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ARAFURA
RARE EARTHS LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 December 2025



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DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the (Group)) consisting of Arafura Rare Earths Limited (**Arafura** or the **Company**) and the entities it controlled at the end of or during the half-year ended 31 December 2025.

All references to our, we, us, the Group, the Company and Arafura refer to Arafura Rare Earths Limited (ABN (Australian Business Number) 22 080 933 455) and its subsidiaries.

All references to Project, The Project or Nolans refer to Arafura's 100% owned Nolans Project located in the Northern Territory, Australia. All references to NdPr refer to Neodymium and Praseodymium collectively.

All references to Dy refer to Dysprosium and references to Tb refer to Terbium. Unless otherwise stated, the currency referenced throughout this report is in Australian dollars.

DIRECTORS

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

- M. Southey
- D. Cuzzubbo
- C. Moises
- M. Spreadborough
- R. Higgins
- I. Murray

REVIEW OF OPERATIONS

During the six months ended 31 December 2025, Arafura incurred a net loss of A$12,987,868 (2024: A$18,851,865). The net loss position decreased significantly from the prior period due to activities being re-focussed on closing out the offtake and equity funding strategy to enable the Nolans Project (**Nolans** or **the Project**) to be fully funded to commence construction. Nolans development costs continue to be expensed to the profit and loss until a Final Investment Decision (**FID**) is made and there is further certainty these costs will be recouped.

CORPORATE

Annual General Meeting

The Company's annual general meeting was held at BDO Australia, Level 9 Mia Yellagonga Tower 2, 5 Spring Street, Perth at 10.00am AWST on 30 October 2025. All resolutions were passed by way of a poll.

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OFFTAKE

Arafura has announced three binding offtake agreements to the market, which currently represent 66% of its binding offtake target[1].

The current geopolitical and trade environment has created a favourable environment for the negotiation of the remaining offtake volumes, as many potential customers have been directly impacted by China's rare-earth export restrictions, exposing vulnerabilities within the global supply chain.

With equity investment consideration from the German Raw Materials Fund tied to offtake supporting German and European industry, Arafura is targeting a minimum of 500tpa of NdPr oxide for this market, in addition to the 520tpa offtake with Siemens Gamesa RE[2,3]. Following the signing of the Critical Mineral's Framework agreement between Australia and the United States of America (**US**) in October 2025, the US has become another region vying for the remaining offtake volumes.

PROJECT FUNDING

Debt Funding

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

As at the date of this report, all credit approvals in relation to the debt facilities remain current and valid, other than ING. As announced on 1 October 2025, ING provided a letter of support confirming that they remain actively engaged in the Nolans lender group and aims to renew its credit approval ahead of FID for the Project.

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

Equity Funding

In July 2025, the Company entered the appraisal phase for potential equity investment through the German Raw Materials Fund, which targets up to €100 million tied to the supply of NdPr metal. Investment of €50 million is linked to the supply agreement with Siemens Games Renewable Energy A/S for up to 520tpa NdPr Oxide (or its equivalent in NdPr metal)[4] and a further €50 million is targeted for additional 500tpa of supply to be contracted into the German market.

In August 2025, Export Finance Australia (**EFA**) provided a non-binding conditional Letter of Interest (**LOI**) relating to potential equity investment in support of Nolans. To support these funding activities, the Company raised $80 million via a 2-tranche placement and an additional $9.8 million through an upsized share purchase plan (**SPP**) in August/September 2025 as additional working capital and corporate costs to close out offtake and financing activities with an allocation to project development capital upon FID.

[1] Targeting 80% of Planned Production as binding offtake. Planned Production refers to the average annual production from Nolans, being 4,440 tpa NdPr oxide (Refer to ASX Announcement dated 11 November 2022).
[2] Refer ASX Announcement dated 8 July 2025.
[3] The Company, at this stage, has no certainty as to the timing and likelihood of successfully concluding binding offtake agreements.
[4] Refer to ASX Announcement dated 11 April 2023.

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In October 2025, the Company received a non-binding LOI from Export-Import Bank of the United States (**US EXIM**) for up to US$300 million of financing support and EFA announced conditional approval of up to US$100 million equity investment in Nolans. With renewed confidence to close out financing activities, the Company launched a second 2-tranche placement in October 2025 and raised $475 million with an additional $7.1 million received in a separate SPP. These proceeds will be applied to the Nolans Project capital costs, financing costs and the equity component of the cost overrun facilities and corporate, working capital and transaction costs.

Material Security Partnership

Arafura was pleased to continue its engagement with the Minerals Security Partnership **(MSP)**, a global initiative focused on strengthening critical mineral supply chains to ensure sustainable and secure access to vital resources. In November 2025 the Company presented the Nolans Project to the MSP in recognition of the projects advanced status.

Subsequent to the end of the reporting period, MSP partners agreed to relaunch the group as the Forum on Resource Geostrategic Engagement **(FORGE)**. FORGE will build on the strong foundation of MSP, which has shown the value of collaboration in strengthening critical mineral supply chains. Korea will continue to chair until June 2026.

OPERATIONAL LICENCING

All major Federal and Northern Territory environmental approvals for the Nolans Project remain in place and current, providing a stable regulatory platform for progression to construction and operations. The Company continues to systematically transition from approvals acquisition to implementation and ongoing compliance.

Approval of the Radiation Protection and Waste Management Plan (**RPWMP**) by the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) on 11 July 2025 closed out the suite of DCCEEW management plan approvals required under the Environmental Protection and Biodiversity Conservation Act prior to construction. Implementation of the RPWMP is being managed through the Company's Environmental and Social Management System, including record-keeping and reporting processes to demonstrate compliance with conditions of approval to DCCEEW.

A revision to the Project's Mine Management Plan (**MMP**) was approved by the Northern Territory Department of Lands, Planning and Environment on 21 August 2025, reflecting the maturing and streamlining of the Project's staged development strategy. In consultation with the regulator, the revised MMP now incorporates a 12-phase staged development framework, tenure and design updates, advanced waste management planning, integrated environmental and social management content, a revised disturbance inventory with staged closure planning and updated security estimates. The revised MMP provides a clear framework for staged development and ongoing compliance in alignment with current project planning, environmental commitments and regulatory requirements.

The Environmental and Social Management System was enhanced to bring regulatory, lender and corporate expectations together into a single, risk-based framework, improving approval planning and alignment of contractor scopes with topic-specific management plans. Key environmental plans and procedures are being implemented and periodically updated to reflect current project design and approval conditions, maintaining readiness for construction and future operations.

Site monitoring during the period included monthly dust, radiation and groundwater level measurements, quarterly groundwater quality sampling and biodiversity monitoring to build baseline datasets and identify emerging trends, alongside a review of monitoring technologies to improve data accuracy and progressively move towards near real-time environmental monitoring.

The Company remains committed to fulfilling and complying with all regulatory requirements, while maintaining open communication with regulators and stakeholders as the project moves towards construction.

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SUSTAINABILITY

The Company's fourth sustainability report was published in November 2025 and describes Arafura's sustainability approach with reference to recognised international reporting frameworks. This provides an important platform for communicating performance against environmental, social and governance commitments as the Project transitions towards construction.

Delivery of the Environmental and Social Action Plan (**ESAP**) for the lender group continued during the half-year, with work focused on closing out pre-construction commitments across environmental management, stakeholder engagement, labour and working conditions, and governance systems. The Company remains on track to complete ESAP obligations prior to commencement of construction, with more than 90% of contract-close actions submitted to the Independent Environmental and Social Consultant and the remaining items scheduled for completion by the end of FY2026.

NOLANS PROJECT DEVELOPMENT

In October 2025 Hatch Ltd was selected as the preferred Engineering, Procurement and Construction Manager **(EPCM)**. Hatch will have responsibility for the management of the entire Project, reporting directly to Arafura's Owners Team. This represents a shift away from the original Integrated Project Management Team model, towards a more conventional EPCM approach, providing a single point of accountability and leveraging the capabilities of an established organisation with proven systems, experienced personnel, and a strong track record in project delivery.

As the Company targets FID through the second half of the 2026 financial year, advanced detailed design activities are progressing to ensure Hydrometallurgical Plant operability, efficiency and costs are optimised. At the same time, key non-processing infrastructure (e.g. camp facilities, Residue Storage facilities) are being assessed to determine suitability and costs without compromising social and environmental performance.

Operational Readiness

Establishing the strategic approach to readiness has been a priority for the Company. The Company has chosen to move beyond a traditional operational readiness approach, adopting a business readiness approach which incorporates the identification and mitigation of future risks associated with Company's maturation and future growth opportunities.

Phase 2 Preliminary Study

Delivery of Phase 1 of the Nolans Project remains in focus, however the Company hasn't lost sight of future growth opportunities. Arafura completed an in-house preliminary study through FY2025, that considered the possibility of expanding the size of the processing facility at Nolans and potentially enable the processing of third-party rare earth feedstocks. A pre-feasibility study is expected to be commissioned once FID has been taken on Nolans.

The advanced Phase 1 engineering and design work ensures the foundations are laid to deliver value now and into the future at the lowest capital intensity. This initiative has the opportunity to unlock Australia's rare earths potential and encourage further investment in Australia's rare earths sector.

EXPLORATION

Exploration activities through the period focussed on mining-related studies. The Company continues to conduct reconnaissance investigations and geological mapping on exploration licenses in addition to collecting geological samples from representatives' site to support ongoing geochemical and petrological studies.

EVENTS OCCURRING AFTER THE REPORTING DATE

No other matter or circumstance has arisen since 31 December 2025 that has significantly affected, or may significantly affect:

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

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

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

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AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the Directors.



Darryl Cuzzubbo
Managing Director & CEO

Perth
18 February 2026

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

As lead auditor for the review of Arafura Rare Earths Ltd for the half-year ended 31 December 2025, I declare that, to the best of my knowledge and belief, there have been:

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

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



Ashleigh Woodley

Director

BDO Audit Pty Ltd

Perth

18 February 2026

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2025

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	Notes	31-Dec-25 A$	31-Dec-24 A$
Other income	3	2,201,762	705,559
Employee benefits expense	3	(2,497,062)	(2,974,569)
Project development	3	(5,902,082)	(10,458,249)
Other expenses	3	(3,341,370)	(4,789,657)
Depreciation and amortisation	3	(242,359)	(328,526)
Finance costs		(11,043)	(56,058)
Share-based payments	6	(3,195,714)	(464,336)
Impairment of assets	4	-	(486,029)
Loss before income tax		(12,987,868)	(18,851,865)
Income tax benefit		-	-
Net (loss) after income tax for the period		(12,987,868)	(18,851,865)
Total comprehensive (loss) for the half-year attributable to owners of Arafura Rare Earths Limited		(12,987,868)	(18,851,865)
Loss per share attributable to owners of Arafura Rare Earths Limited			
Basic loss per share (cents per share)		(0.4)	(0.8)
Diluted loss per share (cents per share)		(0.4)	(0.8)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2025

	Notes	31-Dec-25 A$	30-June-25 A$
CURRENT ASSETS			
Cash and cash equivalents		**571,347,221**	**27,178,291**
Trade and other receivables		**1,758,513**	**468,767**
Total Current Assets		**573,105,734**	**27,647,058**
NON-CURRENT ASSETS			
Property, plant and equipment		**1,331,746**	**1,199,692**
Right-of-use assets		**89,893**	**224,735**
Deferred exploration and evaluation expenditure	4	**124,335,916**	**123,594,541**
Other assets		**3,186,176**	**3,186,176**
Total Non-Current Assets		**128,943,731**	**128,205,144**
TOTAL ASSETS		**702,049,465**	**155,852,202**
CURRENT LIABILITIES			
Trade and other payables		**3,630,126**	**2,337,703**
Lease liabilities		**96,211**	**237,623**
Provisions		**764,504**	**728,044**
Total Current Liabilities		**4,490,841**	**3,303,370**
NON-CURRENT LIABILITIES			
Provisions		**3,296,170**	**3,284,891**
Total Non-Current Liabilities		**3,296,170**	**3,284,891**
TOTAL LIABILITIES		**7,787,011**	**6,588,261**
NET ASSETS		**694,262,454**	**149,263,941**
EQUITY			
Contributed equity	5	**1,074,266,374**	**519,475,707**
Reserves	6	**18,076,307**	**14,880,594**
Accumulated losses		**(398,080,227)**	**(385,092,360)**
TOTAL EQUITY		**694,262,454**	**149,263,941**

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Period Ending 31 December 2025

Consolidated	Contributed equity A$	Equity reserve A$	Accumulated losses A$	Total equity A$
Balance at 1 July 2024	**496,134,993**	**13,829,333**	**(365,850,023)**	**144,114,303**
Loss for the period	-	-	(18,851,865)	(18,851,865)
Total comprehensive loss for the period	-	-	(18,851,865)	(18,851,865)
Contributions of equity, net of transaction costs and tax	**23,338,499**	-	-	**23,338,499**
Share based payments – value of employee services	-	**464,336**	-	**464,336**
Balance at 31 Dec 2024	**519,473,492**	**14,293,669**	**(384,701,888)**	**149,065,273**
Balance at 1 July 2025	**519,475,707**	**14,880,594**	**(385,092,360)**	**149,263,941**
Loss for the period	-	-	(12,987,868)	(12,987,868)
Total comprehensive loss for the period	-	-	(12,987,868)	(12,987,868)
Contributions of equity, net of transaction costs and tax	**554,790,667**	-	-	**554,790,667**
Share based payments – value of employee services	-	**3,195,714**	-	**3,195,714**
Balance at 31 Dec 2025	**1,074,266,374**	**18,076,308**	**(398,080,228)**	**694,262,454**

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
For the Period Ending 31 December 2025

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	31-Dec-25 A$	31-Dec-24 A$
Cash flows from operating activities		
Payments to suppliers and employees	(5,671,221)	(6,964,849)
Payments for project development	(5,318,390)	(13,698,667)
Interest received	1,558,905	1,060,423
R&D Incentive rebate – non capitalised portion	56,463	-
Interest paid	(11,043)	(23,574)
Net cash (outflow) from operating activities	(9,385,286)	(19,626,667)
Cash flows from investing activities		
Payments for property, plant and equipment	(239,570)	(32,089)
Payments for security deposits	-	(2,273)
Payments for exploration and evaluation	(849,468)	(725,389)
Net cash (outflow) from investing activities	(1,089,038)	(759,751)
Cash flows from financing activities		
Proceeds from share issue	571,304,931	24,644,240
Capital raising expenses	(16,514,266)	(1,305,743)
Repayment of lease liability	(145,787)	(261,022)
Net cash inflow from financing activities	554,644,878	23,077,475
Net increase in cash and cash equivalents	544,170,554	2,691,057
Cash at the beginning of the period	27,178,291	42,170,343
Effects of exchange rate changes on cash and cash equivalents	(1,624)	(3,207)
Cash and cash equivalents at the end of the period	571,347,221	44,858,193

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

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NOTE 1: BASIS OF PREPARATION OF HALF-YEAR REPORT

Basis of Preparation

This consolidated interim financial report for the half-year reporting period ended 31 December 2025 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reports and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2025 and any public announcements made by Arafura Rare Earths Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New and Amended Standards Adopted

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

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

NOTE 2: SEGMENT INFORMATION

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

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

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NOTE 3: INCOME AND EXPENSES

	31-Dec-25	31-Dec-24
	A$	A$
Other Income		
Interest Income	2,145,299	705,559
Non-capitalised portion of R&D tax incentive rebate	56,463	-
	2,201,762	705,559
Employee Benefits Expense		
Employee benefits expense	2,497,062	2,974,569
Project Development		
Consultants	3,493,190	7,412,073
Employee benefits expense	1,104,477	703,502
Computer software	22,607	69,356
Early works	129,129	1,879,915
Equipment procurement	91,827	7,245
Rehabilitation expense	-	(58,098)
Other project development costs	1,060,852	444,256
Total project development[5]	5,902,082	10,458,249
Other Expenses		
Accounting and other professional fees	129,498	349,950
Audit fees	29,826	30,949
Consultants' fees	391,919	619,272
Insurance	189,206	234,439
Legal fees	327,542	992,601
Share registry and stock listing fees	359,952	204,242
Other expenses	1,913,427	2,358,204
Total other expenses	3,341,370	4,789,657

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

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	31-Dec-25	31-Dec-24
	A$	A$
Current Depreciation and Amortisation		
Depreciation – plant & equipment	107,516	72,163
Depreciation – right-of-use assets	134,843	256,363
Total depreciation	242,359	328,526

NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31-Dec-25	30-Jun-25
	A$	A$
Exploration and evaluation costs carried forward		
Balance at beginning of period	123,594,541	122,363,994
Capitalised exploration expenditure	258,001	369,019
Capitalised evaluation expenditure[6]	483,374	1,347,557
Impairment of exploration expenditure	-	(486,029)
Balance at end of period	124,335,916	123,594,541

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

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

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

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NOTE 5: EQUITY – CONTRIBUTED EQUITY

	31 Dec 2025 Shares	30 June 2025 Shares	31 Dec 2025 A$	30 June 2025 A$
Share capital				
Fully Paid Ordinary Shares	**4,656,673,628**	2,464,328,691	**1,074,266,374**	519,475,707

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

Date	Details	Number of shares	Issue Price	A$
01-Jul-25	**Balance**	**2,464,328,691**		**519,475,707**
25 Aug 25	Share Placement – Tranche 1	369,649,303	0.19	70,233,368
1 Oct 25	Share Placement – Tranche 2	51,403,329	0.19	9,766,633
10 Oct 25	Share Purchase Plan	51,743,890	0.19	9,831,339
4 Nov 25	Share Placement – Tranche 1	440,568,781	0.28	123,359,259
12 Dec 25	Share Placement – Tranche 2	1,255,859,790	0.28	351,640,741
15 Dec 25	Share Purchase Plan	23,119,844	0.28	6,473,556
31-Dec-25	Capital Raising Costs	-	-	(16,514,229)
31-Dec-25	**Balance**	**4,656,673,628**		**1,074,266,374**

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NOTE 6: EQUITY – RESERVES

	31-Dec-25 A$	30-Jun-25 A$
Reserves		
Share-based payments reserve	18,076,307	14,880,594

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

	31-Dec-25 A$	30-Jun-25 A$
Share-based payments reserve		
Balance at beginning of period	**14,880,594**	**13,829,333**
Vesting of options and performance rights	**1,355,607**	**1,051,261**
Acceleration of cancelled performance rights	**1,761,289**	**-**
Fair value adjustment of replacement rights	**78,817**	**-**
Balance at end of period	**18,076,307**	**14,880,594**

During the period, 35,884,083 performance rights (originally granted 6 December 2023) were cancelled by agreement between the Company and the holder. New performance rights totalling 41,305,519[7] were issued on 15 December 2025 (refer ASX Announcements dated 17 December 2025). The new performance rights were issued as replacement rights to those who held performance rights under the Nolans Success Plan and to new staff who had joined the Company.

The cancellation and issue of new performance rights follow shareholder approval received on 30 October 2025 (Refer ASX Announcement dated 30 September 2025) to allow the Board to issue a new suite of Performance Rights that are better aligned with the Company's current focus areas. The cancellation and issue of replacement performance rights was treated as a modification of the original performance rights for accounting purposes and an incremental fair value of $78,817 has been recorded on 15 December 2025. The vesting of the cancelled performance rights were accelerated in the period.

A summary of all options and performance rights on issue at 31 December 2025 is detailed below.

Type	Grant Date	Number	Vesting Conditions
Options	5/9/2022	2,569,000	Options vest three years from grant date.
Options	28/02/2023	197,000	Options vest three years from grant date.
Performance rights	6/12/2023	399,421	Performance rights are split evenly across five tranches subject to five critical milestones linked to the successful delivery of the Nolans Project being:

[7] 18,873,908 performance rights were issued to key management personnel.

			• Commencement of Main Construction. • First Draw down of Debt. • First Ore delivered to ROM Pad. • First NdPr Oxide Production. • Project Close Out.
Performance rights	6/12/2023	4,556,991	Performance rights vest on 1 July 2026.
Performance rights	28/4/2025	851,988	Performance rights vest on 1 July 2026.
Performance rights	15/12/2025	41,305,519	Performance rights include different non-market performance conditions for different groups of staff, but broadly relate to: • Maintaining project capital cost targets • Completion of equity funding activities • Construction readiness targets

No options or performance rights were converted during the period.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Since the release of the 30 June 2025 financial statements there has been no significant changes to commitments or contingencies.

NOTE 8: RELATED PARTY TRANSACTIONS

Parent entity

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

Outstanding balances arising from sale/purchases of goods and services

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

Loans to/from related parties

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

Incentives issued to KMP

The below performance rights were issued to Key Management Personnel including the total value as at 31 December 2025:

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KMP	Grant Date	Number	Total Value[8]	Vesting Conditions
Darryl Cuzzzubo	15/12/2025	10,638,510	$2,214,858	Performance rights include different non-market performance conditions for different groups of staff, but broadly relate to: • Maintaining project capital cost targets • Completion of equity funding activities • Construction readiness targets
Tommie Van der Walt	15/12/2025	4,376,768	$736,610	
Peter Sherrington	15/12/2025	3,858,630	$818,145[9]	

Darryl Cuzzubbo and Tommie Van der Walt were issued new performance rights following shareholder approval received on 30 October 2025 (refer ASX Announcement dated 30 September 2025) to allow the Board to issue a new suite of Performance Rights that are better aligned with the Company's current focus areas.

Peter Sherrington was issued new performance rights on the same terms as replacement performance rights following cancellation of the performance rights he held under the Nolans Success Plan. Refer Note 6 above for further information.

Terms and conditions

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

NOTE 9: EVENTS OCCURRING AFTER THE REPORTING DATE

No other matter or circumstance has arisen since 31 December 2025 that has significantly affected, or may significantly affect:

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

[8] Total value as at 31 December 2025 has been calculated using a probability of vesting that factors both the achievement of the performance condition and a service condition for each non-market performance condition.

[9] As the replacement performance rights were treated as a modification under AASB 2, no fair value difference was recorded at 31 December 2025 given the fair value of the cancelled rights as at the date of modification was greater than the fair value of the replacement rights.

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In the Directors' opinion:

a) the financial statements and notes set out on pages 10-20 are in accordance with the Corporations Act 2001; and
   i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2025 and of its performance for the half-year ended on that date.
b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Darryl Cuzzubbo
Managing Director & CEO

Perth
18 February 2026

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Arafura Rare Earths Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Arafura Rare Earths Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and other explanatory information, and the directors' declaration.

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

i. Giving a true and fair view of the Group's financial position as at 31 December 2025 and of its financial performance for the half-year ended on that date; and

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

Basis for conclusion

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

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

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2025 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd



Ashleigh Woodley

Director

Perth, 18 February 2026