



ASX ANNOUNCEMENT

ADDITIONAL AUSTRALIAN AND INTERNATIONAL EXPORT CREDIT AGENCY SUPPORT FOR NOLANS PROJECT

29 March 2023

- **German export credit agency Euler Hermes confirms in-principle eligibility for untied loan guarantee of up to US\$600 million.**
- **In-principle support from Northern Australia Infrastructure Facility increased to A\$150 million.**

Arafura Rare Earths Limited (ASX:ARU) (Arafura or the Company) is pleased to advise that it has received a non-binding letter of in-principle support from German export credit agency (**ECA**) Euler Hermes Aktiengesellschaft (**Euler Hermes**) for an untied loan guarantee of up to US\$600 million to support the Nolans Project.

In January 2023, KfW IPEX- Bank (**KfW**) was appointed as an additional mandated lead arranger for debt financing and as the ECA structuring bank (ASX announcement 23 January 2023). KfW are assisting Arafura in its engagement with Euler Hermes and ECAs located in other jurisdictions with linkages to Nolans Project offtake. Euler Hermes has informed the Company that the Federal Ministry for Economic Affairs and Climate Action has confirmed the in-principle eligibility for an untied loan guarantee for the financing of the Nolans Project. The untied loan guarantee of US\$600m is non-binding, indicative only and if approved, the guarantee would be conditional on Arafura entering into offtake agreements with German-based companies, and the corresponding quantities of neodymium praseodymium (**NdPr**) products ultimately being processed in Germany into permanent magnets or powertrains. Any final guarantee amount will be determined with reference to the offtake volume processed in Germany, final offtake structures with German companies and NdPr market conditions at the time.

Arafura and KfW provided Euler Hermes with an overview of offtake engagement in Germany, potential supply chains and historic NdPr pricing information to assist in its assessment of the Nolans Project. To secure a final and binding financing decision from Euler Hermes, Arafura and KfW will be required to file a formal application with the German Government that is supported by further economic, technical and legal information, along with details relating to environmental and social aspects of the project. Arafura will provide further updates to the market as it works to finalise its offtake arrangements and progress any formal application.

In addition, the Northern Australia Infrastructure Facility (**NAIF**) has provided non-binding in principle support to increase its tranche of project finance from A\$100 million to A\$150 million (following its initial letter of support to provide up to A\$100 million for a 15-year term in June 2021 (ASX announcement 18 June 2021)). NAIF has also advised that while the Nolans Project has fulfilled the strategic assessment phase of the NAIF decision process, a final investment decision by NAIF can only be made following satisfactory due diligence and approval by the NAIF Board.



"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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If the NAIF and Euler Hermes facilities are formalised and implemented, they would form a meaningful component of the broader debt facilities being progressed with Export Finance Australia (**EFA**), commercial banks and other international ECAs in relation to the project.

"We warmly welcome the support of Euler Hermes and ongoing engagement with EFA and NAIF," Arafura Managing Director Gavin Lockyer said.

"The Nolans Project closely aligns with global customers' critical raw material diversification plans and their ESG priorities. Support from Australian and international export credit agencies is a direct reflection of the value this represents. We look forward to close ongoing relationships with Euler Hermes, EFA and NAIF as we continue to progress offtake negotiations and the project moves through its next critical phases toward full funding, construction and first production."

Background Euler Hermes and UFK Facility

Euler Hermes is commissioned by the Federal Republic of Germany to implement Untied Loan Guarantee instruments (UFK Guarantees) to promote foreign trade and investment.

Untied Loan Guarantees protect lenders in foreign raw material projects from commercial and political risk and are a central component of the Federal Government's raw materials strategy. Raw material purchases secured by a long-term supply contract between a foreign producer and a German buyer are eligible for cover. This guarantee is "untied" in the sense that – unlike Export Credit Guarantees – it is not tied to the provision of German goods and services e.g., capital equipment procurement.

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