

Australian Rare Earths Limited
(ABN 73 632 645 302)



**AUSTRALIAN
RARE EARTHS**

Financial Report

Half-year ended
31 December 2024

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About this Report

This report has been prepared for Australian Rare Earths Limited stakeholders in line with statutory and regulatory obligations. It provides a summary of the Group's operations, performance and financial position as at and for half year ended 31 December 2024.

All references to Australian Rare Earths Limited, AR3, the Group, the Company, we, us, and our, refer to Australian Rare Earths Limited (ABN 73 632 645 302) and its subsidiaries. All dollar figures are in Australian currency unless otherwise stated. All references to half year refer to the six-month period ending 31 December 2024.

This report should be read in conjunction with the Group's Annual Report for the year ended 30 June 2024, and any public announcements made by the Group during the half year ended 31 December 2024 and up to the date of this report.

Directors' Report

The Directors of Australian Rare Earths Limited present this report for the half year ended 31 December 2024 and the Independent Review Report thereon.

Directors

The following persons were Directors of Australian Rare Earths during the half year and until the date of this report:

Angus Barker (Independent Non-Executive Chairman)

Pauline Carr (Independent Non-Executive Director)

Travis Beinke (Executive Director)

Principal Activities

Australian Rare Earths is a mineral exploration and development company focused on ionic clay hosted rare earths, and uranium resource opportunities across Australia.

There was no significant change in this activity during the half year ended 31 December 2024.

Summary of Financial Performance

The net loss of the Group for the half year ended 31 December 2024 was \$1,609,134 (31 December 2023: \$1,659,897) and includes:

- Share based payments expense of \$120,685 representing the expense for the 6-month period to 31 December 2024, associated with fair value of unlisted options and performance rights issued during the current and prior periods (31 December 2023: \$313,115).
- Corporate, administration and wages expenses of \$1,499,683 (31 December 2023: \$1,466,534).

The above expense items are offset by:

- Interest income of \$131,177 (31 December 2023: \$262,966).

During the reporting period the Group's net cash position decreased by \$2,285,052 from \$7,605,032 (30 June 2023) to \$5,319,980 (31 December 2024), and the Group has no corporate debt.

This decrease in cash was predominantly influenced by cash outflows associated with:

- Exploration expenditure of \$1,835,546 (31 December 2023: \$2,559,982).
- Corporate, administration and wages expenditure (net of allocations to exploration assets) of \$1,376,667 (31 December 2023 \$2,666,728).

These outflows were offset by inflows associated with:

- Interest income receipts of \$138,215 (31 December 2023 \$272,973).
- Research and Development tax incentive claim \$707,638 (31 December 2023 \$Nil).
- International Partnerships in Critical Minerals Grant funding \$750,000 (31 December 2023 \$Nil).

Changes in equity

The following changes in equity took place during the half-year ended 31 December 2024:

- 3,067,837 Shares in aggregate were issued during the period ended 31 December 2024.
 - 2,041,855 Shares were issued on 3 September 2024 as part of the acquisition of Valrico Resources Pty Ltd.
 - 672,917 Shares were issued to employees of the Company on 16 October 2024 as part of the FY2024 STI award.
 - 353,065 Shares were issued to the Managing Director on 13 December 2024 following shareholder approval at the Company's AGM held on 27 November 2024.
- 5,276,383 Performance Rights, in aggregate, were issued to Director's and employees.
- Shareholder approval for the issue of Performance Rights was received at the Company's Annual General Meeting held on 27 November 2024, comprising:
 - 4,529,462 Performance rights related to FY2025 following shareholder approval at the Company's AGM on 27 November 2024.
 - 746,921 Performance rights related to the former Director's LTI for the FY2024 year following shareholder approval at the Company's AGM on 27 November 2024.
- During the period a total of 1,600,000 options expired unexercised on 11 December 2024. The expired options were issued with an exercise price of \$1.44 on 1 December 2021.

Refer Note 14 for further details of the Options and Performance Rights issued during the half year.

Dividends

There were no dividends paid, recommended or declared during the current or previous reporting period.

Review of Operations

Koppamurra Project Update

The Koppamurra Project comprises six granted exploration licenses in South Australia (EL6509, EL6613, EL6690, EL6691, EL6942 & EL6943) and four granted exploration licenses in Victoria (EL007254, EL7719, EL8208 & EL8254).

Australian Government International Partnerships in Critical Minerals Grant

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

Key deliverables enabled by the grant funding at Koppamurra include:

- **Metallurgical Testwork and Flowsheet Development:** Laboratory-scale metallurgical processing test work to optimise and enhance the Project's process flowsheet, including heap leach engineering deliverables and equipment selection.
- **Pre-Feasibility (PFS) Study:** Evaluation of the progressive heap leach and rapid rehabilitation flowsheet from the mine through to a Mixed Rare Earth product, including social, environmental, and economic assessments.

- **Demonstration Plant Construction:** Selection and optimisation of demonstration-scale equipment, along with the construction of process infrastructure based on design inputs from the flowsheet development and PFS.
- **Demonstration Plant Operation:** Full-scale demonstration operation to validate process design, supporting the pathway to commercialisation.

Mineral Resource Update

The Koppamurra Project achieved significant growth with a 27% increase in its Mineral Resource estimate and a 70% boost in higher-grade subsets. The current Mineral Resource estimate is 236 million tonnes (Mt) at 748 ppm TREO, including a higher-grade subset of 68 Mt grading at over 1000 ppm TREO (ASX 30 September 2024).

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

Koppamurra Mineral Resource estimate – September 2024										
JORC Category	Tonnes Mt	TREO ppm	Magnet Rare Earths							
			Pr ₆ O ₁₁		Nd ₂ O ₃		Tb ₄ O ₇		Dy ₂ O ₃	
			ppm	% TREO	ppm	% TREO	ppm	% TREO	ppm	% TREO
Measured	0.7	813	37	4.6	140	17.3	3.8	0.5	21	2.6
Indicated	112	750	34	4.6	132	17.6	3.6	0.5	20	2.7
Inferred	123	747	35	4.6	132	17.6	3.4	0.5	19	2.6
Total	236	748	35	4.6	132	17.6	3.5	0.5	20	2.6

Table 1: Koppamurra Mineral Resource estimate September 2024 - Rounding may cause differences in the last significant figure

Drilling Results

Infill drilling has identified thicker, higher-grade mineralised areas within the resource, while extensional drilling expanded the Project's geographic extent to include 25 million tonnes of additional resources north of the main resource area. With mineralisation open to the north and south, Koppamurra demonstrates strong potential for continued resource growth and a long-life production profile.

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

Key design features and advantages of the progressive heap leach pathway are as follows:

Design Features:

- High-grade satellite mine sites with temporary heap pads located at the edge of the satellite mine void.
- Topsoil and overburden material temporarily set aside for rapid and progressive land rehabilitation after rare earths have been harvested and the clay has been washed.
- Water treatment equipment is located proximate to the temporary heap pads to facilitate recycling and reuse of water and reagents.

Design Advantages:

- Significantly lower capital and operating costs.
- Easy expansion and scaling up of production over time across the multi-generational province.

- Environmentally sustainable characteristics, including very low water consumption, reduced power consumption, and rapid, progressive rehabilitation techniques.
- Lower gangue/impurity profile with higher rare earth in solution characteristics through column leach, resulting in lower capital and operating costs.

Environmental, Social and Governance (ESG)

AR3 values transparency and collaboration with stakeholders. During the interim period, the Company continued its active engagement with local landowners and stakeholders through regular meetings to educate and inform the community about the Koppamurra project's responsible environmental management.

Northern Queensland Rare Earths Project

No exploration activities were conducted over the Company's Queensland projects during the reporting period. However, tenement application EPM28166 at the Dalrymple Project was granted during the period. Applications are pending for additional exploration tenure covering new areas, including the Forty Mile Scrub, Sandy Tate, and Oaky Valley prospects. These new areas are expected to provide significant opportunities for future exploration and potential resource discoveries.

Uranium Projects

Overland Project Update

The Overland Project comprises three granted exploration licenses in South Australia (EL7001, EL7003, & EL7005). During the period, the Overland project expanded to approximately 4,000 km² following the Farm-In Agreement with private minerals explorer Sheer Gold Pty Ltd (Sheer Gold), announced in November 2024. Under the Farm-In Agreement, AR3 can earn a 100% interest in the sedimentary-hosted uranium rights within Sheer Gold's EL 6678 by spending \$200,000 before 23 September 2025.

This strategic transaction adds 990km² of EL 6678, immediately adjoining AR3's Overland Uranium Project. This region shows strong potential for In-Situ Recovery (ISR) amenable, sedimentary-hosted uranium deposits. AR3 believes that the paleochannel sediments of the Renmark Group and Murray Group sediments (Eyre and Namba equivalents) offer significant potential for uranium discovery.

Drilling Results

An inaugural drilling program at the Overland Project began in October 2024 after receiving two approvals for the Exploration Program for Environment Protection and Rehabilitation (EPEPR), opening up approximately 770 km² of the total project area for immediate exploration.

Twenty-five Air Core drill holes, totaling 3,271 meters, were drilled in 2024. The initial drilling yielded compelling evidence supporting AR3's initial geological model for In-Situ Recovery (ISR) amenable, sedimentary-hosted uranium deposits.

Drilling intersected thick sequences of the Murray group stratigraphy containing sands and clays, displaying all attributes required for pathways for uranium-bearing groundwaters and for hosting uranium mineralisation. Drilling revealed zones with anomalous gamma responses and elevated pXRF uranium readings. These sequences are effectively bounded by confining clay layers above and below, with multiple zones of permeability identified—ideal settings for ISR amenable uranium deposits.

Drilling has also defined a north/south trending palaeovalley setting for the accumulation of thick sequences of Murray group stratigraphy containing sands, clays, and, on the western margin of the palaeovalley, abundant lignite horizons, providing significant potential for hosting uranium mineralisation and high-priority follow-up targets in 2025.

Triggs Bore and Hamilton Creek Prospects

AR3 added the Triggs Bore and Hamilton Creek prospects to its uranium portfolio during the period. The Triggs Bore prospect spans 250 km² and features historical drilling that intersected uranium mineralisation within the Eyre Formation sediments, similar to the host of the Four Mile and Honeymoon uranium deposits. The Hamilton Creek prospect covers 200 km² in the Callabonna Sub-basin, with exploration focusing on anomalous downhole gamma responses detected in previous drilling, indicating the potential presence of uranium mineralisation.

Significant Changes to the State of Affairs

On 3 September 2024 the Company acquired 100% of Valrico Resources Pty Ltd. There have been no other significant changes to the state of affairs of the Group during the reporting period.

Events Subsequent to the Reporting Date

- On 7 January 2025, AR3 was awarded the Forty Mile Scrub & Sandy Tate Exploration Licences EPM28872 & EPM28901.
- On 8 January 2025, AR3 was awarded the Oaky Valley Exploration Licence EPM28902.
- On 21 January 2025, AR3 drilling results confirmed a paleovalley setting at Overland.
- On 5 February 2025, AR3 received Ministerial consent from the South Australian Government for the right to acquire a 100% interest in the sedimentary-hosted uranium rights of EL6678.
- On 22 February 2025, AR3 changed share registry providers. Effective Monday 24 February 2025, Automic Group will maintain the share registries of the Company.

The Directors are not aware of any other matter or circumstance that has arisen since 31 December 2024 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 reporting periods.

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



Angus Barker
Non-Executive Chairman
Dated this 13th day of March 2025

Auditor's Independence Declaration



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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 review of Australian Rare Earths Limited for the half-year ended 31 December 2024. 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

A stylized, handwritten signature in grey ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A stylized, handwritten signature in grey ink that reads "I S Kemp".

I S Kemp
Partner – Audit & Assurance

Adelaide, 13 March 2025

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Statement of Profit or Loss and Other Comprehensive Income

(For the half-year ended 31 December 2024)

CONSOLIDATED GROUP			
	NOTES	31 December 2024	31 December 2023
		\$	\$
REVENUE			
Other income	3	131,177	262,966
EXPENSES			
Depreciation		(38,216)	(34,168)
Right-of-use asset amortisation		(75,406)	(55,860)
Exploration expenditure expensed		(6,321)	(53,186)
Employee benefits expense		(669,374)	(856,694)
Share based payments expense	14	(120,685)	(313,115)
Other expenses	4	(830,309)	(609,840)
LOSS BEFORE INCOME TAX EXPENSE		(1,609,134)	(1,659,897)
Income tax benefit		-	-
LOSS FOR THE PERIOD		(1,609,134)	(1,659,897)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(1,609,134)	(1,659,897)
EARNINGS PER SHARE		Cents	Cents
Basic and diluted loss per share		(1.02)	(1.24)

The accompanying notes form part of the financial statements.

Statement of Financial Position

(As at 31 December 2024)

CONSOLIDATED GROUP			
	NOTES	31 December 2024	30 June 2024
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	5,319,980	7,605,032
Trade and other receivables	7	199,859	812,262
Other current assets		99,809	120,140
Total current assets		5,619,648	8,537,434
NON-CURRENT ASSETS			
Restricted cash – bank guarantees for exploration bonds		194,301	174,301
Exploration and evaluation expenditure	8	16,271,776	14,171,743
Property, plant and equipment	9	332,315	367,836
Right-of- use assets	12	471,114	513,401
Total non-current assets		17,269,506	15,227,281
TOTAL ASSETS		22,889,154	23,764,715
CURRENT LIABILITIES			
Trade and other payables	10	599,832	502,473
Contract Liability	11	750,000	-
Lease Liability	12	145,249	135,960
Employee benefits		65,769	535,102
Total current liabilities		1,560,850	1,173,535
NON-CURRENT LIABILITIES			
Lease Liability	12	460,190	507,794
Employee benefits		5,780	4,249
Total non-current liabilities		465,970	512,043
TOTAL LIABILITIES		2,026,820	1,685,578
NET ASSETS		20,862,334	22,079,137
EQUITY			
Issued capital	13	31,019,821	30,750,364
Reserves	14	2,329,830	2,827,265
Retained losses		(12,487,317)	(11,498,492)
TOTAL EQUITY		20,862,334	22,079,137

The accompanying notes form part of the financial statements.

Statement of Changes in Equity

(For the half-year ended 31 December 2024)

	Issued Capital \$	Retained Losses \$	Reserves \$	Total \$
BALANCE AT 1 JULY 2023	30,575,403	(8,382,207)	2,700,012	24,893,208
Shares issued during the year	200,000	-	-	200,000
Transaction costs – placement	(25,039)	-	-	(25,039)
Fair value of performance rights issued during the year	-	-	31,941	31,941
Fair value of options issued during the year	-	-	427,921	427,921
Transfer of share based payments reserve to retained earnings for lapses	-	332,609	(332,609)	-
Transactions with owners	174,961	332,609	127,253	634,823
Total loss for the period	-	(3,448,894)	-	(3,448,894)
BALANCE AT 30 JUNE 2024	30,750,364	(11,498,492)	2,827,265	22,079,137
	Issued Capital \$	Retained Losses \$	Reserves \$	Total \$
BALANCE AT 1 JULY 2024	30,750,364	(11,498,492)	2,827,265	22,079,137
Shares issued during the year	274,019	-	-	274,019
Transaction costs – placement	(4,562)	-	-	(4,562)
Expenses of performance rights vested during the period	-	-	64,229	64,229
Expenses of options vested during the period	-	-	58,645	58,645
Transfer of share based payments reserve to retained earnings for lapses	-	620,309	(620,309)	-
Transactions with owners	269,457	620,309	(497,435)	392,331
Total loss for the period	-	(1,609,134)	-	(1,609,134)
BALANCE AT 31 DECEMBER 2024	31,019,821	(12,487,317)	2,329,830	20,862,334

The accompanying notes form part of the financial statements.

Statement of Cash Flows

(For the half-year ended 31 December 2024)

	CONSOLIDATED GROUP	
	31 December	31 December
	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES	\$	\$
Payments to suppliers and employees	(1,376,667)	(2,666,728)
Interest received	138,215	272,973
Proceeds from research and development tax concessions	707,638	-
NET CASH USED IN OPERATING ACTIVITIES	(530,814)	(2,393,755)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(1,835,546)	(2,559,982)
Payments for Acquisition of Valrico Resources	(570,000)	-
Grant funding received	750,000	-
Payment for plant and equipment	(2,696)	(71,621)
Movement in restricted cash	(20,000)	(25,500)
NET CASH USED IN INVESTING ACTIVITIES	(1,678,242)	(2,657,103)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liability	(71,434)	(31,832)
Payments for the costs of capital raising	(4,562)	(24,864)
NET CASH USED IN FINANCING ACTIVITIES	(75,996)	(56,696)
Net decrease in available cash held	(2,285,052)	(5,107,554)
Available cash at beginning of period	7,605,032	14,981,232
AVAILABLE CASH AT THE END OF THE PERIOD	5,319,980	9,873,678

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

(For the half-year ended 31 December 2024)

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2024 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Australian Rare Earths Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2024, together with any public announcements made during the half-year.

Significant Accounting Policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2024 unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There was no impact of the adoption of new standards during the period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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 no 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

	CONSOLIDATED GROUP	
	31 December 2024	31 December 2023
	\$	\$
Interest received	131,177	262,966
	131,177	262,966

NOTE 4 – OTHER EXPENSES

	CONSOLIDATED GROUP	
	31 December 2024	31 December 2023
	\$	\$
Compliance	78,638	45,259
Legal, insurance and registry	288,307	119,404
Office, website & marketing expenses	72,335	61,626
Corporate Consultants	97,022	104,457
Public Relations	93,174	77,464
Travel related expenses	93,174	100,992
Other expenses	107,659	100,638
	830,309	609,840

NOTE 5 – CASH AND CASH EQUIVALENTS

	CONSOLIDATED GROUP	
	31 December 2024	30 June 2024
	\$	\$
Cash at bank and cash on hand	5,319,980	7,605,032
TOTAL AVAILABLE CASH AT BANK AND ON HAND	5,319,980	7,605,032

NOTE 6 – RESTRICTED CASH

	CONSOLIDATED GROUP	
	31 December 2024	30 June 2024
	\$	\$
Bank guarantees in relation to rehabilitation obligations	130,000	110,000
Bank guarantees in relation to lease liabilities	64,301	64,301
	194,301	174,301

Bank guarantees in relation to exploration rehabilitation obligations and are held by the South Australian Department for Energy and Mines for rehabilitation obligations on five South Australian tenements (\$110,000) and the Victorian Department of Jobs, Precincts and Regions for two Victorian tenement (\$20,000).

Bank guarantees relate to Lease guarantees provided as security for property leases for head office (\$38,801) and regional warehouse facilities (\$25,500).

NOTE 7 – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED GROUP	
	31 December 2024	30 June 2024
	\$	\$
Research and development tax incentive	117,023	707,638
GST receivable	60,203	74,954
Other receivable	22,633	29,670
	199,859	812,262

NOTE 8 – EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED GROUP	
	31 December 2024	30 June 2024
	\$	\$
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation at cost	16,271,776	14,171,743
Movements in carrying amounts:		
Balance at the beginning of the period	14,171,743	10,172,163
Acquisition	762,929	-
Amounts capitalised during the period	1,454,127	4,707,218
R&D Tax Incentive	(117,023)	(707,638)
Balance at the end of the period	16,271,776	14,171,743

During the six-month period to 31 December 2024, \$14,675 of equipment depreciation was included in the amount capitalised as exploration and evaluation expenditure (31 December 2023: \$12,168).

The Group completed a transaction to acquire 100% of shares in Valrico Resources Pty Ltd, on 3rd September 2024. The acquisition was settled through a combination of cash payments and issuance of the Group's shares to the selling party. Management assessed the transaction as to whether it is an asset acquisition or business combination under AASB 3 Business Combinations and employed the optional concentration test and concluded that substantially all the fair value of the gross assets acquired are concentrated in a group of similar identifiable assets and hence the transaction is not a business combination.

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED GROUP	
	31 December 2024	30 June 2024
	\$	\$
Plant and Equipment at cost	521,720	519,024
Accumulated depreciation	(189,405)	(151,188)
	332,315	367,836
Movements in carrying amounts:		
Balance at the beginning of the period	367,836	291,724
Additions	2,695	150,373
Depreciation	(38,216)	(74,261)
Balance at the end of the period	332,315	367,836

NOTE 10 – TRADE AND OTHER PAYABLES

	CONSOLIDATED GROUP	
	31 December 2024	30 June 2024
	\$	\$
Trade payables	526,378	315,761
Other creditors and accruals	73,454	186,712
	599,832	502,473

NOTE 11 – CONTRACT LIABILITY

	CONSOLIDATED GROUP	
	31 December 2024	30 June 2024
	\$	\$
Contract Liability	750,000	-
	750,000	-

At 31 December 2024 the Company had received \$750,000 in grant funding from the Australian Government. The use of the funding is tied to evaluation works for the Koppamurra project. The contract liability will incrementally be reduced as the evaluation works are undertaken in line with relevant accounting standards.

NOTE 12 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	CONSOLIDATED GROUP	
	31 December 2024	30 June 2024
	\$	\$
Lease Liabilities		
Current	145,249	135,960
Non-current	460,190	507,794
	605,439	643,754
Right-of-use assets		
Right-of-use assets – Office/Warehouse leases	773,148	740,029
Accumulated depreciation	(302,034)	(226,628)
	471,114	513,401

The Group has lease contracts for commercial office space in Adelaide, commercial office/warehouse space and accommodation in Naracoorte in South Australia, and a car park lease in Adelaide. The Adelaide office space has a five year term (commenced 1 July 2023), with an option to extend for a further three years. The Naracoorte office/warehouse lease has a term of five years (commenced 1 September 2023), with an option to extend for a further three years. The car park lease in Adelaide has a three year term (commenced 1 September 2021), with an option to extend by a further five years. The option to extend the lease by five years was taken in September 2024.

NOTE 13 – ISSUED CAPITAL

	31 December 2024	30 June 2024
	\$	\$
158,989,727 (30 June 24: 155,921,890) fully paid ordinary shares	31,019,821	30,750,364
Six months ended 31 December 2024	Number of Shares	31 December 2024
		\$
(a) issued and paid up capital		
Fully paid ordinary shares	158,989,727	31,019,821
Movements in fully paid shares		
Balance as at 1 July 2024	155,921,890	30,750,364
Share issue to Employees and KMP	1,025,982	129,073
Shares issued for Valrico Resources Acquisition	2,041,855	140,384
Balance as at 31 December 2024	158,989,727	31,019,821

NOTE 14 – RESERVES

	Six months to 31 December 2024 \$	Year ended 30 June 2024 \$
Share based payment reserve	2,329,830	2,827,265

Movement associated with share based payments during the period:

Opening Balance	2,827,265	2,700,012
Options vested	58,645	427,921
Performance rights vested	64,229	31,941
Lapsed Options	(620,309)	(332,609)
Closing Balance	2,329,830	2,827,265

The share based payments reserve records items recognised as an expense on the valuation of Options or performance rights. Refer Note 14 for further details regarding the movement in Options during the reporting period.

An amount of \$120,685 has been included in profit and loss under 'share based payments expense' for the six-month period ended 31 December 2024 (31 December 2023: \$313,115) relating to the fair value of options and performance rights issued during the current and prior periods.

Weighted average exercise prices are as follows for the reporting period presented:

Options

Six months ended 31 December 2024	Number of Options	31 December 2024 \$	Weighted average exercise price per option
Opening Balance - 1 July 2024	29,371,480	2,795,324	\$0.53
Vested - Options	-	58,645	\$0.44
Lapsed	(1,600,000)	(620,309)	\$0.57
Closing Balance as at 31 December 2024	27,771,480	2,233,660	\$0.46

Weighted average remaining contractual life of Options at 31 December 2024 is 1.17 years (31 December 2023: 1.63 years)

Issued

The Company did not issue any Options during the period.

Exercised during the period

No Options were issued as remuneration or as payment for services provided to the Company, no options were exercised during the six-month period ended 31 December 2024 (31 December 2023: nil), or as at the date of this report.

Options lapsed/forfeited during the period

During the reporting period 1,600,000 Options, in aggregate, lapsed in accordance with the terms in which they were issued, comprising:

- 1,600,000 Options exercisable at \$1.44 each, expiring on or before 1 December 2024. The options were issued for nil consideration to Directors and Management in 2021.

Performance Rights

Six months ended 31 December 2024	Number of Performance Rights	31 December 2024 \$
Opening Balance - 1 July 2024	2,623,083	31,941
Granted – Performance Rights FY2025	4,529,462	12,053
Vested – Performance Rights FY2024	746,921	52,176
Closing Balance as at 31 December 2024	7,899,466	96,170

Issued

Following shareholder approval at the Company's AGM on 27 November 2024, the Company issued the following Performance Rights during the period:

- 4,529,462 Performance rights to Key Management Personnel.
- 746,921 Performance rights to Employees.

Exercised during the period

No Performance Rights issued as remuneration or as payment for services provided to the Company, were exercised during the six-month period ended 31 December 2024 (31 December 2023: nil), or as at the date of this report.

Performance Rights lapsed/forfeited during the period

No Performance Rights issued as remuneration or as payment for services provided to the Company, lapsed or were forfeited during the six-month period ended 31 December 2024 (31 December 2023: nil), or as at the date of this report.

NOTE 15 – CONTINGENT ASSETS, LIABILITIES & COMMITMENTS

The Company has no contingent assets, liabilities or commitments as at 31 December 2024 (31 December 2023: Nil).

The Group has minimum expenditure commitments on exploration licences as per the terms of each exploration licence. Unexpended commitment for a particular year can be deferred or rolled over to subsequent years of the licence term.

NOTE 16 – EVENTS SUBSEQUENT TO REPORTING DATE

- On 7 January 2025, AR3 was awarded the Forty Mile Scrub & Sandy Tate Exploration Licences EPM28872 & EPM28901.
- On 8 January 2025, AR3 was awarded the Oaky Valley Exploration Licence EPM28902.
- On 21 January 2025, AR3 drilling results confirmed a paleovalley setting at Overland.
- On 5 February 2025, AR3 received Ministerial consent from the South Australian Government for the right to acquire a 100% interest in the sedimentary-hosted uranium rights of EL6678.
- On 22 February 2025, AR3 changed share registry providers. Effective Monday 24 February 2025, Automic Group will maintain the share registries of the Company.

The Directors are not aware of any other matter or circumstance that has arisen since 31 December 2024 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 reporting periods.

Directors' Declaration

The Directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 13 to 19, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standard AASB 134 Interim Financial Reporting, and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2024 and of its performance for the half-year ended on that date.
2. In the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to be 'Ab', written over a light grey circular background.

Angus Barker
Independent Non-Executive Chairman

Dated this 13th day of March 2025

Independent Auditor's Review Report



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Independent Auditor's Review Report

To the Members of Australian Rare Earths Limited

Report on the half-year financial report

Conclusion

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

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

- a giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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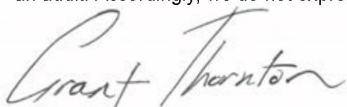
Directors' responsibility for the half-year financial report

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

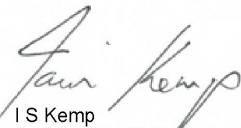
Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 13 March 2025

Corporate Directory

DIRECTORS

Angus Barker – Independent Non-Executive Chairman

Pauline Carr – Independent Non-Executive

Travis Beinke – Managing Director

COMPANY SECRETARY

Noel Whitcher

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AUSTRALIAN SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange

ASX CODE: AR3