

ASX ANNOUNCEMENT

EXPORT DEVELOPMENT CANADA PROVIDES CONDITIONAL APPROVAL FOR US\$300 MILLION SENIOR DEBT FACILITY

27 May 2024



- **US\$300 million of debt financing for the Nolans Project conditionally approved by Export Development Canada (EDC)**
- **Arafura has achieved conditional approvals for 68% of the targeted US\$775 million senior debt funding for the Nolans Project¹**
- **Funding package brings Arafura closer to a final investment decision on the Nolans Project**
- **Strategic alignment between EDC and Arafura ensures global supply of NdPr to advance the energy transition**
- **Recognition of the importance of a globally diversified NdPr supply chain**

Arafura Rare Earths Limited (ASX: ARU) ("Arafura" or the "Company") is pleased to announce it has secured conditional approval for up to US\$300 million in debt finance from EDC, the facility will have a 12- year tenor.

The geostrategic connection between Arafura and EDC was facilitated by GE Vernova Inc (**GEV**) (refer ASX Announcement 20 June 2023) in recognition of the significance of the Nolans Project and its role in diversifying the rare earth materials supply chain for offshore wind turbines. EDC's support of the Nolans Project is linked to the non-binding Memorandum of Understanding with GE Renewable Energy (refer ASX Announcement 12 July 2022) and supply contracts from Canadian companies.

The loan documentation including the common terms deed is being advanced with the lenders in conjunction with the credit approval work programs.

Interest rates and conditions precedent to financial close for the EDC senior debt facility will be customary for arrangements of this nature. In accordance with the proposed common terms deed, the EDC facility will be conditional upon Arafura achieving the 80% binding offtake target. Arafura has agreed in principle with the lenders to a binding offtake target of 80%, reduced from Arafura's previously stated target of 85% of nameplate capacity (after ramp-up)².

¹ Senior debt funding excluding cost overrun and contingent instrument facilities

² Nameplate capacity refers to the average annual production from Nolans, being 4,440tpa (Refer to ASX Announcement dated 11 May 2021)



"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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Arafura's Managing Director Darryl Cuzzubbo said:

"Debt financing from EDC signifies the increasing geostrategic importance of the Nolans Project and securing global diversity in the NdPr supply chain.

EDC has responded strongly to Nolans as a strategic opportunity that will underpin the electrification economy. NdPr is critical in electrical vehicles, wind turbines and robotics.

We are thrilled to be working with EDC and remain impressed with their innovative thinking and commitment to accelerating a lower carbon future.

This announcement today brings us closer to a final investment decision on the Nolans Project."

Indicative funding structure

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.

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 (refer table below).

In early March 2024, Arafura issued request for proposals seeking limited-recourse project finance with several commercial banks. The commercial bank tranche is supported by untied loan guarantees from Euler Hermes and KEXIM. Arafura is working with a select group of foreign and domestic commercial banks to secure the remaining project financing and banking services required for development of the Nolans Project.

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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	Conditionally approved
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 2023.

Conditional approvals from the Commonwealth Government (refer ASX Announcement 14 March 2024) and EDC 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.

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Production Target

The information in this announcement that relates to production targets 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, other than as set out in this announcement, all material assumptions underpinning the production target 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.

-ENDS-

Further information:

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