

ASX ANNOUNCEMENT

COMMONWEALTH GOVERNMENT SUPPORTS THE NOLANS PROJECT WITH US\$533 MILLION FINANCE PACKAGE

14 March 2024



- **Commonwealth Government conditionally approves US\$533 million debt finance package to support the Nolans Project in the Northern Territory**
- **Commonwealth Government support is a catalyst to advance the remaining debt and equity funding requirements for the Project**
- **The Nolans Project aims to be Australia's first ore-to-oxide rare earths processing facility to deliver sustainably mined and processed rare earth products to its global customers**

Arafura Rare Earths Limited (ASX: ARU) ("**Arafura**" or the "**Company**") is pleased to announce it has secured conditional Commonwealth Government approval for a debt financing package of **US\$533 million** to progress its strategically important Nolans Project in the Northern Territory.

The Commonwealth Government approvals are part of a broader financing package Arafura is currently progressing, which Arafura currently has indicative interest from international and commercial financiers for a further US\$550 million of senior debt facilities.

The Commonwealth debt finance package includes a US\$125 million limited-recourse senior debt facility under the Commonwealth Government's A\$4 billion Critical Minerals Facility (**CMF**) (administered by Export Finance Australia (**EFA**)) and A\$150 million limited-recourse senior debt facilities from the Northern Australia Infrastructure Facility (**NAIF**). Both facilities have a 15-year tenor with interest rates and conditions precedent to financial close customary to arrangements of this nature.

EFA will also provide a subordinated Standby Liquidity Facility (**SLF**) of up to US\$200 million under the CMF to help manage any increases in capital expenditure and operating costs incurred during ramp up. Export Finance Australia also has conditional approval to provide further funding of up to US\$75 million on its Commercial Account to participate in the ECA covered tranches and Cost Overrun Facility (**COF**). NAIF has agreed to provide additional funding up to A\$50m via a proportion of the COF.



"Our goal is to be a trusted global leader and supplier of choice for sustainably mined and processed rare earth products, helping our customers deliver clean and efficient technologies. We are committed to delivering positive intergenerational economic, environmental and social benefits to our stakeholders."

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Table 1: Conditional EFA and NAIF Debt Facility Approvals

Agency	Amount	Description
EFA	US\$125m	Senior Debt Facility
NAIF	US\$100m ⁽¹⁾	Senior Debt Facility
NAIF	US\$33m ⁽²⁾	Cost Overrun Facility
EFA	Up to US\$75m	ECA Covered Tranches and COF
	US\$333m	Total Senior Debt
EFA	US\$200m	Subordinated SLF
Total	US\$533m	Total Senior and Subordinated Debt

⁽¹⁾ A\$150m (NAIF) converted for comparison purposes only at AUD/USD 0.6667428.

⁽²⁾ A\$50m (NAIF) Cost Overrun Facility converted for comparison purposes only at AUD/USD 0.6667428.

The funding decision reflects the strategic significance of the Nolans Project, as well as the Company's ability to build a new, secure and reliable supply chain for NdPr oxide to support magnets and a host of other renewable technologies.

EFA provides commercial finance for export trade and overseas infrastructure development and administers the Australian Government's A\$4 billion CMF. The CMF supports the Australian Government's Critical Minerals Strategy 2023-2030 by providing finance to strategically significant projects which can crowd in private investment. NAIF's support for resource and critical minerals projects is instrumental in shaping the economic development of Northern Australia.

This follows earlier provision of in-principle support from both agencies (refer to ASX Announcements dated 7 May 2021, 18 June 2021 and 29 March 2023).

The approval of the loan facilities is subject to a number of conditions which are customary for project financings of this nature, or otherwise required under the Critical Minerals Facility, including completion of due diligence and execution of facility and security documentation for the facilities with all lenders.

The Company will provide further details about project funding arrangements for the development of the Project as and when credit approved commitments are received from additional lenders for the entire indicative and targeted debt facilities.

Arafura's debt, equity and offtake arrangements now span a number of countries with partnerships with the Australian Government, including South Korea, Germany, Canada and France. Additional offtake and investment discussions have potential to also include other countries whose strategic policy interests align with the Australian Government's Critical Minerals Strategy.

Debt Finance

Export Credit Agencies (**ECAs**) are playing an important enabling role in debt finance support for the Nolans Project. Export Development Canada (**EDC**) has provided a Letter of Interest for debt financing up to US\$300 million (refer to ASX announcement dated 20 June 2023) while the Export-Import Bank of Korea ("**KEXIM**") has provided in-principle debt financing support for a US\$75 million loan in addition to a US\$75 million untied loan guarantee (refer to ASX announcement dated 4 December 2023). Germany's Euler Hermes has provided in-principle support for an

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untied loan guarantee up to US\$600 million (refer to ASX announcement dated 29 March 2023). Utilisation of this entire facility is contingent upon additional German offtake and subject to debt metrics. Arafura expects to utilise approximately US\$100 million of Euler Hermes untied loan guarantee.

Arafura is seeking funding for ECA covered tranches of up to US\$175 million, supported by untied loan guarantees from Euler Hermes and KEXIM. Request for proposals have been issued to numerous domestic and foreign banks in relation to project financing and ancillary banking services requirements. The commercial bank processes will continue to run in parallel with the due diligence programs and credit approval processes for the export credit agencies.

Equity Process

The approved credit terms for its US\$775 million of senior debt with all lenders will be used to catalyse a significant equity raising. The equity raising will complete the funding to enable construction, commissioning and first production at the Nolans Project. Engagement with a number of key strategic investors is ongoing, action with these groups and other potential cornerstone investors is scheduled to escalate in parallel with the lenders' credit approval processes.

Offtake Agreements

Arafura remains focused on delivering the long-term offtake strategy for the Nolans Project. The current binding offtake agreements with South Korea's Hyundai Motor Company and Kia, and Germany's Siemens Gamesa Renewable Energy (refer to ASX Announcements dated 7 November 2022 and 11 April 2023) represents approximately 53% of its target to secure 85% of annual production. Discussions with GE Renewables on conversion of their non-binding MOU (refer to ASX Announcement dated 12 July 2022) into binding terms are at an advanced stage.

Project Readiness

Early works at the Nolans Project were completed by the start of the current financial year, including a range of access and critical infrastructure, as well as construction camp facilities that will allow a timely and efficient mobilisation and commencement of development when financing activities are complete. A range of long-lead and critical path items have already procured and advanced contract development undertaken for the important hydrometallurgical plant.

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Managing Director and CEO, Darryl Cuzzubbo, said:

"Securing debt facilities of US\$533 million from EFA and NAIF is a critical achievement for the Nolans Project and signifies its economic importance to Australia and the Northern Territory."

"Gaining this level of support from the Commonwealth Government is a critical milestone in becoming a globally significant producer of NdPr, a product essential for electric vehicle and wind turbine manufacturers to achieve future growth targets as part of the energy transition."

"Being able to secure these debt terms reflects the quality of the Nolans Project. It brings us significantly closer to making a final investment decision and contributing to a lower carbon future."

"We are thrilled to be in partnership with EFA and NAIF, other government stakeholders, our customers and communities to create jobs and economic opportunities for many decades to come."

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Indicative funding structure

The proposed debt facilities of US\$775 million comprise direct loans with ECAs and government agencies and a commercial bank tranche supported by ECA debt guarantees.

Arafura's ore to oxide business model has enabled it to secure high quality offtake counterparties and alignment with energy transition and supply chain diversification objectives has facilitated the strong support of a number of ECAs and government agencies for the Nolans Project's financing.

In early March 2024, Arafura issued request for proposals seeking limited-recourse project finance with a number of commercial banks. The commercial bank tranche is supported by untied loan guarantees from Euler Hermes and KEXIM. A number of foreign and domestic lenders have been included in the request for proposal process.

Table 2: Indicative Senior Debt Facilities

Agency	Amount		Description	Status
Senior Debt Facilities				
EFA	US\$125m	US\$225m ⁽¹⁾	Debt financing	Conditionally approved
NAIF	A\$150m		Debt financing	Conditionally approved
Export Development Canada	US\$300m		Debt financing	Letter of interest received
KEXIM	Up to US\$75m		Debt financing	Letter of interest received
ECA Covered Tranches	Up to US\$175m ⁽²⁾		Debt financing	Covered by untied loan guarantees
Total	US\$775m			
Cost Overrun Facility	US\$80m ⁽³⁾			
Total Senior Facilities	US\$855m			
Untied Loan Guarantees (ECA Covered Tranches)				
Euler Hermes Aktiengesellschaft	Up to US\$100m ⁽⁴⁾		Untied loan guarantee	In-principle support received
KEXIM	Up to US\$75m ⁽⁵⁾		Untied loan guarantee	Letter of interest received
Total Untied Loan Guarantees	Up to US\$175m			

⁽¹⁾ A\$150m (NAIF) combined and converted for comparison purposes only at AUD/USD 0.6667428.

⁽²⁾ Commercial bank tranche will be supported by untied loan guarantees from Euler Hermes and KEXIM.

⁽³⁾ US\$160m total Cost Overrun funding, 50% debt funded with the remaining US\$80m to be funded by equity.

⁽⁴⁾ Arafura is targeting US\$100m of Euler Hermes loan guarantee, subject to debt sizing constraints and securing sufficient German based NdPr offtake. The Euler Hermes in-principle letter of support provides for up to US\$600 million of loan guarantee (refer to ASX Announcement dated 29 March 2023).

⁽⁵⁾ Refer to ASX Announcement dated 4 December 2024.

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Conditional approvals from the Commonwealth Government provides leadership and momentum for the lender group to complete credit approvals for the remaining senior debt facilities. The Company has already completed an extensive legal, technical and financial due diligence program with financiers, and offtake discussions with potential counterparties are well advanced. The Company will provide further details of these arrangements as and when binding agreements are entered into.

About Export Finance Australia and the Critical Minerals Facility

Export Finance Australia (EFA) is Australia's export credit agency. EFA provides commercial finance for export trade and overseas infrastructure development. From small and medium sized enterprises (SMEs) to large corporates, foreign Governments and infrastructure projects, we help Australian businesses take on the world. In doing so, EFA finance supports Australia's economic security and regional resilience.

EFA administers the Australian Government's National Interest Account (NIA), which currently includes the A\$4 billion Critical Minerals Facility. The Critical Minerals Facility supports the Australian Government's Critical Minerals Strategy 2023-2030 by providing finance to strategically significant projects which can crowd in private investment.

About Northern Australia Infrastructure Facility

The Northern Australia Infrastructure Facility (NAIF) is a Commonwealth Government financier, providing concessional loans for the development of infrastructure projects in northern Australia and the Australian Indian Ocean Territories. NAIF's projects in northern Australia stimulate economic growth by attracting private investment, fostering infrastructure development, and supporting various industries. These projects contribute to the region's overall economic prosperity and diversification.

For more information, visit: www.naif.gov.au

About the Nolans Project

Arafura's Nolans Project is a rare earth ore to oxide mine and processing facility in the Northern Territory. The project is Australia's first vertically integrated rare earths operation, where its single site mining and processing operations (including waste disposal) will provide a secure and traceable supply chain to meet domestic and international economic and security interests and the ESG needs of global customers.

For more information, visit: www.arultd.com

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Production Targets and Forecast Financial Information

The information in this announcement that relates to production targets and financial information is extracted from the Company's ASX announcement dated 11 November 2022 (Nolans Project Update). The production target is based on 12% Proved Reserves, 62% Probable Reserves and 26% inferred resources as reported in the Company's ASX announcement dated 11 November 2022. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. Arafura confirms that all material assumptions underpinning the production target and forecast financial information derived from the production target set out in the Company's ASX announcement dated 11 November 2022 (including any assumptions referred to in the Company's ASX announcement dated 11 November 2022 that were used from the DFS as set out in the Company's ASX announcement dated 7 February 2019 (Nolans Project Definitive Feasibility Study) or from the Updated Mining Study as set out in the Company's ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project)), continue to apply and have not materially changed.

Forward Looking Statements

This announcement includes forward-looking statements. These statements relate to Arafura's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "will", "progress", "anticipate", "intend", "expect", "may", "seek", "towards", "enable" and similar words or expressions containing same.

The forward-looking statements reflect Arafura's views and assumptions with respect to future events as of the date of this announcement and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to Arafura, or any of its affiliates or persons acting on its behalf. Arafura does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Neither Arafura nor any other person, gives any representation, warranty, assurance, nor will guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. To the maximum extent permitted by law, Arafura and each of its advisors, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise.