reserve	26Mt @ 920ppm TREO Magnet Rare Earth~26% of TREO including strategically valuable heavy Rare Earth Elements (REE's) dysprosium & terbium ~3%; along with yttrium, gadolinium, samarium and lutetium, now subject to China's expanded export controls
Mineral Resource	243Mt @ 751ppm TREO and untapped Exploration Target; significant scope for a multi-decade operation as the project scales
Offtake	Neo Performance Materials (Non-binding MOU for 50% offtake of stage 1)
Location & Jurisdiction	~300km SE of Adelaide, in South Australia and Victoria Australia: Low political risk; South Australia: Pro-mining state
Access: Road & Port	Within 8km of main highway with established road to site; Shipping via the Port of Adelaide ~380km from the project site (or Portland)
Workforce & Supporting Infrastructure	Access to skilled workforce regionally Drive in workforce with no requirement for camp or airstrip due to project location
Water & Power	Water Recycling of water within the process will provide for a low water consumption project; to be sustainably sourced from local aquifer Power Either onsite solution or connection to existing infrastructure tenure

Pre-Feasibility Study (PFS)

The Pre-Feasibility Study (PFS) confirms the potential for the Project to be developed as a technically viable, long-life rare earths project based on shallow open-pit mining, heap leach processing, rapid progressive rehabilitation and offsite calcination to produce a saleable mixed rare earth oxide product for supply to customers with rare earth oxide separation capabilities, either in Australia, the EU, U.S. or other suitable destinations.

The development case is underpinned by extensive drilling, metallurgical testwork, environmental studies and engineering design work completed by AR3 and its specialist consultants. The study provides the technical foundation for the next phase of project development, including Mining Lease Application (MLA) submission, pilot plant operation, product qualification, offtake engagement and definitive feasibility work.

Staged expansion potential

Long term optionality beyond initial 12-years.

- Highly attractive MREO production delivering meaningful quantities of a strategically critical suite of rare earths
- PFS targeted Southern portion of resource to support area around initial Mining Lease Application
- Scope for staged capital efficient expansion North to significantly increase mine life and production rates

Key Production Outcomes	Annual Average	LOM
Ore Mined (Mt)	3	34.9
Strip Ratio (waste: ore)	1.5	1.5
Average TREO Feed Grade (ppm)	927	924
TREO Recovery (%)	68	100
MREO Recovery (%)	68	100
TREO (t)	1,860	21,937
Neodymium Praseodymium (NdPr) (t)	435	5,136
Terbium (t)	9	102
Dysprosium (t)	48	563
Samarium (t)	69	814
Gadolinium (t)	67	788
Yttrium (t)	238	2,807
Lutetium (t)	4	50

PFS Highlights

COMPELLING ECONOMICS

A$858m
After-Tax NPV$_8$;
99% IRR;
~1 yr payback

HIGHLY ATTRACTIVE PRODUCT

High-value MREO basket with exposure to constrained heavy REE markets; including rare earths are increasingly critical to Western supply chains

LONG-TERM OPTIONALITY BEYOND THE PFS

Maiden Ore Reserve with initial 12-year mine life and substantial potential for a multi-decade operation as the project scales

CAPITAL-LIGHT DEVELOPMENT

A$178 million with capital efficiency ratio of 4.8; a clear signal of the value embedded in the asset

LOW TECHNICAL RISK

Shallow open pit mining, simple heap leach flowsheet and rapid progressive rehabilitation key driver of the project's robust economics

TIER-1 AUSTRALIAN JURISDICTION

Western customers seeking rare earth feedstock rich in heavies that can be delivered from allied nations with speed to market

Maiden Ore Reserve

In June 2026, Australian Rare Earths achieved a major milestone with the declaration of a maiden Ore Reserve for the Koppamurra Rare Earths Project. The Probable Ore Reserve of 26 million tonnes at 920 ppm TREO, converted from Measured and Indicated Mineral Resources, represents an important step in demonstrating the Project's development potential.

The maiden Ore Reserve provides a defined foundation for mine planning and supports the outcomes of the Pre-Feasibility Study. The study applied project-specific Modifying Factors, including mining, processing, metallurgical recovery, operating cost and pricing assumptions. The Reserve is underpinned by the updated Koppamurra Mineral Resource of 243 million tonnes at 751 ppm TREO, highlighting both the scale of the mineralised system and its potential for staged development.

The Ore Reserve grade is approximately 22% higher than the average grade of the global Mineral Resource, reflecting the opportunity to prioritise higher-value areas within the deposit during initial mine planning. The rare earth basket includes a significant proportion of magnet and heavy rare earth elements, including neodymium, praseodymium, dysprosium and terbium, which are critical inputs for high-growth applications such as electric vehicles, wind turbines and defence technologies.

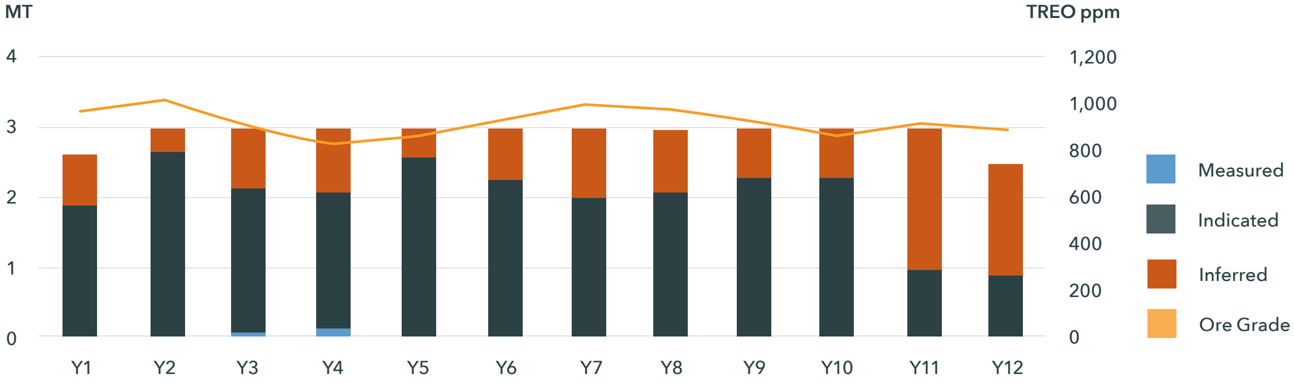
The maiden Ore Reserve materially de-risks Koppamurra and provides a strong platform for advancing approvals, detailed design, financing discussions and future development activities. Together with the broader Mineral Resource and Exploration Target, it reinforces AR3's confidence in Koppamurra's scale, quality and long-term growth potential.

The maiden Ore Reserve was central to the Koppamurra Pre-Feasibility Study, providing the mineable inventory used to support the proposed mine plan, production schedule, processing assumptions and financial evaluation. Supported by project-specific Modifying Factors, it gives AR3 a stronger basis for assessing development scale, capital requirements, operating costs and project economics.

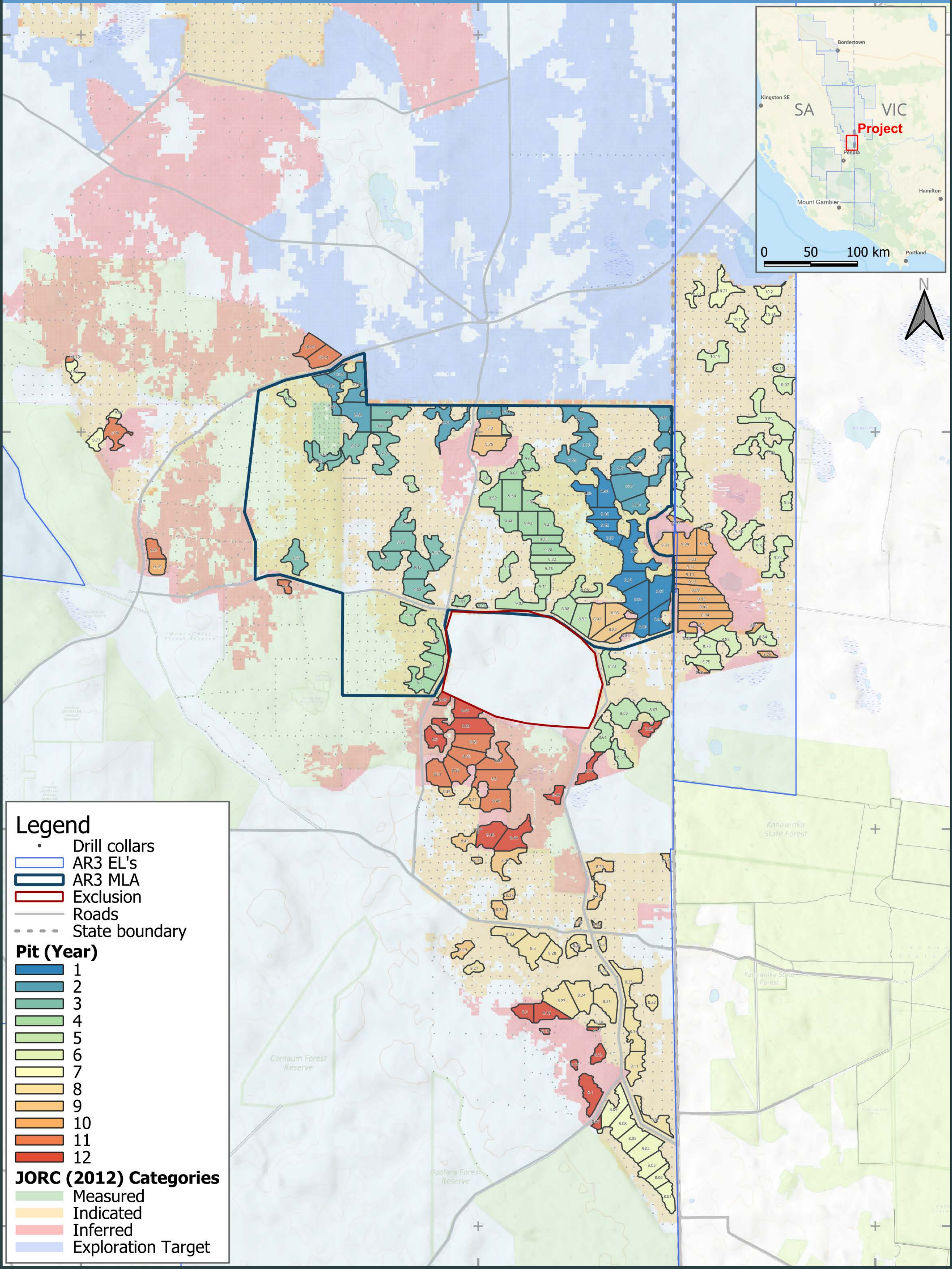
ORE RESERVE ESTIMATION AS AT 25 JUNE 2026

Category	Material	BD	TREO	TREO - CeO_2	La_2O_3	C_eO_2	Pr_6O_{11}	Nd_2O_3	Sm_2O_3	Gd_2O_3	
	Mt	(g/cm^3)	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	
Probable	26	1.6	920	602	141	324	43	167	33	32	
	Tb_4O_7	Dy_2O_3	H_o2O_3	Er_2O_3	Eu_2O_3	Tm_2O_3	Yb_2O_3	Lu_2O_3	Y_2O_3	U_3O_8	ThO_2
	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm
Probable	4.5	25	4.7	13	7.6	1.6	10	1.4	125	1.4	19

LIFE OF MINE PRODUCTION TARGET: RESOURCE CATEGORY AND GRADE



KOPPAMURRA PROJECT MINING SEQUENCE



2026 Mineral Resource Estimation

AR3 engaged the specialist consulting group Mineral Technologies to complete an update of the Koppamurra geological block model and Mineral Resource Estimate in 2026. Importantly, the update was primarily focused on improving the geological resolution and quality of the resource model, rather than simply incorporating additional drilling.

The work built on the previous Mineral Resource Estimate by integrating an improved geological and metallurgical understanding of the ionic-adsorbed clay mineralisation and its relationship with the underlying limestone and associated gangue material.

A key improvement was the refinement of geological domaining to provide greater resolution of the principal REE-enriched ore zones and improved separation of mineralised clay from material associated with the limestone contact and sporadic weathered limestone clasts.

The revised model defines Zone 3 as the principal REE-enriched clay domain, while Zones 4 and 5 provide additional geological resolution around the basal contact and areas containing weathered limestone clasts.

This approach provides a more representative model of the orebody and its associated gangue material, while preserving the interpreted continuity of the primary mineralised clay domain.

The revised geological domains were incorporated into updated grade interpolation and bulk density assignment, supported by domain-specific variography, contact analysis, sectional interpretation and statistical validation.

The resulting model provides improved definition of ore-zone geometry, grade distribution and internal geological variability, increasing confidence in the Mineral Resource model and providing a stronger foundation for mine planning, metallurgical evaluation and staged technical development of the Project.

Naracoorte office and facility

Koppamurra 2026 Mineral Resource Statement (JORC 2012)

The Global Mineral Resource reported above a 325 ppm TREO-CeO2 (TREO minus cerium oxide) cut-off grade for the Project is presented in the table below. This table conforms to guidelines set out in JORC Code (2012). The Koppamurra project comprises a total Mineral Resource estimate of 243 Mt @ 751 ppm TREO and 493 ppm TREO- CeO2.

The Global Mineral Resource JORC Categories are specifically stated as:

- Measured Mineral Resource of 0.9 Mt @ 773 ppm TREO and 502 ppm TREO-CeO2,
- Indicated Mineral Resource of 113 Mt @ 766 ppm TREO and 502 ppm TREO-CeO2, and;
- Inferred Mineral Resource of 130 Mt @ 737 ppm TREO and 486 ppm TREO-CeO2.

GLOBAL MINERAL RESOURCE ESTIMATE FOR THE KOPPAMURRA PROJECT 2026

Category	Material	BD	TREO	TREO - CeO_2	MREO	La_2O_3	C_eO_2	Pr_6O_{11}	Nd_2O_3	Sm_2O_3	Gd_2O_3
	Mt	(g/cm^3)	ppm	ppm	%TREO	ppm	ppm	ppm	ppm	ppm	ppm
Measured	0.9	1.6	773	502	25.1	125	271	36	135	27	25
Indicated	113	1.6	766	502	25.3	121	264	35	135	27	26
Inferred	130	1.6	737	486	25.3	121	251	34	130	26	24
Total	**243**	**1.6**	**751**	**493**	**25.3**	**121**	**257**	**35**	**132**	**26**	**25**
	Tb_4O_7	Dy_2O_3	H_o2O_3	Er_2O_3	Eu_2O_3	Tm_2O_3	Yb_2O_3	Lu_2O_3	Y_2O_3	U_3O_8	ThO_2
	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm
Measured	4	20	4	10	6	1	8	1	102	1	21
Indicated	4	20	4	10	6	1	8	1	106	2	19
Inferred	3	19	4	9	6	1	7	1	102	2	18
Total	**4**	**19**	**4**	**10**	**6**	**1**	**8**	**1**	**104**	**2**	**19**

Exploration Target

The Koppamurra Project retains a significant Exploration Target across the northern and southern extents of the Project, highlighting the substantial scale of the mineralised system beyond the current Mineral Resource. The Exploration Target occurs predominantly in areas where drilling remains widely spaced, but where existing drilling and downhole assay results demonstrate continuation of the geological setting that hosts the Koppamurra Mineral Resource.

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.

A cut-off grade range of 225 ppm to 425 ppm TREO-CeO_2 was used to define a Global Exploration Target range of (680 Mt @ 820 ppm TREO to 3620 Mt @ 540 ppm TREO) for the Koppamurra project area.

The Exploration Target covers large areas across the project both north and south informed by limited drilling and downhole assay results at this stage of project development.

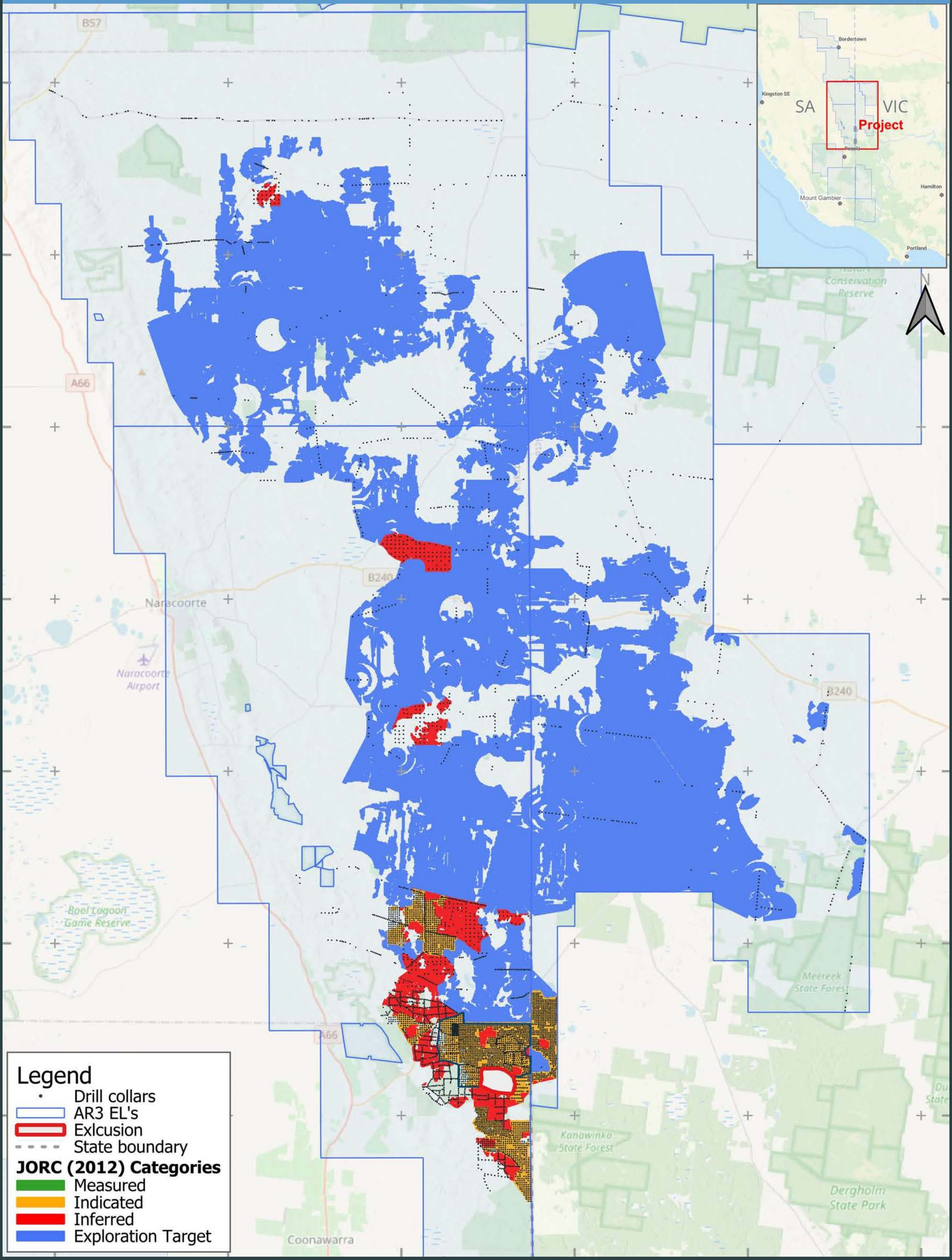
There remains an opportunity for the Exploration Target material to be converted into the Mineral Resource estimate upon the completion of additional aircore drilling in these areas.

Over the next 2 years, AR3 expects to undertake further drilling across priority areas of the defined Exploration Target. The program is intended to progressively test geological continuity and reduce drill spacing from the current widespaced pattern to approximately 240 m and, where warranted, 120 m, providing additional data that may support future Mineral Resource estimation.

SUMMARY OF 2026 GLOBAL EXPLORATION TARGET

Material Type	Zone	Material	BD	TREO	TREO - CeO_2	MREO	Dy_2O_3	Tb_4O_7	Nd_2O_3	Pr_6O_{11}
Target		Mt	(g/cm^3)	ppm	ppm	ppm	ppm	ppm	ppm	ppm
	3	650 - 3120	1.6	560 -820	360 - 540	140 - 210	15 - 20	3 - 4	100 - 150	25 - 40
	4	30 - 500	1.6	420 - 690	300 - 500	110 - 190	10 - 20	2 - 3	80 - 140	20 - 40
Total		**680 - 3620**	**1.6**	**540 - 820**	**350 - 540**	**140 - 210**	**15 - 20**	**3 - 4**	**100 - 150**	**25 - 40**

2026 KOPPAMURRA JORC CLASSIFICATION



Heap Leaching Mining Method

Australian Rare Earths is designing a staged, low impact mining approach, where small, higher grade areas are mined one at a time rather than developing one large continuous site.

Heap leaching has been selected as the method for extracting the rare earths from the clay. This is a mature and well understood extraction method. Temporary processing areas, known as heap leach pads, would be positioned central to the mining area, reducing movement of materials and supporting efficient water reuse.

As each area is completed, topsoil, subsoil and overburden are progressively returned, clay is washed and neutralised, and rehabilitation begins immediately rather than waiting until the end of the project. This staged approach keeps the active disturbance footprint small and allows land to be returned to productive land use quickly.

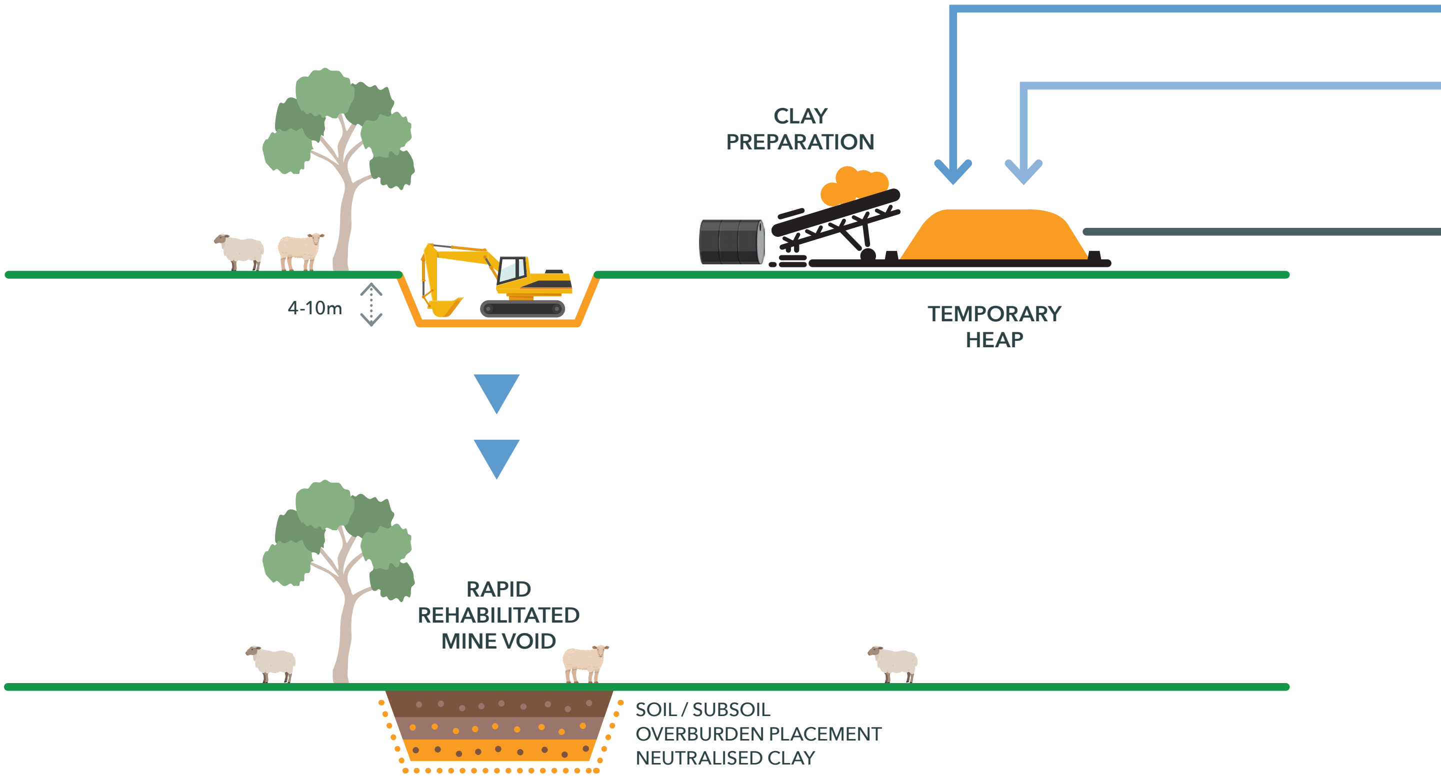
Koppamurra Process Flowsheet

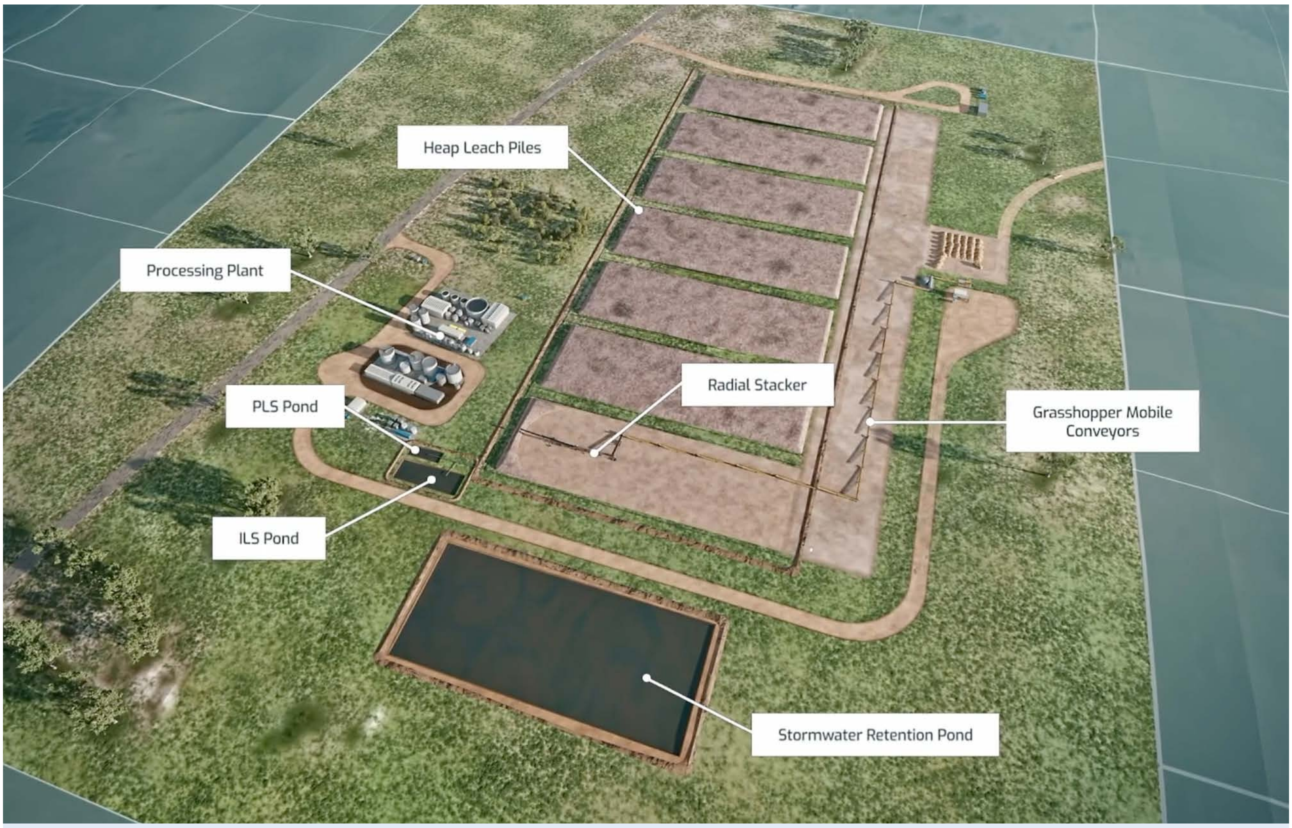
Simplifying the process to produce a high-purity Mixed Rare Earth Oxide.

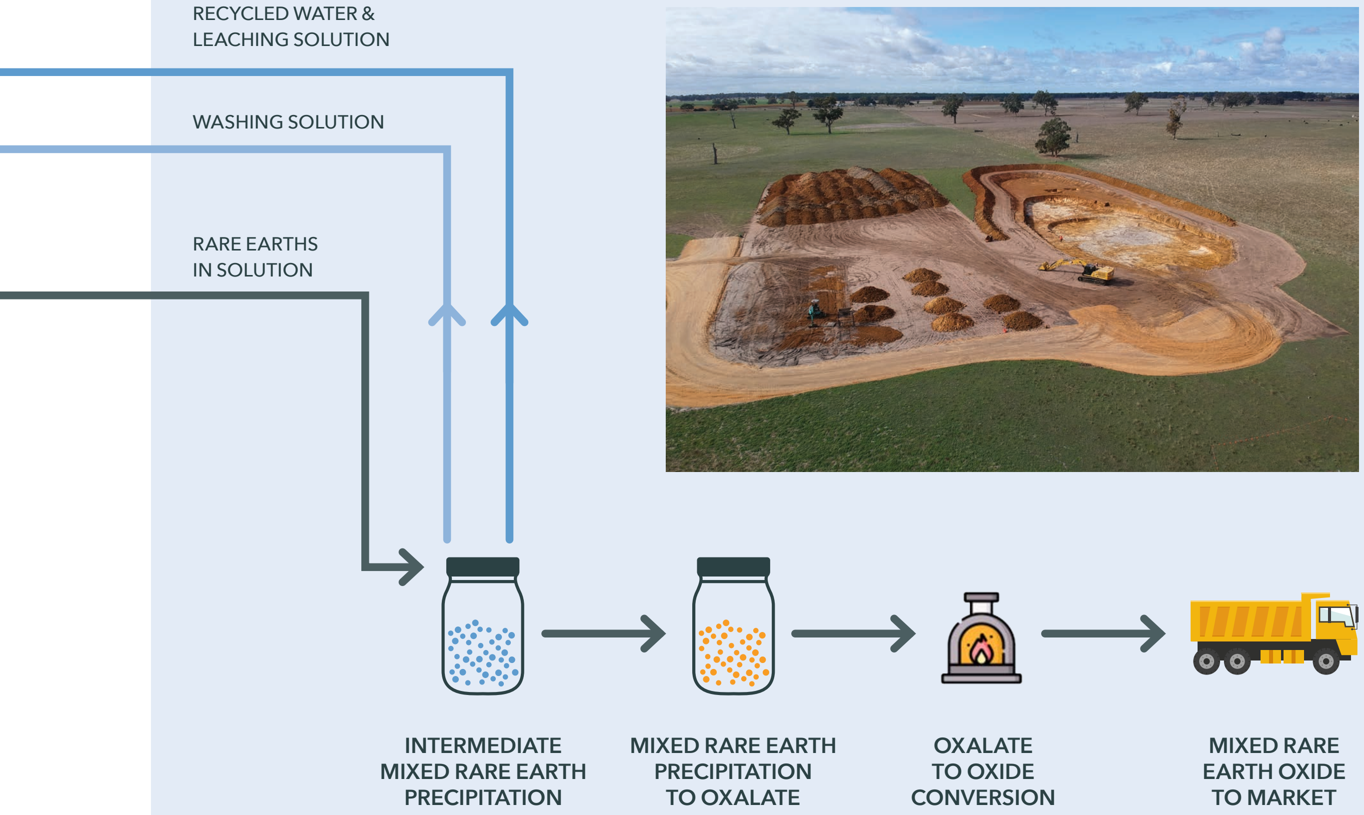
- Processing route delivers low capital cost, low-complexity operations
- Progressive Heap Leach and Rapid Rehabilitation
- Rare earth minerals extracted at ~pH 2.2 delivering ~68% TREO recoveries
- Simple oxalic acid precipitation provides for high rejection of impurities and produces a high purity, high value MREO with very low impurities
- Design is scalable and efficient with staged satellite developments

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.




Heap Leach Piles
Processing Plant
Radial Stacker
PLS Pond
Grasshopper Mobile Conveyors
ILS Pond
Stormwater Retention Pond


RECYCLED WATER & LEACHING SOLUTION
WASHING SOLUTION
RARE EARTHS IN SOLUTION
INTERMEDIATE MIXED RARE EARTH PRECIPITATION
MIXED RARE EARTH PRECIPITATION TO OXALATE
OXALATE TO OXIDE CONVERSION
MIXED RARE EARTH OXIDE TO MARKET

Metallurgical Testwork and Process Development

AR3 progressed a heap leach flowsheet in which rare earths are leached from Koppamurra ore into a pregnant leach solution (PLS) and then precipitated into marketable products. Column testwork conducted with the Australian Nuclear Science and Technology Organisation (ANSTO) delivered magnet rare earth extraction rates of approximately 70% from ore, together with high recoveries of yttrium (70%), gadolinium (69%) and samarium (66%).

A step-change improvement in heap leach performance was achieved during the year: through a doubling of the irrigation rate form 5 to 10 litres per square metre per hour. This approximately halved the time required to reach target magnet rare earth extractions of approximately 70%. Additionally, a halving of the magnesium sulphate reagent concentration had no measurable impact on extraction.

Together, these results point to a pathway toward lower capital and operating costs, through smaller heap leach pads, faster leach cycles and reduced reagent consumption, directly informing the capital efficiency subsequently confirmed in the PFS.

On the downstream side, AR3 established a viable, low-technical-risk pathway from PLS to a saleable rare earth product. An initial precipitation step, using low-cost magnesium oxide reagent, captured 99% of magnet rare earths from PLS into an intermediate Mixed Rare Earth Oxide (MREO) product (including 100% capture of terbium and dysprosium and 99% capture of neodymium and praseodymium) while reducing solution volume by approximately 98%, simplifying downstream processing.

A subsequent oxalate precipitation step recovered 99.9% of total rare earth oxides from solution, producing an oxalate product with less than 0.5% impurities by weight. Calcination of this oxalate – a conventional process with extensive commercial precedent – is projected to yield a final MREO product of approximately 98.6% rare earth and yttrium oxides by weight, with total impurities of approximately 1.4%.

Following an assessment of technical, cost and downstream processing factors, AR3 determined that production of an MREO via oxalate precipitation represents a simpler and more cost-effective route than the Mixed Rare Earth Carbonate (MREC) flowsheets pursued by most other Western ionic clay rare earths developers.

Testwork also confirmed a technically viable MREC product as an alternative, though no further work on this option is currently planned. This lower-complexity processing route, validated using conventional technology, underpins Koppamurra's positioning as a comparatively low-capital, low-risk development opportunity, and directly informed the positive project economics confirmed in the PFS.

This testwork directly informed the pilot-scale program now underway at ANSTO.

Sample of MREO filter cake from PLS precipitation

Sample of AR3's mixed rare earth oxalate

ANSTO Pilot-Scale Processing

In December 2025, AR3 was confirmed as the first industry partner to access ANSTO's new continuous pilot-scale rare earth processing facility in Sydney, avoiding the cost and time associated with constructing a dedicated pilot plant.

During the year, the Federal Government officially opened the facility and AR3 transported approximately 30 tonnes of Koppamurra ore to Sydney, where it remained on-site and ready for processing. Pilot-scale operations are targeting commencement shortly after year end, to produce MREO product samples for customer qualification and offtake engagement and to generate engineering data to inform the Definitive Feasibility Study (DFS).

Regulatory Approvals and Government Support

South Australia's Department for Energy and Mining approved and published a Scoping Report for Koppamurra during the year, defining the environmental, social and technical studies required ahead of a Mining Lease Application (MLA) and reducing duplication and uncertainty in the approvals pathway.

Building on this framework, AR3 completed baseline environmental studies during the year covering ecology, groundwater, stygofauna and sinkholes and preparation of the MLA remained on track, with submission targeted during 2026.

The project's development continued to be supported by the Australian Government's $5 million International Partnerships in Critical Minerals (IPCM) grant, which included co-funding of the ANSTO pilot program. Cumulative grant receipts reached $2.75 million by year end, with further tranches anticipated during the second half of calendar 2026 and into 2027, subject to AR3 achieving agreed milestones.

Looking Ahead

With the PFS and maiden Ore Reserve delivered, AR3's near-term priorities are pilot-scale operations at ANSTO, submission of the Mining Lease Application, delivery of product samples to potential customers, advancing offtake and project funding discussions, and completion of a Definitive Feasibility Study, targeted for 2027, ahead of a final investment decision.

No binding commitment for development funding had been received as at year end; AR3 is assessing a range of funding options, including equity, debt, strategic partner investment, offtake-linked financing and government funding; there is no certainty that funding will be secured on acceptable terms, or at all.

Official opening of ANSTO's new critical minerals piloting facility, Sydney. From left: Shaun Jenkinson (CEO, ANSTO), Travis Beinke (MD & CEO, AR3), The Hon Madeleine King MP, Michael Quigley (Board Chair, ANSTO), Cr Jack Boyd (Mayor, Sutherland Shire Council)

Uranium Portfolio

Overland Uranium Project, South Australia

The Overland Uranium Project is located in South Australia, one of the world's premier uranium jurisdictions and home to the only three currently operating uranium mines in Australia. AR3's exploration during the year took place against a supportive backdrop of robust uranium prices, driven by expanding global nuclear power programs and energy security imperatives.

Location	South Australia
Scale/Size	~8,000km^2
Ownership	~7,000km^2 100% and ~1,000km^2 AR3 Farm-In for 100% sedimentary hosted uranium rights
Commodity	Uranium, Copper, Gold, Rare Earth Elements and Niobium
Stage	Advanced greenfields exploration targeting near-surface and deeper In-Situ Recovery (ISR)-amenable sediment-hosted uranium mineralisation, with additional exploration licence applications pending to support future follow-up targeting.
Drilling	Potential follow-up drilling in the new year, subject to grant of additional tenure, targeting prospective sediment-hosted and ISR-amenable uranium mineralisation.
Initial Results	North–south trending prospective palaeovalley system defined, with targeting vectors from existing drilling and geophysical datasets being used to trace prospective stratigraphy into areas currently under application and guide future uranium targeting.
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

Land Tenure Expansion

AR3 expanded its Overland tenure during the year through the acquisition of EL6895 and the grant of EL7079, EL7080 and EL7081 over the Sedan area, increasing the Project footprint from approximately 7,700 km² to approximately 8,000 km² by year end.

2026 Drilling Program and New Uranium Targets

Drilling resumed at Overland in July 2025. Throughout the year, AR3 completed 67 holes for approximately 6,370 metres testing surficial calcrete, roll-front and in-situ recovery (ISR)-amenable uranium targets.

Results confirmed a compelling ISR-amenable uranium target in the north-western region of EL7001, where assay, gamma and pXRF results identified a permeable sand unit beneath a clay and lignite horizon at the base of oxidation, returning intersections including 2m at 87 ppm U_3O_8 from 69m, 1m at 213 ppm U_3O_8 from 73m and, along a second, higher-grade trend, 1m at 163 ppm U_3O_8 from 77m and 2m at 126 ppm U_3O_8 from 70m.

Drilling of the EL6895 calcrete target (13 holes for 661 metres) failed to reproduce the historic (1981) surface gamma anomalism that had originally attracted interest to the area; this specific target has been fully tested and will not be pursued further.

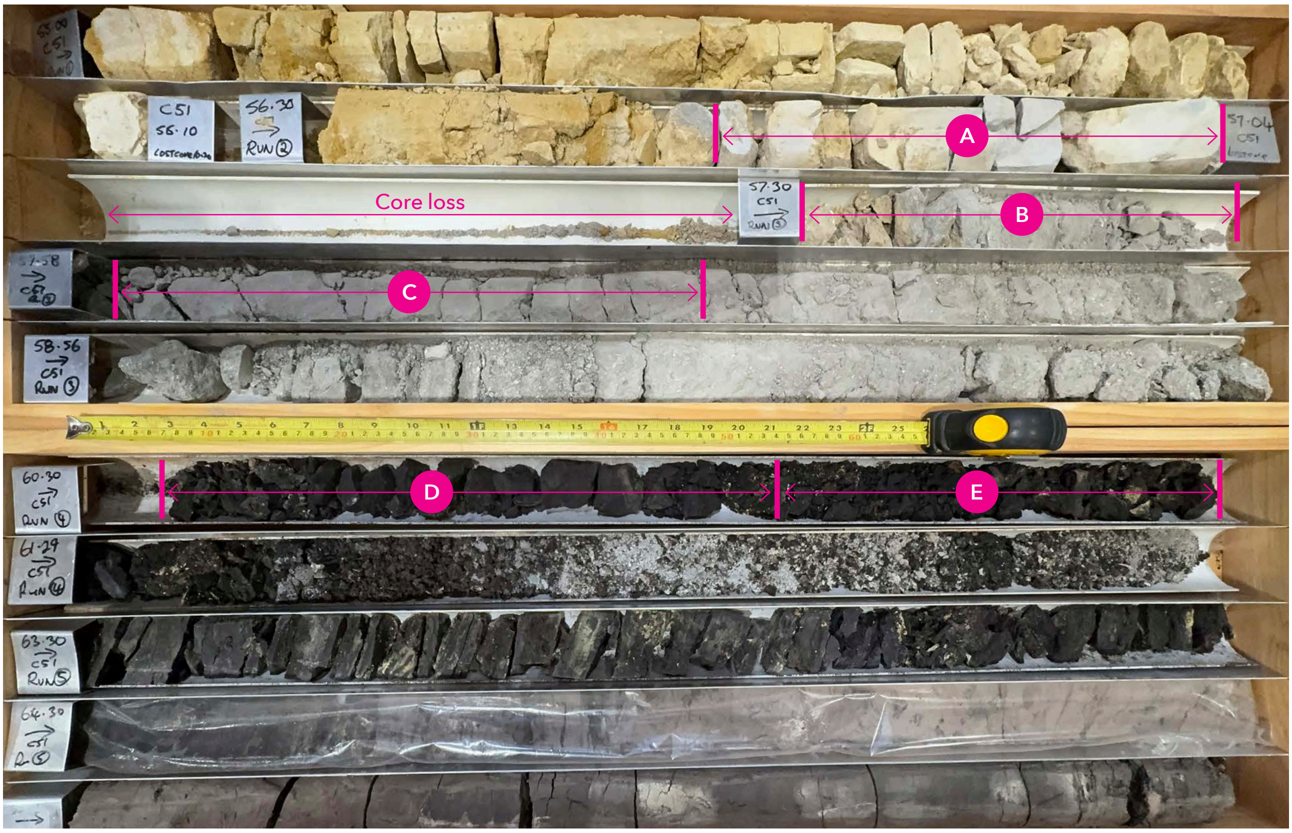
Exploration focus has shifted to the ISR-style targets described above.

Following the grant of EL7079, resampling of historic core hole C051 confirmed uranium mineralisation, including 0.44m at 159 ppm U_3O_8 from 56.6m, 0.70m at 153 ppm U_3O_8 from 57.3m and 0.90m at 201 ppm U_3O_8 from 60.3m, with numerous additional legacy drillholes across the area returning anomalous gamma responses.

This work, together with a comprehensive review of historic drilling across the Sedan area (originally drilled between 1979 and 1982 to evaluate a brown coal deposit), defined two priority sedimentary-hosted uranium target zones: the Western Flank Zone, within the Ettrick Formation overlying the Sedan coal seams and the Basal Sandy Unit, a thick sandy unit at the base of the sedimentary sequence interpreted as a potential source of uranium enrichment.

Air core drilling at EL6895, Overland Uranium Project

CORE HOLE C51, WITH SIGNIFICANT URANIUM ASSAY INTERSECTIONS MARKED.



- **A** Sample 4586338 - 0.44m @ 159ppm U_30_8
- **B** Sample 4586339 - 0.28m @ 140ppm U_30_8
- **C** Sample 4586340 - 0.42m @ 162ppm U_30_8
- **D** Sample 4586344 - 0.50m @ 243ppm U_30_8
- **E** Sample 4586345 - 0.40m @ 149ppm U_30_8

Sedan Drilling Program

AR3 secured regulatory approval to test the Western Flank Zone and Basal Sandy Unit and, commenced drilling on 29 April 2026.

A total of 22 aircore holes for 1,280 metres were completed across April and May 2026. Assay results confirmed anomalous uranium accumulations within the targeted sedimentary sequence but did not return significant uranium intersections. In total, AR3 completed 67 holes for approximately 6,370 metres of drilling at Overland during the year.

Additional Uranium Projects

AR3 also holds two smaller, early-stage uranium prospects in South Australia, Triggs Bore (EL7010) and Hamilton Creek (EL7011).

No exploration activity was conducted on these tenements during the year.

Niobium–Rare Earth Carbonatite Discovery

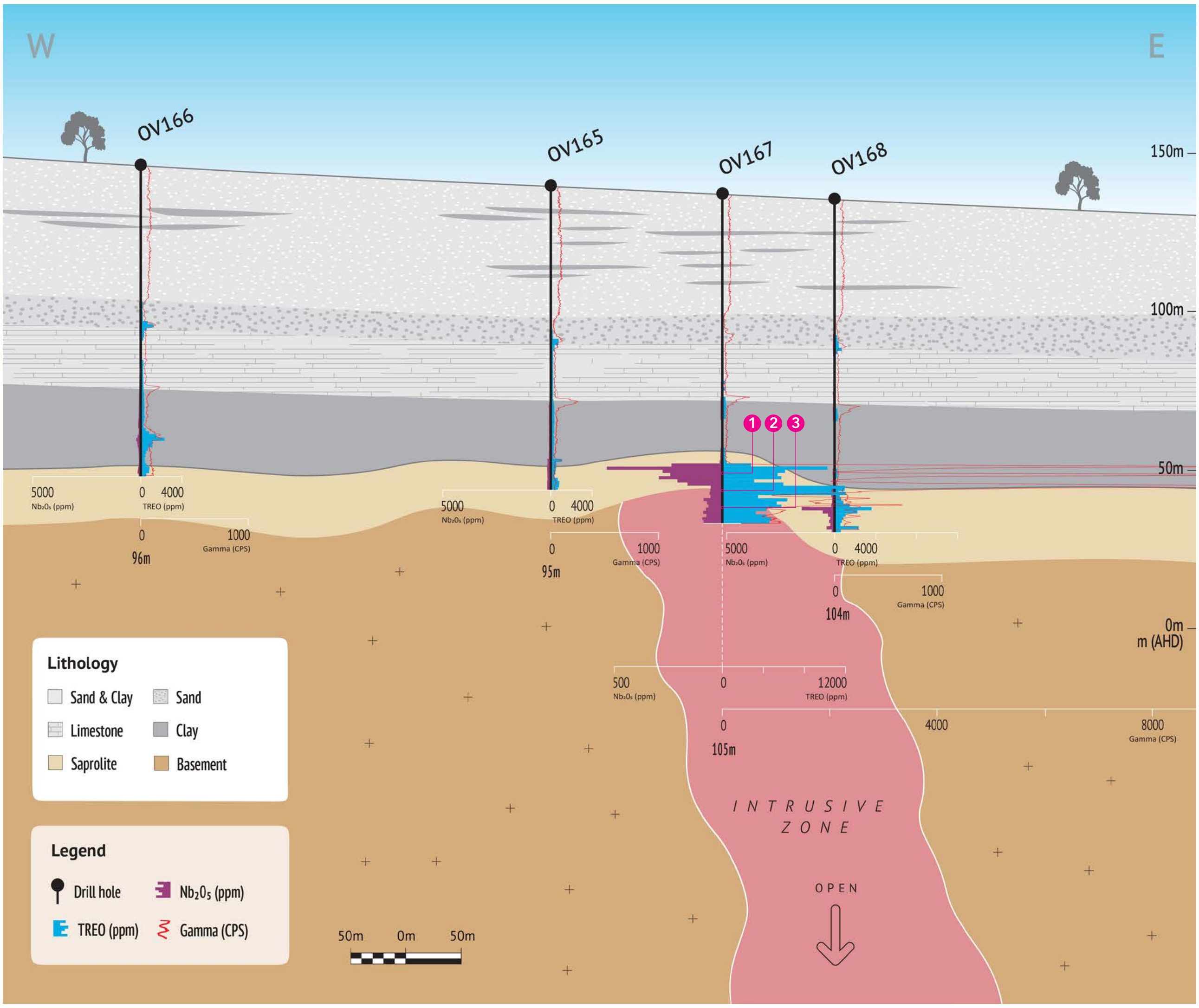
Subsequent to year end, on 8 July 2026, AR3 announced the discovery of a niobium-rare earth carbonatite mineral system at the R254 prospect within Overland, identified from samples collected during the Sedan drilling program.

Drill hole OV167 intersected 19 metres of anomalous rare earth and niobium mineralisation from 86 metres to the end of hole at 105 metres, grading 0.61% TREO, including 20% neodymium and praseodymium oxides and 1.7% dysprosium and terbium oxides of contained TREO – and including 7 metres at 0.56% TREO with 0.27% Nb_2O_5 from 86 metres, with the mineralised interval remaining open at depth.

Petrographic and scanning electron microscope analysis identified pyrochlore, the principal ore mineral in major niobium deposits globally, within the mineralised interval.

This is an early-stage result from a single drill hole: there is currently insufficient data to estimate a Mineral Resource and it is uncertain whether further exploration will result in one.

AR3 has planned follow-up geophysical surveys and drilling to test the extent of the system, representing a new exploration opportunity for Overland alongside its established uranium potential.

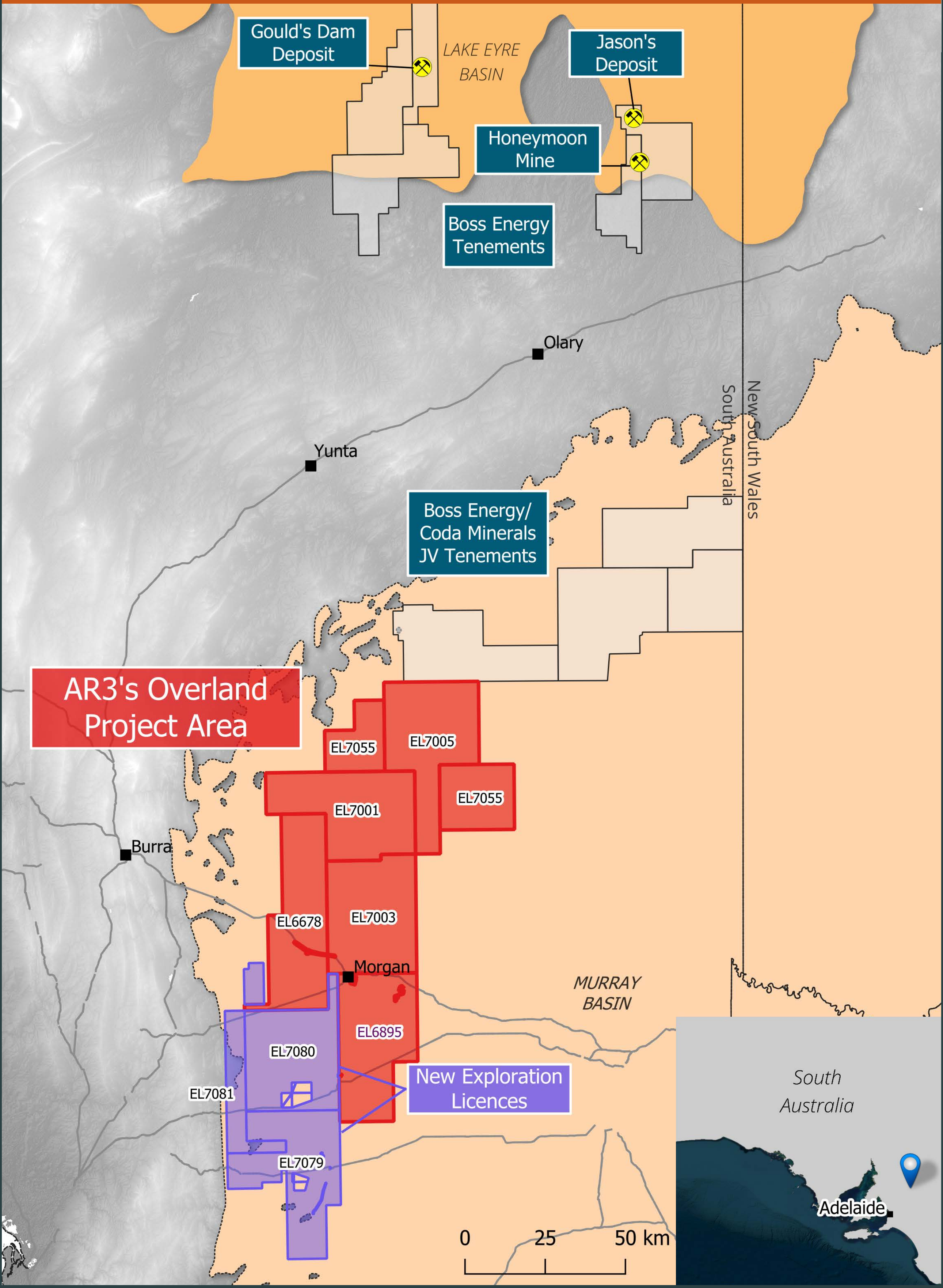


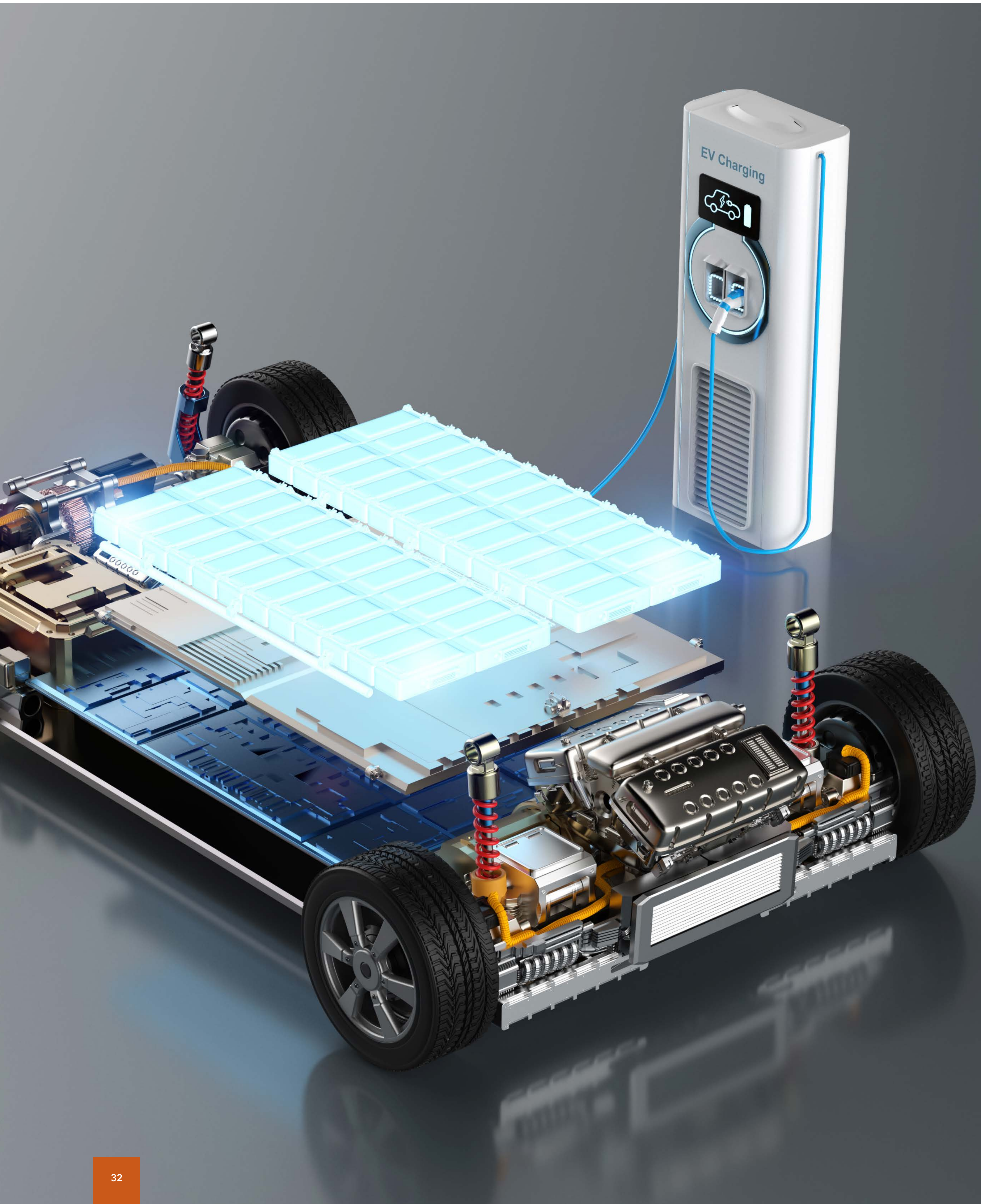
① 7m @ 0.56% TREO with 0.27% Nb_2O_5 from 86m (incl. 1m @ 1.0% TREO with 0.53% Nb_2O_5 from 87m)

② 3m @ 1.16% TREO from 93m

③ 9m @ 0.46% TREO from 96m

OVERLAND PROJECT AREA




EV Charging

Australian Rare Earths Tenement Interests

All granted tenement interests and tenement applications held at 30 June 2026 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	15-Sep-2020	100%
Koppamurra	EL6613	Frances	SA	Rare Earths	Active	06-Jul-2021	100%
Koppamurra	EL6690	Bordertown	SA	Rare Earths	Active	02-Nov-2021	100%
Koppamurra	EL6691	Keith	SA	Rare Earths	Active	02-Nov-2021	100%
Koppamurra	EL6943	Penola	SA	Rare Earths	Active	17-Oct-2023	100%
Koppamurra	EL6942	Mt Gambier	SA	Rare Earths	Active	17-Oct-2023	100%
Koppamurra	EL7254	Apsley	VIC	Rare Earths	Active	29-Apr-2021	100%
Koppamurra	EL7719	Minimay	VIC	Rare Earths	Active	29-Aug-2022	100%
Koppamurra	EL8208	Lake Mundi	VIC	Rare Earths	Active	11-Jun-2024	100%
Koppamurra	EL8254	Dartmoor	VIC	Rare Earths	Active	11-Jun-2024	100%
Massie Creek	EPM27952	Massie Creek	QLD	Rare Earths	Active	03-Oct-2022	100%
Dalrymple	EPM28165	Riverside	QLD	Rare Earths	Active	04-Jul-2023	100%
Dalrymple	EPM28166	Dalhberg	QLD	Rare Earths	Active	27-Jun-2024	100%
Dalrymple	EPM28167	Burdekin Dam	QLD	Rare Earths	Active	06-Nov-2023	100%
Dalrymple	EPM28168	Mt Wickham	QLD	Rare Earths	Active	04-Jul-2023	100%
Dalrymple	EPM28169	Stones Creek	QLD	Rare Earths	Active	09-Dec-2022	100%
Forty Mile Scrub	EPM28872	Forty Mile Scrub	QLD	Rare Earths	Active	07-Jan-2025	100%
Sandy Tate	EPM28901	Sandy Tate	QLD	Rare Earths	Active	07-Jan-2025	100%
Oaky Valley	EPM28902	Oaky Valley	QLD	Rare Earths	Active	2025-01-08	100
Overland	EL7001	Warnes	SA	Uranium	Active	01-Jul-2024	100%
Overland	EL7003	Bunyung	SA	Uranium	Active	01-Jul-2024	100%
Overland	EL7005	Stuart Vale	SA	Uranium	Active	01-Jul-2024	100%
Overland	EL6678	Sheer Gold	SA	Uranium	Active	24-Sep-2021	100%
Overland	EL8435	Charam	VIC	Rare Earth /HM	Active	14-Mar-2025	100%
Overland	EL6895	Stockyard Plain	SA	Uranium	Active	23-Dec-2022	100%
Overland	EL7080	Blanchetown	SA	Uranium	Active	05-Nov-2025	100%
Overland	EL7079	Sedan	SA	Uranium	Active	05-Nov-2025	100%
Overland	EL7055	Chowilla	SA	Uranium	Active	24-Mar-2024	100%
Hamilton Creek	EL7011	Moolawatana	SA	Uranium	Active	26-Aug-2024	100%
Triggs Bore	EL7010	Wirrealpa	SA	Uranium	Active	26-Aug-2024	100%

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 2026.

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 Whitcher
Chief Financial Officer and Company Secretary

Principal Activities

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

During the year the Company concentrated on progressing exploration and development activities at its flagship Koppamurra ionic clay rare earths project ("Koppamurra Project").

INFORMATION ON CONTINUING DIRECTORS

Angus Barker

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

Mr Barker is an experienced director and corporate finance adviser with more than 30 years' experience across investment banking, capital markets, mergers and acquisitions and public company boards.

He has advised clients across natural resources, financial services, infrastructure and technology, including through senior roles with Bank of America Merrill Lynch, Deutsche Bank and UBS.

His government advisory experience spans economic policy, trade, export finance and foreign investment, providing invaluable insight and expertise into government funding and critical raw materials supply chains.

Mr Barker holds qualifications from the University of Cambridge and the University of Melbourne and is a graduate member of the Australian Institute of Company Directors.

Interest in Shares and Options:

5,073,087 fully paid ordinary shares and 4,500,000 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:

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

Pauline Carr

Independent Director
BEc, MBA, FAICD, FGIA

Originally an accountant, Pauline Carr is an experienced non-executive Director and Chair with extensive commercial, management, compliance, and governance expertise in a range of sectors and has over 35 years' experience in the resources industry with both Australian and international listed companies.

She also has extensive experience with a range of Board Committees including audit and risk as well as people and remuneration committees.

Interest in Shares and Options:

141,668 fully paid ordinary shares and 1,500,000 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)

MANAGEMENT

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. Prior to commencing at AR3 he was OZ Minerals Group Manager Commercial followed by Group Manager Investor Relations leading the Company's engagement with equity markets.

Interest in Shares and Options:

280,754 fully paid ordinary shares, 2,213,335 unlisted options and 13,684,517 Performance Rights.

Special Responsibilities:

Nil

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

Nil

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 2026, 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	8	8	4	4	3	3
Pauline Carr	8	8	4	4	3	3
Travis Beinke	8	8				

Travis Beinke attended those parts of the Audit and Risk Management Committee and also the Remuneration and Nominations Committee meetings where no material personal conflicts were present. He is not a member of either Committee.

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.

Highlights

Unlocked significant project value through industry-leading metallurgical results and successful pilot-scale processing initiatives, substantially reducing technical risk and enhancing development confidence.

Koppamurra advanced through completion of the Pre-Feasibility Study and declaration of a maiden Ore Reserve.

Expanded the Company's critical minerals growth potential through the discovery of a new niobium-rare earth carbonatite system and advancement of highly prospective uranium targets at the Overland Project.

Strategy

The Group's strategic priority is the systematic advancement of its 100%-owned Koppamurra Project (Koppamurra), a significant ionic clay rare earth opportunity in south eastern South Australia and western Victoria. Koppamurra's scale, rare earth assemblage, and low radioactivity profile positions it as a potential long-term source of critical minerals for electrification,renewable energy, and advanced manufacturing.

Australian Rare Earths (AR3) continues to focus on exploration, resource definition, and technical evaluation at Koppamurra. This work has improved the Company's understanding of the project and informed ongoing assessment of processing, environmental, land access and stakeholder considerations.

Over the last 12 months , AR3 has achieved important milestones across its critical minerals' portfolio. At Koppamurra, the Company progressed publication of the Pre-Feasibility Study, advanced pilot plant preparations and completed key flowsheet and metallurgical studies.

The Company also has a second strategic growth platform, the Overland Project in South Australia where it has recently discovered a carbonatite system. These systems are globally important as major sources of rare earth elements and niobium: also known to host copper mineralisation. The Company is continuing its drilling at Overland with recent results confirming that this system is of a substantial scale. The expansion into uranium and other exploration at Overland complements AR3's rare earths focus and broadens the Company's exposure to critical energy transition materials.

Global demand for secure and diversified critical minerals supply chains continues to grow as governments and industry respond to electrification, decarbonisation and strategic supply risks. This provides a constructive long-term context for responsibly advanced rare earths projects in stable jurisdictions.

The Company's strategy is centered on disciplined project advancement, portfolio optionality, and long-term value creation through:

- advancing exploration, technical studies, and stakeholder engagement where projects demonstrate appropriate technical, commercial, environmental, and social merit; and
- pursuing complementary opportunities where the Company can apply its technical, commercial and governance capability to enhance shareholder value.

The Board remains committed to disciplined growth, prudent capital allocation and opportunities aligned with the Company's capabilities and long-term objectives.

Summary of financial performance

The net loss of the Group for the year ended 30 June 2026 was $4,854,413 (30 June 2025: $3,478,481). The result principally reflects employee benefits expense of $1,487,010 (30 June 2025: $1,673,597), share-based payments expense of $1,789,158 (30 June 2025: $486,265), corporate consulting costs of $260,413 (30 June 2025: $276,921), depreciation and amortisation expense of $218,114 (30 June 2025: $222,958), exploration expensed of $58,268 (30 June 2025: $11,598), and other expenses of $1,385,880 (30 June 2025: $1,029,292), partly offset by total revenue of $344,429 (30 June 2025: $222,150).

During the year ended 30 June 2026, the Group's cash and cash equivalents decreased by $504,417 from $4,906,696 at 1 July 2025 to $4,402,279 at 30 June 2026. The Group received cash inflows of $616,636 from Research & Development Incentive refunds, $156,503 in interest received, $28,874 in receipts from customers, $2,010,000 in grant funding received from the Commonwealth Government, and $7,170,855 from the issue of shares.

These inflows were offset by payments for exploration and evaluation activities of $8,002,611, payments to suppliers and employees of $1,911,799, share issue costs of $405,736, lease payments of $140,374, payments for property, plant and equipment of $16,765, and payments for term deposits of $10,000. The Group had cash and cash equivalents of $4,402,279 at 30 June 2026, with total equity of $26,414,618 and exploration and evaluation expenditure of $22,125,232.

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 211,987,365 at 1 July 2025 to 256,074,545 at 30 June 2026. The increase of 44,087,180 Shares during the year reflected the issue of Shares under a placement to sophisticated and institutional investors, the exercise of Options issued under the May 2025 Rights offer, and the exercise of zero-priced Options issued under employee incentive arrangements.

- A total of 32,378,388 Shares were issued following a placement to sophisticated and institutional investors on 6 February 2026.
- A total of 10,724,028 Shares were issued to participants of the Company's May 2025 Rights offer, following the exercise of Options.
- A total of 984,764 Shares were issued following the exercise of zero-priced options expiring 30 September 2029.

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

UNLISTED OPTIONS

The number of unlisted options (Options) on issue increased during the year from 39,107,287 at 1 July 2025 to 46,485,347 at 30 June 2026.

This net increase of 7,378,060 is outlined below:

- A total of 18,189,194 Options were issued to participants of the Company's February 2026 placement. These options are exercisable at $0.2775 and expire 21 April 2029.
- A total of 3,000,000 Options were issued to Directors of the Company following shareholder approval at the Company's 2025 AGM. The Options are exercisable at $0.325 and expire 26 November 2028.
- A total of 2,047,658 Options were issued to Key Management Personnel (KMP) and other senior staff in lieu of part of the cash payments relating to FY25 Short Term Incentive (STI) awards. The options are exercisable at nil consideration and expire 30 September 2029.
- A total of 600,000 Options were issued under a consulting agreement. The Options are exercisable at $0.10 and expire 30 March 2029.

A total of 11,708,792 Options were exercised during the period, as summarised below:

- 984,764 zero-priced Options were exercised and converted into fully paid ordinary shares.
- 10,724,028 Options exercisable at $0.10 each were exercised and converted into fully paid ordinary shares.
- During the period, a total of 4,750,000 Options lapsed unexercised.

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

PERFORMANCE RIGHTS

The number of Unlisted Performance Rights (Rights) on issue increased from 15,427,431 (1 July 2025) to 36,428,183 (30 June 2026) during the year as a result of the following events:

- On 1 December 2025, 21,000,752 Performance Rights were issued pursuant to the Company's Long Term Incentive Plan (LTI). The Rights have a measurement period of three years and are assessed at the end of the three year period. This is followed by tranche vesting over the subsequent three years for those rights which meet the assessment performance hurdles and vest.
- Subsequent to the end of the financial year, a total of 3,370,004 performance rights relating to the FY24 LTI issuance were cancelled due to performance conditions not being met. These cancellations occurred after 30 June 2026 and are therefore not reflected in the closing balance of Rights on issue at that date.

Refer to Note 21 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, progress exploration, and development activities, and create long-term shareholder value:

ACCESS TO FUNDING

The Company's future exploration and development activities rely on timely access to funding. Equity and debt markets can be affected by interest rates, inflation, investor sentiment, commodity price expectations, and broader market volatility. Inability to obtain adequate financing on acceptable terms may limit the Company's capacity to progress work programs, meet commitments, and deliver on its strategic objectives.

MINERAL EXPLORATION

While the Company applies expertise, technical discipline and rigorous evaluation to its exploration activities, there is no guarantee that economically recoverable resources will be identified. Even where resources are defined, geological variability, metallurgical performance, permitting requirements, infrastructure constraints, government policy, cost escalation, or insufficient funding may restrict successful development and commercialisation.

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 landowners or occupiers or Native Title holders. 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 position and market valuation may be influenced by global demand and pricing for rare earth elements, uranium, and related energy transition materials. These markets are affected by technology adoption, industrial policy, export controls, strategic stockpiling, defence demand, competing supply, and foreign exchange movements. Volatility in commodity or currency markets could affect funding capability, project economics, and investor sentiment.

MACROECONOMIC AND GEOPOLITICAL CONDITIONS

Rare earth and critical minerals markets continue to be influenced by geopolitical tensions, trade restrictions, supply chain concentration, and government policy intervention. Changes in export controls, tariffs, strategic partnerships, permitting settings, or public funding priorities may affect market conditions, project financing, development timelines, and the relative attractiveness of non-Chinese sources of supply.

SUPPLY CHAIN AND COST INFLATION

Exploration, drilling, metallurgical test work, and technical studies depend on access to specialist contractors, laboratories, equipment, reagents, and logistics. Supply chain disruption, labour constraints, exchange rate movements or inflation in drilling, fuel, transport, and technical services may increase costs or delay work programs.

COMMERCIALISATION AND CONTRACTUAL RISK

Future profitability and growth depend on the successful development of projects and execution of commercialisation strategies. Securing customers, strategic partners, offtake arrangements, processing pathways, and infrastructure access remains uncertain. The Company is also exposed to non-performance, counterparty risk, and changes in contractual or commercial terms, with no guarantee that disputes or enforcement matters will be resolved satisfactorily.

ENVIRONMENTAL AND COMPLIANCE

Operations require permits and compliance with evolving laws relating to exploration, mining, environmental protection, radiation management, cultural heritage, land access, and safety. While the Company manages compliance through procedures, policies and stakeholder engagement, future regulatory changes, licensing conditions, approval delays, or changes in government policy may adversely affect project development.

CLIMATE, WEATHER AND PHYSICAL DISRUPTION

Extreme weather events, changes in seasonal conditions, water availability and other climate-related factors may affect field access, drilling productivity, rehabilitation activities, and project schedules. Such events may also increase costs or constrain the availability of contractors, equipment, and logistics services.

COMMUNITY ACCEPTANCE AND REPUTATION

AR3 recognises that a strong mutual relationship with each community in which it operates is a pre-condition to successful operations. Failure to maintain those relationships and the acceptance by those communities may have an adverse effect on the Company's operations.

CYBER SECURITY AND DIGITAL INNOVATION

Cyber security risks are increasing in the external environment. Cyber security risks include computer viruses targeting IT systems, unauthorised access, cyber-attack (either targeted at the Company for financial gain or due to geopolitical matters), social media disinformation campaigns, penetration of the Company's systems (including through attacks on AR3's suppliers) and other similar matters. A cyber event may lead to adverse impacts on the Company's operations, financial performance and reputation. Digital technologies, including AI, are rapidly advancing. Misuse of AI could cause reputational damage to the Company and an increased risk of compromise of AR3's intellectual property. Failure to effectively adopt digital technologies could lead to less efficient business operations.

HEALTH AND SAFETY

The Company is subject to extensive laws and regulation in respect of the health and safety of its people and communities, and the protection and rehabilitation of the environments within which it operates. AR3 must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the implementation of the regulations by the permitting authority. Failure to manage these matters has the potential to cause personal injury, property damage and environmental contamination, and may result in the shutdown of affected facilities and in business interruption and the imposition of civil or criminal penalties and negatively impact the Company's reputation.

Significant changes to the state of affairs

Other than the matters described elsewhere in this Directors' Report, there have been no further significant changes to the state of affairs of the Company during the year ended 30 June 2026 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 has been detailed elsewhere in 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. The Company seeks to maintain compliance with these laws and regulations as part of its broader commitment to responsible exploration and environmental management. No notice of any breach has been received, and, to the best of the Directors' knowledge, no breach of any environmental regulations 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

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

The Board has a Remuneration and Nominations Committee (Committee) comprising solely of independent Non-Executive Directors. The Committee provides independent oversight of remuneration and nomination matters.

The Committee supports the Board by ensuring remuneration practices:

- align reward with sustainable shareholder value;
- attract, motivate, and retain high-calibre people;
- deliver fair outcomes by reference to performance, market practice, and regulatory obligations; and
- meet applicable governance and statutory requirements.

The Committee also oversees Director nominations, including the skills, independence and experience required to support effective Board composition. The Committee's Charter is available on the Company's website.

During the year, the Committee reviewed AR3's remuneration framework and operated the following at risk incentive arrangements:

- **Short-Term Incentive (STI)**
  Annual awards delivered in cash, equity, or both, subject to performance measures.
- **Long-Term Incentive (LTI)**
  Annual performance rights that vest over three years based on Relative Total Shareholder Return (70%) and strategic milestones (30%).

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

The Committee reviewed the aggregate shareholder approved pool for Non-Executive Director fees and determined that no change was required. The current maximum aggregate pool fee is $500,000. This was approved by shareholders in 2021. Board fees are not linked to Company performance, although Directors are encouraged to hold shares to align with shareholders.

In addition to fixed remuneration Executive remuneration may include at risk remuneration (the STI and LTI plans) and participation in the Company's Employee Option Plan and Employee Rights Plan. Non-Executive Directors do not participate in executive incentive arrangements and any equity grants to Non-Executive Directors are subject to shareholder approval.

The Board retains discretion to adjust remuneration, approve incentives and grant equity where appropriate to attract and retain executives. Executive contracts set out duties, rights, incentive entitlements, and termination provisions.

USE OF REMUNERATION CONSULTANTS

The sourcing, commissioning, and engagement of remuneration consultants in relation to matters that affect, or may affect, KMP remuneration is undertaken by the Remuneration and Nomination Committee, with consultants reporting directly to the Committee. During the year, the Company sourced remuneration benchmarking data from external sources. The Company did not engage a remuneration consultant during the year.

PERFORMANCE BASED REMUNERATION

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

During the reporting period, 11,444,437 performance rights (Rights), in aggregate were issued as remuneration to the Company's KMP. Details are shown in Note 21.

During the reporting period, 1,062,894 unlisted options (Options) were issued to KMP as the equity component of FY25 STI awards. This excludes the separate Director option grants approved by shareholders which are disclosed in Note 21.

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

Executives of the Company have at risk performance based short term and long term incentives 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 2025 ANNUAL GENERAL MEETING

The Company received 99.80% 'For' votes on its Remuneration Report for the financial year ending 30 June 2025 (98.44%, 2024). The Company received no specific feedback on its Remuneration Report at the 2025 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 2026	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 ($)	$0.105	$0.052	$0.078	$0.31	$0.375	$0.550	$0.30

B. Details of Remuneration

Details of the nature and amount of each element of the remuneration of each 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	2026	-	131,250	-	15,750	-	-	139,035	-	286,035	-%
	2025	-	125,000	-	14,375	-	-	-	-	139,375	-%
Pauline Carr Non-executive Director	2026	-	96,795	-	-	-	-	139,035	-	235,830	-%
	2025	-	91,575	-	-	-	-	-	-	91,575	-%
	Executive Director										
Travis Beinke MD / CEO	2026	411,000	-	93,644	30,000	-	-	138,780	437,839	1,111,263	60.3%
	2025	389,494	-	146,344	28,630	-	-	-	116,769	681,237	38.1%
	Key Management Personnel										
Noel Whitcher Company Secretary/CFO	2026	275,953	-	58,434	29,806	-	-	41,188	200,630	606,011	49.5%
	2025	261,269	-	91,319	28,630	-	-	3,396	43,937	428,551	32.3%
2026 Total		**686,953**	**228,045**	**152,078**	**75,556**			**458,038**	**638,469**	**2,239,139**	
2025 Total	**2025**	**650,763**	**216,575**	**237,663**	**71,635**	**-**	**-**	**3,396**	**160,706**	**1,340,738**	

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[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 1 December 2025 the Company issued 21,000,752 Performance Rights to eligible staff as part of its Long Term Incentive Program. The Rights are subject to performance hurdles and service criteria for the period 1 July 2025 to 30 June 2028.*

B. Details of Remuneration

AT RISK REMUNERATION

AR3's Short Term Incentive (STI) and Long Term Incentive (LTI) frameworks are designed to link remuneration with performance and shareholder outcomes. The STI rewards delivery against stretch annual business and individual objectives, while the LTI supports sustained value creation over a longer period. Together, these arrangements align executives and employees with shareholders and reinforce accountability, transparency and disciplined performance.

Feature	Short Term Incentive (STI)	Long Term Incentive (LTI)
Purpose	Rewards achievement of annual financial, operational and individual objectives.	Rewards sustained 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 (100%), including Koppamurra development, exploration, growth and delivery priorities.	Relative Total Shareholder Return (rTSR) (70%), strategic milestones (30%) and a requirement for continued employment.
Assessment	Board assessment of the performance measures with 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 *Share-Based Payment*
Change of Control	Board discretion applies.	Automatic vesting [1].

[1] *The Board has resolved that with effect from 1 July 2026 that automatic vesting be removed and changed to Board Discretion. Shareholder approval for the change to the Employee Performance Rights Plan rules will be sought at the Company's 2026 AGM in November 2026.*

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 claw back 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 claw back clauses, reinforcing the alignment of executive accountability with shareholder and Company interests.

D. Share based remuneration

OPTIONS - YEAR ENDED 30 JUNE 2026

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.

2025 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	26/11/2025	$0.325	$0.092	$139,035	Vest on issue	26/11/2028
P.Carr[3]	1,500,000	26/11/2025	$0.325	$0.092	$139,035	Vest on issue	26/11/2028
T. Beinke[3,4]	654,490	26/11/2025	$0.00	$0.21	$138,780	Vest on issue	30/09/2029
N. Whitcher [4]	408,404	1/10/2025	$0.00	$0.10	$41,188	Vest on issue	30/09/2029
	4,062,894				**$458,038**		

[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 $458,038 and is being expensed to profit or loss over the vesting periods applicable to the Options. Accordingly, an amount of $458,038 has been expensed to profit or loss under share-based payments expense for the year ended 30 June 2026.*

[3] *Options were issued following shareholder approval at the Company's Annual General Meeting held on 26 November 2025.*

[4] *Options issued to Messrs Beinke and Whitcher relate to the equity component of the FY25 STI awards issued in FY26. The number of Options was calculated using the 20-day VWAP up to and including 30 June 2025, with the Options subsequently valued at grant date.*

YEAR ENDED 30 JUNE 2025

No Options were issued as remuneration to any KMP during the 2025 Financial Year.

D. Share based remuneration

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 at risk LTI remuneration package contained in the employment contracts of senior executives. The Rights issued relate to the performance period 1 July 2025 to 30 June 2028 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 during the year are set out below.

2026 Performance Rights	Number granted [3]	Grant date	Fair value at grant date [1]		Performance period
Granted to			**$/Right**	**Full value($) [2]**	
T. Beinke	7,889,088	26/11/2025	$0.1766	$1,393,213	1 July 2025 – 30 June 2028
N. Whitcher	3,555,349	29/11/2025	$0.1766	$627,875	1 July 2025 – 30 June 2028
	11,444,437			**$2,021,088**	

[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 $2,021,088 and is being expensed to Profit or Loss over the vesting periods applicable to the Rights. Accordingly, an amount of $388,627 has been expensed to profit or loss under share-based payments expense for the year ended 30 June 2026.*

[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. The Market Value of the number of Performance Rights was $640,659 based on the 30 June 2025 30 day VWAP.*

Details of Performance Rights convertible to ordinary shares in the Company that were granted as remuneration to each KMP during the previous financial 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 Rights. 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 30 day VWAP, up to and including 30 June of the preceding financial year.*

SHARES

YEAR ENDED 30 JUNE 2026

The Company did not issue any shares as remuneration during the year ended 30 June 2026.

Details of Shares in the Company that were granted as remuneration to each KMP during 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**

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

E. Incentive payments included in remuneration

Details of the at risk 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 ($) [3]	Percentage of maximum potential STI which vested during the year ended 30 June 2026	Percentage of maximum potential STI which was forfeited during the year ended 30 June 2026
Travis Beinke [1]	$124,858 (including statutory superannuation)	56.6%	43.4%
Noel Whitcher [2]	$77,911 (including statutory superannuation)	56.6%	43.4%

[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 2026.*

[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 2026.*

[3] *Messrs. Beinke and Whitcher will receive their FY26 STI in the form of 75% cash and 25% equity in the form of Zero Exercise Priced Options.*

No other key management personnel were awarded short-term incentive payments as remuneration during the year ended 30 June 2026.

F. Other Information

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL AS AT 30 JUNE 2026

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

2026 Key Management Personnel	Held at 1 July 2025	Granted as compensation	Lapsed	Other issue (rights offer)	Held at 30 June 2026	Vested and exercisable at 30 June 2026
A. Barker	4,000,000	1,500,000	(500,000)	(500,000)	4,500,000	4,500,000
P. Carr	515,741	1,500,000	(500,000)	(15,741)	1,500,000	1,500,000
T. Beinke	1,558,845	654,490	-	-	2,213,335	2,213,335
N. Whitcher	264,567	408,404	-	-	672,971	672,971
Total	**6,339,153**	**4,062,894**	**(1,000,000)**	**(515,741)**	**8,886,306**	**8,886,306**

SHARE HOLDINGS OF KEY MANAGEMENT PERSONNEL AS AT 30 JUNE 2026

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:

2026 Key Management Personnel	Held at 1 July 2025	Issued as compensation	On-market purchase/sale	Other movement during the year	Held at 30 June 2026
A. Barker	4,573,087	-	-	500,000	5,073,087
P. Carr	125,927	-	-	15,741	141,668
T. Beinke	470,754	-	(190,000)	-	280,754
N. Whitcher	400,000	-	-	-	400,000
Total	**5,569,768**	**-**	**(190,000)**	**515,741**	**5,895,509**

RIGHTS HOLDINGS OF KEY MANAGEMENT PERSONNEL AS AT 30 JUNE 2026

The number of Performance Rights 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:

2026 Key Management Personnel	Held at 1 July 2025	Granted as compensation	Lapsed	Vested	Held at 30 June 2026	Vested and exercisable at 30 June 2026
T. Beinke	5,795,429	7,889,088	-	-	13,684,517	-
N. Whitcher	2,611,806	3,555,349	-	-	6,167,155	-
Total	**8,407,235**	**11,444,437**	**-**	**-**	**19,851,672**	**-**

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

END OF AUDITED REMUNERATION REPORT

Unissued shares under option

Unissued ordinary shares of Australian Rare Earths Limited under option at 30 June 2026 are:

Issued to	Issue date	Grant date	Number of options granted	Option exercise price [1]	Expiry date
Employee & Co. Secretary	26/11/2023	26/11/2023	1,108,333	$0.435	26/11/2027
Director	26/11/2023	26/11/2023	700,000	$0.435	26/11/2027
Director	8/11/2023	8/11/2023	1,500,000	$0.37	26/11/2026
Director	8/11/2023	8/11/2023	1,500,000	$0.50	26/11/2026
Employee	2/12/2022	2/12/2022	400,000	$0.50	2/12/2026
Director & Co. Secretary	2/12/2022	2/12/2022	1,150,000	$0.50	2/12/2026
Employee	20/12/2023	21/12/2023	1,500,000	$0.4739	20/12/2026
Director	26/11/2025	26/11/2025	3,000,000	$0.325	26/11/2028
Placement	1/5/2025	1/5/2025	16,374,926	$0.10	30/3/2029
Placement	21/4/2026	21/4/2026	18,189,194	$0.2775	21/4/2029
Director & Co. Secretary	27/11/2025	27/11/2025	1,062,894	$0.00	30/9/2029
			46,485,347		

[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 April 28 2025. See ASX announcement 22 July 2025.*

EVENTS SUBSEQUENT TO THE END OF REPORTING DATE

On 28 July 2026, the Board determined performance conditions pertaining to the FY2024 long term incentive plan were not met. Subsequently 3,370,004 performance rights were lapsed and were canceled.

On 11 August the Company announced the commencement of the Koppamurra Pilot Plant processing activities had commenced.

On 28 August the Company received a further $2.1 million installment under the Australian Government's International Partnerships in Critical Minerals (IPCM) Program, taking cumulative grant funding received to date to $4.85 million of the Company's $5 million IPCM award.

On 10 September the Company announced the Koppamurra Pilot Plant had produced a Mixed Rare Earth Hydroxide for the first time.

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2026 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 2026, 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 55 and forms part of the Directors' Report for the financial period ended 30 June 2026.

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

Angus Barker
Chairman

Dated this 24th day of September 2026

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

T +61 8 8372 6666

Auditor’s Independence Declaration

To the Directors of Australian Rare Earths Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Australian Rare Earths Limited for the year ended 30 June 2026, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 24 September 2026

grantthornton.com.au

ACN-130 913 594

Financial Report

Statement of Profit or Loss and Other Comprehensive Income

(For the Year Ended 30 June 2026)

	Notes	Consolidated Group	
		2026 $	2025 $
REVENUE			
Interest Income	3	$162,572	$222,150
Rental Income	3	$33,619	-
R&D Tax Incentive/R&D Refund	3	$148,239	-
TOTAL REVENUE		**$344,430**	**$222,150**
EXPENSES			
Depreciation	14	($73,905)	($76,126)
Amortisation Lease	17	($144,209)	($146,832)
Exploration expensed		($58,268)	($11,598)
Employee benefits expense		($1,487,010)	($1,673,597)
Share based payments expense		($1,789,158)	($486,265)
Corporate Consulting		($260,413)	($276,921)
Other expenses	4	($1,385,880)	($1,029,292)
LOSS BEFORE INCOME TAX EXPENSE		**($4,854,413)**	**($3,478,481)**
Income tax benefit	5	-	-
LOSS FOR THE YEAR		**($4,854,413)**	**($3,478,481)**
LOSS ATTRIBUTED TO MEMBERS OF THE PARENT ENTITY		**($4,854,413)**	**($3,478,481)**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**($4,854,413)**	**($3,478,481)**
EARNINGS PER SHARE		Cents	Cents
Basic loss per share	19	-2.09	-2.08
Diluted loss per share	19	-2.09	-2.08

The accompanying notes form part of the financial statements.

Statement of Financial Position

(As at 30 June 2026)

	Notes	Consolidated Group	
		2026 $	2025 $
CURRENT ASSETS			
Cash and cash equivalents	8	$4,402,279	$4,906,696
Trade and other receivables	10	$1,209,302	$836,911
Other assets		$52,715	$80,820
TOTAL CURRENT ASSETS		$5,664,296	$5,824,427
NON-CURRENT ASSETS			
Restricted Cash	9	$204,301	$194,301
Property, plant and equipment	13	$243,181	$300,321
Right to use asset - office lease	17	$232,615	$397,698
Exploration and evaluation expenditure	12	$22,125,232	$18,360,789
TOTAL NON-CURRENT ASSETS		$22,805,329	$19,253,109
TOTAL ASSETS		**$28,469,625**	**$25,077,536**
CURRENT LIABILITIES			
Trade and other payables	14	$1,118,951	$902,844
Contract Liability	15	$52,249	$291,682
Lease Liability	17	$152,063	$138,253
Employee benefits	16	$512,799	$549,861
TOTAL CURRENT LIABILITIES		$1,836,062	$1,882,640
NON-CURRENT LIABILITIES			
Lease liability	17	$201,566	$381,921
Employee benefits	16	$17,379	$5,781
TOTAL NON CURRENT LIABILITIES		$218,945	$387,702
TOTAL LIABILITIES		**$2,055,007**	**$2,270,342**
NET ASSETS		**$26,414,618**	**$22,807,194**
EQUITY			
Issued capital	18	$41,239,618	$34,582,912
Share based payment reserve	21	$2,275,841	$2,356,766
Retained earnings		($17,100,841)	($14,132,484)
TOTAL EQUITY		**$26,414,618**	**$22,807,194**

The accompanying notes form part of the financial statements.

Statement of Changes in Equity

(For the Year Ended 30 June 2026)

Year Ended 30 June 2025	Notes	Issued Capital $	Share Based Payment Reserve $	Accumulated Losses $	Total Equity $
BALANCE AT 30 JUNE 2024		$30,750,364	$2,827,265	($11,498,492)	$22,079,137
Loss for the year		-	-	($3,478,481)	($3,478,481)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	**($3,478,481)**	**($3,478,481)**
Transactions with owners in their capacity as owners:					
Issue of share capital		$3,877,870		-	$3,877,870
Share issue costs		($45,322)	-	-	($45,322)
Fair Value of performance rights issued during year			$286,471		$286,471
Fair Value of Options issued prior year			$87,519		$87,519
Transfer of Share based payments reserve to retained earnings			($844,489)	$844,489	-
TRANSACTIONS WITH OWNERS	20, 21	**$3,832,548**	**($470,499)**	**$844,489**	**$4,206,538**
BALANCE AT 30 JUNE 2025		**$34,582,912**	**$2,356,766**	**($14,132,484)**	**$22,807,194**
Year Ended 30 June 2026					
BALANCE AT 30 JUNE 2025		$34,582,912	$2,356,766	($14,132,484)	$22,807,194
Loss for the year		-	-	($4,854,413)	($4,854,413)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	**($4,854,413)**	**($4,854,413)**
Transactions with owners in their capacity as owners:					
Issue of share capital		$7,170,855	-	-	$7,170,855
Share issue costs		($514,149)	-	-	($514,149)
SHARE-BASED PAYMENTS					
Fair Value of performance rights issued during year			$1,171,908		$1,171,908
Fair Value of Options issued during year			$730,541		$730,541
Fair Value of Options exercised during year			($108,323)		($108,323)
Fair Value of Options issued prior year			$11,005		$11,005
Transfer of Share based payments reserve to retained earnings			($1,886,056)	$1,886,056	-
TRANSACTIONS WITH OWNERS	20, 21	**$6,656,706**	**($80,925)**	**$1,886,056**	**$8,461,837**
BALANCE AT 30 JUNE 2026		**$41,239,618**	**$2,275,841**	**($17,100,841)**	**$26,414,618**

The accompanying notes form part of the financial statements.

Statement of Cash Flows

(For the Year Ended 30 June 2026)

	Notes	Consolidated Group	
		2026 $	2025 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		28,874	-
Interest received		156,503	233,175
R&D refunds		616,636	707,638
Payments to suppliers and employees		(1,911,799)	(2,273,269)
NET CASH USED IN OPERATING ACTIVITIES	22	**(1,109,786)**	**(1,332,456)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(16,765)	(8,611)
Payments for exploration expenditure		(8,002,611)	(5,489,099)
Grant funding received / contract liability		2,010,000	750,000
Payments for term deposits		(10,000)	(20,000)
NET CASH USED IN INVESTING ACTIVITIES		**(6,019,376)**	**(4,767,710)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		7,170,855	3,603,851
Share issue costs		(405,736)	(45,322)
Lease payments	17	(140,374)	(156,699)
NET CASH FROM FINANCING ACTIVITIES		**6,624,745**	**3,401,830**
NET INCREASE/(DECREASE) IN CASH HELD		**(504,417)**	**(2,698,336)**
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		4,906,696	7,605,032
CASH AT THE END OF THE FINANCIAL YEAR	8	**4,402,279**	**4,906,696**

The accompanying notes form part of the financial statements.

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.

Adoption of the new and revised accounting standards

The Group 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.

Recently issued accounting standards to be applied in future accounting periods

There are no accounting standards that have not been early adopted for the year ended 30 June 2026, but will be applicable to the Group in future reporting periods.

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.

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.

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.

SHARE BASED PAYMENT TRANSACTIONS

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.

Note 1 – Statement of Material Accounting Policies (continued)

ISSUED CAPITAL

Ordinary shares are classified as equity.

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

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 are 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 2026 the company recognised a loss of ($4,854,413), had net cash outflows from operating and investing activities of ($7,219,162) and had accumulated losses of ($17,100,840) as at 30 June 2026. 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 company 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 company 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 Group.

KEY ESTIMATES

(i) Impairment Assessment

At each reporting date, the Company assesses exploration and evaluation assets for indicators of impairment, having regard to facts and circumstances specific to each area of interest. Where indicators exist, the carrying amount is tested against its recoverable amount in accordance with AASB 136. No impairment loss was recognised for the year ended 30 June 2026 (30 June 2025: Nil).

(ii) Exploration and Evaluation Expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

(iii) Share Based Payment

The Group measures the cost of equity-settled transactions with management and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined by the Board of Directors with reference to quoted market prices or using the Black-Scholes valuation method taking into account the terms and conditions upon which the equity instruments were granted. The fair value of performance rights is calculated using a Monte Carlo simulation. The assumptions in relation to the valuation of the equity instruments are detailed in note 21 when utilised. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(iv) Research and Development (R&D) Tax Concession

The Company is entitled to claim R&D tax incentives in Australia. The R&D tax incentive is calculated using the estimated expenditures multiplied by a 43.5% non-refundable tax offset. It has been established that the conditions of the R&D incentive have been met and that the expected amount of the incentive can be reliably measured. Estimated amounts receivable are recognised as a reduction in capitalised exploration and evaluation expenditure.

The financial report was authorised for issue on 24 September 2026 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

	2026 $	2025 $
Interest received	$162,572	$222,150
Rental income	$33,619	-
R&D Tax Incentive/R&D Refund	$148,239	-
Total other income	**$344,430**	**$222,150**

Note 4 – Other Expenses

	2026 $	2025 $
Compliance	$159,243	$192,792
Legal, insurance, Directors	$570,030	$418,334
Office and website expenses	$184,865	$124,760
Travel and airfares	$128,501	$103,685
Other expenses	$343,241	$189,721
Total other expenses	**$1,385,880**	**$1,029,292**

Note 5 – Income Tax Benefit / (Loss)

Income tax expense

The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax attributable to operating loss as follows:

	2026 $	2025 $
Income tax (expense)/benefit at 25% (2025: 25%) of operating loss	($1,213,603)	($869,620)
Tax effect of capital raising costs	-	-
Tax effect of Share-based payments expensed	$447,290	$121,566
Tax effect of non-assessable income (R&D Tax Incentive)	$586,100	$354,964
Tax effect of non-deductible expenses	$4,405	$488
Timing differences and tax losses not brought to account	$175,808	$392,602
Income tax (expense)/ benefit attributable to loss from ordinary activities	-	-

Income tax losses

Total deferred tax asset arising from carried forward tax losses not recognised as meeting probable criteria

	2026 $	2025 $
Gross income tax losses	($1,853,843)	($2,210,697)
Capital tax losses	-	-
Total tax losses	($7,680,014)	($5,826,171)
Tax Benefit of Losses at 25% (2025: 25%)	($1,920,004)	($1,456,543)

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management assesses the availability of carry-forward tax losses by determining whether the company satisfies the Continuity of Ownership Test or, failing that, the Same Business Test / Business Continuity Test pursuant to the provisions of the Income Tax Assessment Act 1997.

Significant judgment is required to determine if these statutory tests are passed from the respective loss years through to the utilisation or recoupment period. If ownership or business continuity changes occur, the continued availability of these losses remains subject to successfully satisfying one of these statutory alternative tests.

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- assessable income is derived of a nature and amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Note 6 – Key Management Personnel Compensation

(a) **Names and positions held of consolidated entity key management personnel::**

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

(b) **Key Management Personnel Compensation**

	2026 $	2025 $
Short term benefits	$1,067,076	$1,105,001
Post-employment benefit	$75,556	$71,635
Share-based payments	$1,096,507	$164,102
Total KMP compensation	**$2,239,139**	**$1,340,738**

Note 7 – Auditor Remuneration

	2026 $	2025 $
Audit Services - Audit and review of Financial Reports	$67,545	$56,175
Total auditor remuneration	**$67,545**	**$56,175**

Note 8 – Cash and Cash Equivalents

	2026 $	2025 $
Available cash at bank and on hand	$4,402,279	$4,906,696
Total cash and cash equivalents	**$4,402,279**	**$4,906,696**

Note 9 – Other Financial Assets – Bank Guarantees

	2026 $	2025 $
Bank guarantees in relation to rehabilitation obligations	$140,000	$130,000
Bank guarantees in relation to lease obligations	$64,301	$64,301
Total restricted cash / bank guarantees	**$204,301**	**$194,301**

Bank guarantees are held in relation to exploration rehabilitation obligations and lease obligations.

Note 10 – Trade and Other Receivables

	2026 $	2025 $
R&D	$1,019,814	$617,636
GST receivables	$184,743	$200,628
Other receivables	$4,745	$18,647
Total trade and other receivables	**$1,209,302**	**$836,911**

Note 11 – Investment in Controlled Entities

Name of Entity	Country of Incorporation	Ownership Interest
RDBD Developments Pty Ltd	Australia	100
Valrico Resources Pty Ltd	Australia	100
QRDBD Developments Pty Ltd	Australia	100
WRDBD Developments Pty Ltd	Australia	100

Note 12 – Exploration and Evaluation Expenditure

	2026 $	2025 $
Costs carried forward in respect of areas of interest i**n:**	$22,125,232	$18,360,789
Opening balance at beginning of year	$18,360,789	$14,171,743
Additions during the year	$7,033,690	$4,552,070
Acquisition of projects - equity	-	$142,930
Acquisition of projects - cash	-	$570,000
Grant Income	($2,249,433)	($458,318)
R&D tax incentives as receivable	($1,019,814)	($617,636)
Closing balance at end of year	**$22,125,232**	**$18,360,789**

During the year ended 30 June 2026, $29,191 of equipment depreciation was included in the amount capitalised as exploration and evaluation expenditure (30 June 2025: $29,191).

The capitalised exploration and evaluation expenditure represents an accumulation of all exploration costs attributable to the tenements in which the entity retains an interest. The recoverability of the capitalised exploration costs is dependent upon the successful development and commercial exploitation of each tenement, or alternatively, the sale of the tenements.

Note 13 – Property, Plant and Equipment

	2026	2025
Plant and Equipment at cost	$544,399	527,635
Accumulated depreciation	($301,218)	($227,314)
Movements in carrying amounts		
Opening balance	$300,321	$367,836
Additions / (disposals)	$16,765	$8,611
Depreciation expense	($73,905)	($76,126)
Closing balance	**$243,181**	**$300,321**

Note 14 – Trade and other Payables

	2026	2025
Trade payables	$999,546	$857,961
Other payables and accrued charges	$119,405	$44,883
Total trade and other payables	**$1,118,951**	**$902,844**

Note 15 - Contract Liability

	2026 $	2025 $
Movement in carrying amount		
Opening balance	$291,682	-
Grant funding received	$2,010,000	$750,000
Grant income earned	($2,249,433)	($458,318)
Total contract liability	**$52,249**	**$291,682**

The contract liability relates to cash received in advance under the International Partnerships in Critical Minerals Grant Program.

Note 16 - Employee Benefits

	2026 $	2025 $
Current		
Annual leave	$109,580	$92,005
Provision for bonus	$403,219	$457,856
Total current employee benefits	**$512,799**	**$549,861**
Non-current		
Long service leave	$17,379	$5,781
Total non-current employee benefits	**$17,379**	**$5,781**
Total employee benefits	**$530,178**	**$555,642**

Note 17 - Right-Of-Use Assets and Lease Liabilities

	2026 $	2025 $
Right-of-use assets		
Cost - office and warehouse premises	$752,274	$773,148
Less: accumulated amortisation	($519,659)	($375,450)
Total right-of-use assets	**$232,615**	**$397,698**
Reconciliation of right of use carrying amounts at beginning and end of period		
Carrying amount at beginning of year	$397,698	$513,401
Additions/(Disposals)	($20,874)	$33,119
Depreciation	($144,209)	($148,822)
Carrying amount at end of year	**$232,615**	**$397,698**
Lease Liabilities		
Current	$152,063	$138,253
Non-current	$201,566	$381,921
Total lease liabilities	**$353,629**	**$520,174**
Reconciliation of lease liabilities carrying amounts at beginning and end of period		
Carrying amount at beginning of period	$520,174	$643,754
Additions/(Disposals)	($41,848)	$12,024
Accretion of interest	$15,677	$21,095
Lease payments	($140,374)	($156,699)
Carrying amount at end of period	**$353,629**	**$520,174**

Note 18 – Issued Capital

	2026 $	2025 $
(A) SHARES ON ISSUE		
Issued Capital	$41,239,618	$34,582,912
Issued and paid up capital		
Fully paid ordinary shares	256,074,545	211,987,365

2026 Movement in fully paid shares:	**No. of shares**	**$ Cost of Capital**
Balance at beginning of year	211,987,365	$34,582,912
Shares Issued - exercise of options	11,708,792	-
Shares issued - placement	32,378,388	$6,656,706
Balance as at 30 June 2026	**256,074,545**	**$41,239,618**

2025 Movement in fully paid shares:	**No. of shares**	**$ Cost of Capital**
Balance at beginning of year	155,921,890	$30,750,364
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 at end of year	**211,987,365**	**$34,582,912**

(B) OPTIONS ON ISSUE

2026 Movement in fully paid shares:	**2026**	**2025**
Balance at beginning of year	39,107,287	29,371,480
Options exercised	(11,708,792)	-
Options lapsed	(4,750,000)	(16,763,147)
Options Issued - placement	18,189,194	26,498,954
Options issued - Officers and Employee's	5,047,658	-
Options issued - Consultants	600,000	
Balance at end of year	**46,485,347**	**39,107,287**

Options on issue at 30 June 2026	
exercisable at $0.37 and expiring on 26 November 2026	1,500,000
exercisable at $0.50 and expiring on 26 November 2026	1,500,000
exercisable at $0.50 and expiring on 2 December 2026	1,550,000
exercisable at $0.4739 and expiring on 20 December 2026	1,500,000
exercisable at $0.435 and expiring on 26 November 2027	1,808,333
exercisable at $0.325 and expiring on 26 November 2028	3,000,000
exercisable at $0.10 and expiring on 30 March 2029 (unless accelerated)	16,374,926
exercisable at $0.2775 and expiring 21 April 2029	18,189,194
exercisable at $0.00 and expiring on 30 September 2029	1,062,894
	46,485,347

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

(C) RIGHTS ON ISSUE

Movement in Performance Rights:	**2026**	**2025**
Balance at beginning of year	15,427,431	3,370,004
2025 LTI performance rights issued	-	12,057,427
2026 LTI performance rights issued	21,000,752	-
Balance at end of year	**36,428,183**	**15,427,431**

Note 19 - Loss Per Share

	2026 Cents	2025 Cents
Basic loss per share	-2.09	-2.08
Diluted loss per share	-2.09	-2.08

	2026	2025
Net loss used in the calculation of basic and diluted loss per share	($4,854,413)	($3,478,481)
A) Weighted average number of ordinary shares outstanding during the year	$232,346,932	$166,987,073
B) In accordance with AASB 133 "Earnings Per Share" as potential ordinary shares may only result in a situation where their conversion results in decrease on profit per share or increase in loss per share, no dilutive effect has been taken into account.		

Note 20 - Share Based Payment Reserve

	2026	2025
Share based payment reserve	$2,275,841	$2,356,766
Opening balance	$2,275,841	$2,356,766
Issued Options	$2,356,766	$2,827,265
Issued Performance Rights	$741,546	$87,519
Options Lapsed / Forfeited	$1,171,908	$286,472
Issued Performance Rights	($1,886,056)	($844,490)
Options exercised	($108,323)	-
Closing Balance	**$2,275,841**	**$2,356,766**

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

An amount of $524,720 was expensed to profit and loss for the year ended 30 June 2026 in respect of unlisted options issued to Directors, Company Secretary, other employees and third party service providers (30 June 2025: $87,519 expensed). An amount of $1,171,908 was recognised in the profit or loss for the year ended 30 June 2026 in respect of unlisted performance rights issued during the period (30 June 2025: $286,472). An amount of ($1,886,056) was recognised in Equity for the year ended 30 June 2026 in respect of unlisted options lapsed during the period (30 June 2025: ($844,490)).

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

Note 21 – Share Based Payments

	2026 Number of options $	2026 Weighted average exercise price per share $
Opening Balance - 1 July 2025	28,035,765	$0
Granted as remuneration - Rights	21,000,752	-
Granted as remuneration - Options	5,047,658	$0.19
Exercised	984,764	-
Forfeited	(4,750,000)	-
Closing Balance as at 30 June 2026	**50,318,939**	**$0.35**

Weighted average remaining contractual life of Options at 30 June 2026 is 1.48 years (30 June 2025: 1.68 years).
All Options are fully vested and exercisable

Rights granted during the year

- On 26 November 2025, 7,889,088 Performance Rights were issued to the Managing Director as FY26 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 (they are assessed after three years) and are exercised, each participant will be issued one fully paid ordinary share in the Company for each performance right.
- On 26 November 2025, 13,111,664 Performance Rights were issued to Executive Key Management Personnel, executive and management employees of the Company as FY26 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 (they are assessed after three years) and are exercised, each participant will be issued one fully paid ordinary share in the Company for each performance right.

Options granted during the year

- On 21 July 2025, 600,000 Options with a strike price of $0.10, expiring 30 March 2029 were issued under a consulting agreement.
- On 1 October 2025 1,393,168 Zero priced options, expiring 30 September 2029, were issued to Employees in relation to FY25 STI performance.
- On 27 November 2025 3,000,000 Options with a strike price of $0.325, expiring 26 November 2028 were issued to Directors following shareholder approval.
- On 27 November 2025, 654,490 Zero priced options, expiring 30 September 2029, were issued to an Executive Director in relation to his FY25 STI performance, following shareholder approval.

Options exercised during the year

- On 30 October 2025, 984,764, Zero priced options, expiring 30 September 2029, were issued to Employees in relation to FY25 STI performance.

Options lapsed/forfeited during the year

- On 8 July 2025, 500,000 Options expired unexercised. The Options were exercisable at $0.5743 each, and at issue had a fair value of $55,367.
- On 29 July 2025, 2,000,000 Options expired unexercised. The Options were exercisable at $0.60 each, and at issue had a fair value of $1,243,934.
- On 10 December 2025, 1,750,000 Options expired unexercised. The Options were exercisable at $0.50 each, and at issue had a fair value of $275,268.
- On 10 December 2025, 500,000 Options expired unexercised. The Options were exercisable at $0.47 each, and at issue had a fair value of $52,367.

Note 22 – Cash Flow Information

	2026 $	2025 $
Reconciliation of cash flow from operations with loss after income tax:	($4,854,413)	($3,478,481)
Non-cash flows in loss:		
Depreciation and amortisation	$73,905	$76,126
Amortisation - leases	$144,209	$146,832
Share based payments	$1,789,158	$486,265
Operating cash adjustments:		
R&D refunds received	$616,636	$707,638
Exploration expensed classified as investing	$58,268	$11,598
Receipts/revenue timing and other working capital	($10,814)	$11,025
Payments/payables/provisions and other operating movements	$1,073,265	$706,541
Net cash used in operating activities	**($1,109,786)**	**($1,332,456)**

Note 23 – Contingent Assets, Liabilities & Commitments

(A) EXPENDITURE COMMITMENTS

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.

	2026 $	2025 $
Exploration expenditure commitments		
Expenditure Commitment	**$1,368,000**	**$1,450,000**

Other than the commitments disclosed above, the Group does not have any further commitments at 30 June 2026 (30 June 2025: Nil).

B) CONTINGENT ASSETS/LIABILITIES

Contingent assets

The Group did not have any contingent assets as at 30 June 2026 (30 June 2025: 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 with the Commonwealth Bank of Australia for amounts totalling $150,000, in respect of rehabilitation bonds required as part of the licence conditions associated with the granting of four South Australian tenements ($130,000) 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 its 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 24 – Related Party Transactions

A) SUBSIDIARIES

Interests in subsidiaries are disclosed in Note 11.

B) KEY MANAGEMENT PERSONNEL

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

C) OTHER TRANSACTIONS WITH RELATED PARTIES

Refer to Note 24 b) above for disclosure of a Royalty Deed between the Company and RAB Royalties Pty Ltd, an entity related to Messrs Jones and 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 2026.

Note 25 – Financial Instruments

A) FINANCIAL RISK MANAGEMENT POLICIES

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

B) INTEREST RATE RISK

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

i) *Treasury Risk Management*

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

The Board's overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising 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 2026, 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:

	2026	2025
Change in loss		
- Increase in interest rates by 2%	$92,132	$102,020
- Decrease in interest rates by 2%	($92,132)	($102,020)
Change in equity		
- Increase in interest rates by 2%	$92,132	$102,020
- Decrease in interest rates by 2%	($92,132)	($102,020)

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.

Note 25 – Financial Instruments (Continued)

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.

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.

	2026 W/Ave interest rate %	<1 year $	1>2 years $	2>5 years $
Non-interest bearing				
Trade and other payables		$1,118,951	-	-
Interest-bearing - variable				
Lease liability	4.1%	$152,063	$182,096	$19,470
Total		**$1,271,014**	**$182,096**	$19,470

	2025 W/Ave interest rate %	<1 year $	1>2 years $	2>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

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 26 – Events subsequent to reporting date

On 28 July 2026, the Board determined performance conditions pertaining to the FY2024 long term incentive plan were not met. Subsequently 3,370,004 performance rights were lapsed and were canceled.

On 11 August the Company announced the commencement of the Koppamurra Pilot Plant processing activities had commenced.

On 28 August the Company received a further $2.1 million installment under the Australian Government's International Partnerships in Critical Minerals (IPCM) Program, taking cumulative grant funding received to date to $4.85 million of the Company's $5 million IPCM award.

On 10 September the Company announced the Koppamurra Pilot Plant had produced a Mixed Rare Earth Hydroxide for the first time.

Note 27 – Parent Company Information

	2026 $	2025 $
The following information has been extracted from the books and records of the parent entity:		
Current assets	$5,614,192	$5,156,632
Non-current assets	$21,293,356	$18,291,276
Investments in associated	$4	$4
Total Assets	**$26,907,552**	**$23,447,912**
Current liabilities	$434,544	$812,407
Non-current liabilities	$201,566	$448,084
Total Liabilities	**$636,110**	**$1,260,491**
Net assets	**$26,271,442**	**$22,187,421**
Issued capital	$41,239,616	$34,582,912
Share based payments reserve	$2,275,841	$2,356,766
Retained losses	($17,244,015)	($14,752,257)
Total Equity	**$26,271,442**	**$22,187,421**
Loss of the parent entity	($4,781,135)	($2,578,301)
Total comprehensive loss of the parent entity	**($4,781,135)**	**($2,578,301)**

Note 28 – Consolidated Entity Disclosure Statement

As at 30 June 2026, the controlled entities of Australian Rare Earths Limited were:

For the Year Ended 30 June 2026

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	Country of incorporation	Ownership %
RDBD Developments Pty Ltd	Australia	100%
Valrico Resources Pty Ltd	Australia	100%
QRDBD Developments Pty Ltd	Australia	100%
WRDBD Developments Pty Ltd	Australia	100%

All subsidiaries are wholly owned and are incorporated in Australia.

The parent entity does not have any significant restrictions on its ability to access or use assets, and settle liabilities, of the Group.

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 2026 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 2026.
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 24th day of September 2026

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

T +61 8 8372 6666

Independent Auditor's Report

To the Members of Australian Rare Earths Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Australian Rare Earths Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2026, 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 2026 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.

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 $4,854,413 during the year ended 30 June 2026 and a net cash outflow from operating and investing activities of $7,219,162. 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 2026 the carrying value of exploration and evaluation assets was $22,125,232. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group is required to assess if facts or circumstances exist that indicate the carrying value of the assets exceed their recoverable amounts. Management applied judgement in assessing each area of interest for indicators of impairment and concluded that no indicators were present. Management utilised the expertise of its internal geologist to support the impairment indicator assessment process. This area is a key audit matter due to the auditor judgement involved in assessing management's determination of the existence of impairment indicators at all areas of interest.	Our procedures included: • Evaluating management's assessment of whether facts and circumstances exist that suggest the carrying amount of the exploration and evaluation assets may exceed their recoverable amount by; – tracing projects to statutory registers and exploration licenses to determine whether a right of tenure has expired or is expiring soon; – inspecting management's budgeted expenditure for evidence of continuing exploration and evaluation activity in the relevant exploration area, corroborated by inquiry of key management personnel; – inspecting board minutes and publicly available reports including ASX announcements to assess whether any data exists to suggest the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale, corroborated by inquiry of key management personnel; • Evaluating the competence, capabilities and objectivity of management's experts; and • Assessing the related disclosures against the requirements of Australian Accounting Standards

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 2026 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 2026.

In our opinion, the Remuneration Report of Australian Rare Earths Limited, for the year ended 30 June 2026 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 24 September 2026

Additional Information

Compiled as at 17 September 2026
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 [1]	17,363,625	6.76%
BEECHCREST INVESTMENTS PTY LTD	16,513,493	6.43%
TOO UP HOLDINGS PTY LTD <POBJOY FAMILY A/C>	16,017,044	6.24%

[1] *As per substantial shareholder notice received by the Company on 9 February 2026*

DISTRIBUTION OF EQUITY SECURITIES

Number of security holders by size of holding:

Range	Number of Shareholders
above 0 up to and including 1,000	274
above 1,000 up to and including 5,000	1,464
above 5,000 up to and including 10,000	792
above 10,000 up to and including 100,000	1,471
above 100,000	335
Totals	**4,336**

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 $0.11 per share	4,545	1,489	3,338,317

Twenty largest holders of each class of quoted equity security

ORDINARY SHARES

Rank	Name	Holdings	% Issued capital
1	BEECHCREST INVESTMENTS PTY LTD <JONES FAMILY A/C>	16,513,493	6.43%
2	TOOUP HOLDINGS PTY LTD <POBJOY FAMILY A/C>	16,017,044	6.24%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,547,430	4.50%
4	BNP PARIBAS NOMS PTY LTD	11,495,242	4.48%
5	"NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>"	5,230,992	2.04%
6	"BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>"	5,099,666	1.99%
7	MUTUAL TRUST PTY LTD	5,073,087	1.97%
8	CITICORP NOMINEES PTY LIMITED	4,378,976	1.70%
9	"AE AND SL WATT PTY LTD <WATT FAMILY SUPER FUND A/C>"	4,202,378	1.64%
10	"MR JOSEPH ZANCA & MRS SZERENKE ZANCA <ZANACORP SUPER FUND A/C>"	3,712,500	1.45%
11	UBS NOMINEES PTY LTD	3,500,000	1.36%
12	NEO PERFORMANCE MATERIALS INC	3,333,333	1.30%
13	"LEGANO PTY LTD <B G FAIRLEY SF A/C>"	2,162,162	0.84%
14	MR ANTHONY EDWARD WATT	2,145,151	0.84%
15	MR ROBERT ALAN PHILLIPS	1,760,500	0.69%
16	"B & M LAWS SUPER FUND PTY LTD <B & M LAWS SUPER FUND A/C>"	1,749,999	0.68%
17	"MR ALISTER MURDOCH MACDONALD & MRS LIDIA SAEZ MACDONALD <ALISTER M MACDONALD S/F A/C>"	1,700,000	0.66%
18	"WILLYAMA ASSET MANAGEMENT PTY LTD <SD INVESTMENT A/C>"	1,422,273	0.55%
19	"FINCLEAR SERVICES PTY LTD <SUPERHERO SECURITIES A/C>"	1,366,528	0.52%
20	"PELVAY SUPER PTY LTD <PELVAY SUPER FUND A/C>"	1,282,240	0.49%
	Total	**103,692,994**	**40.37%**
	Total issued capital - selected security class(es)	**256,879,776**	**100.00%**

Corporate Governance Statement

For the Year Ended 30 June 2026

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

Design and production **laad.com.au**

2026 Australian Rare Earths

Annual Report

AUSTRALIAN
RARE EARTHS

REGISTERED OFFICE

Level 10, 111 Gawler Place
Adelaide SA 5000

Email: hello@ar3.com.au

www.ar3.com.au

SECURING AUSTRALIA'S
ENERGY TRANSITION METALS