

# ASX ANNOUNCEMENT

## OFFTAKE UPDATE PRESENTATION

8 November 2022

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**Arafura Rare Earths Limited (ASX: ARU)** (“Arafura” or the “Company”) is pleased to attach a copy of its offtake update presentation which will be used for briefing to analyst groups.

**-ENDS-**

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*“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.”*

# Nolans Project Offtake Update

November 2022





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## Mineral Resources and Ore Reserves

The information in this presentation that relates to Mineral Resources is extracted from the Company's ASX announcement dated 7 June 2017 (Detailed Resource Assessment Completed) and was completed in accordance with the guidelines of the JORC Code (2012). The information in this presentation that relates to Ore Reserves is extracted from the Company's ASX announcement dated 16 March 2020 (Major Increase in Mine Life for the Nolans Project) and was completed in accordance with the guidelines of the JORC Code (2012). Arafura Rare Earths confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the original market announcements continue to apply and have not materially changed. Arafura Rare Earths confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

## Production Targets and Forecast Financial Information

The information in this presentation that relates to production targets and financial information is extracted from the Company's ASX announcement dated 11 May 2021 (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 May 2021. 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 May 2021 (including any assumptions referred to in the Company's ASX announcement dated 11 May 2021 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.

# Inaugural Binding Offtake Agreement





# ASX Announcement

## Hyundai and Kia Binding Offtake



1

Hyundai Motor Company and Kia Corporation sign cornerstone binding NdPr offtake agreement for an initial seven (7) year term (with mutual agreement extension of five (5) years).

2

Agreement provides for the supply of annual contract quantities of NdPr oxide that will increase to up to 1,500tpa when Nolans Project achieves nameplate production.

3

Represents supply commitment for approximately 40% of the 85% annual Planned Production<sup>1</sup> available under long term sale arrangements.

4

Supply currently anticipated to commence in calendar year 2025<sup>2</sup>

5

Additional Non-Binding Heads of Agreement (HoA) signed for potential Hyundai strategic investment in Company.



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RARE EARTHS LIMITED

(ASX:ARU)

1. Planned Production refers to the average annual production from Nolans of 4,440 tpa (Refer ASX Announcement dated 11 May 2021).

2. Milestone targets are indicative and subject to change and are contingent upon funding, offtake activities, completion of construction and development, commissioning and general market conditions.

# Offtake & Potential Strategic Investment

## Offtake Strategy

Arafura's offtake strategy targets original equipment manufacturers (OEMs) from geographic regions with supportive Export Credit Agencies and it continues to receive strong interest from a range of parties. The Company aims to secure 85% of its planned production as binding offtake and the remaining allocation is under negotiation with a range of multi-national companies including GE Renewable Energy (*Refer ASX Announcement dated 12 July 2022*).

### Offtake Details

- > Pricing (in \$US) is determined on a quarterly basis using a formula-based mechanism referencing the NdPr Price Ex Works China price per tonne. The sale price to be reduced by any China notional value added tax included in the referenced price.
- > Commercial grade NdPr Oxide/Total Rare Earth Oxide (TREO) must be  $\geq 99.0\%$ .
- > Agreement is subject to certain conditions precedent being satisfied no later than 30 June 2026, including completion of construction and development of the Project, commencement of commercial production and ramp up.

### Potential Strategic Investment

- > Non-binding HoA with Hyundai for a potential strategic equity investment.
- > The terms of the potential investment have not yet been determined and are subject to further negotiation.
- > Subscription funds intended to be applied toward funding a portion of the equity component of the development funding required for the Project.

# A World Class Project



# Delivering to an ESG World

Nolans is the **only** NdPr focused project in Australia that plans to **mine and process ore to oxide at a single site.**



In a changing world a focus on environmental responsibility has become paramount



**All environmental approvals** have been secured and waste management & site rehabilitation fully costed.



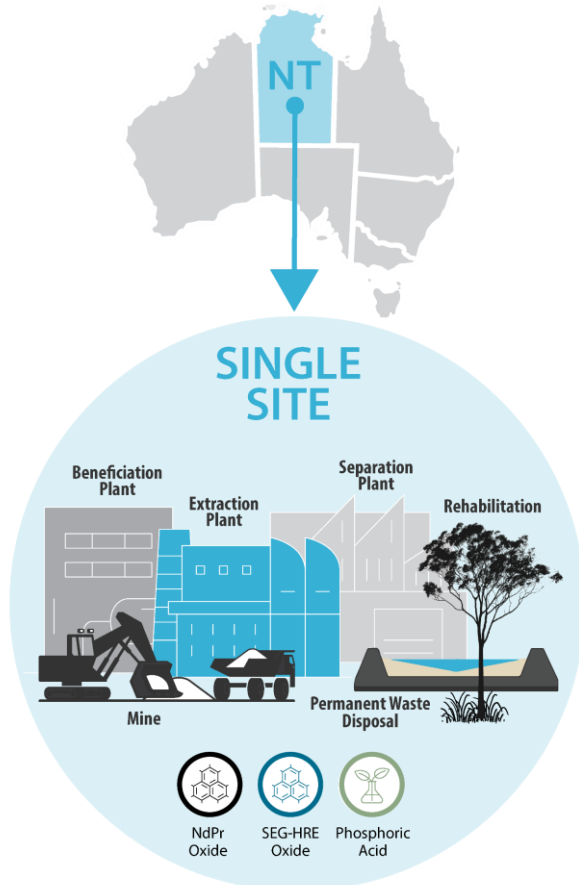
**Single site processing** provides traceable product, waste management certainty and an ability to drive GHG reduction which is **aligned with customers' ESG expectations.**



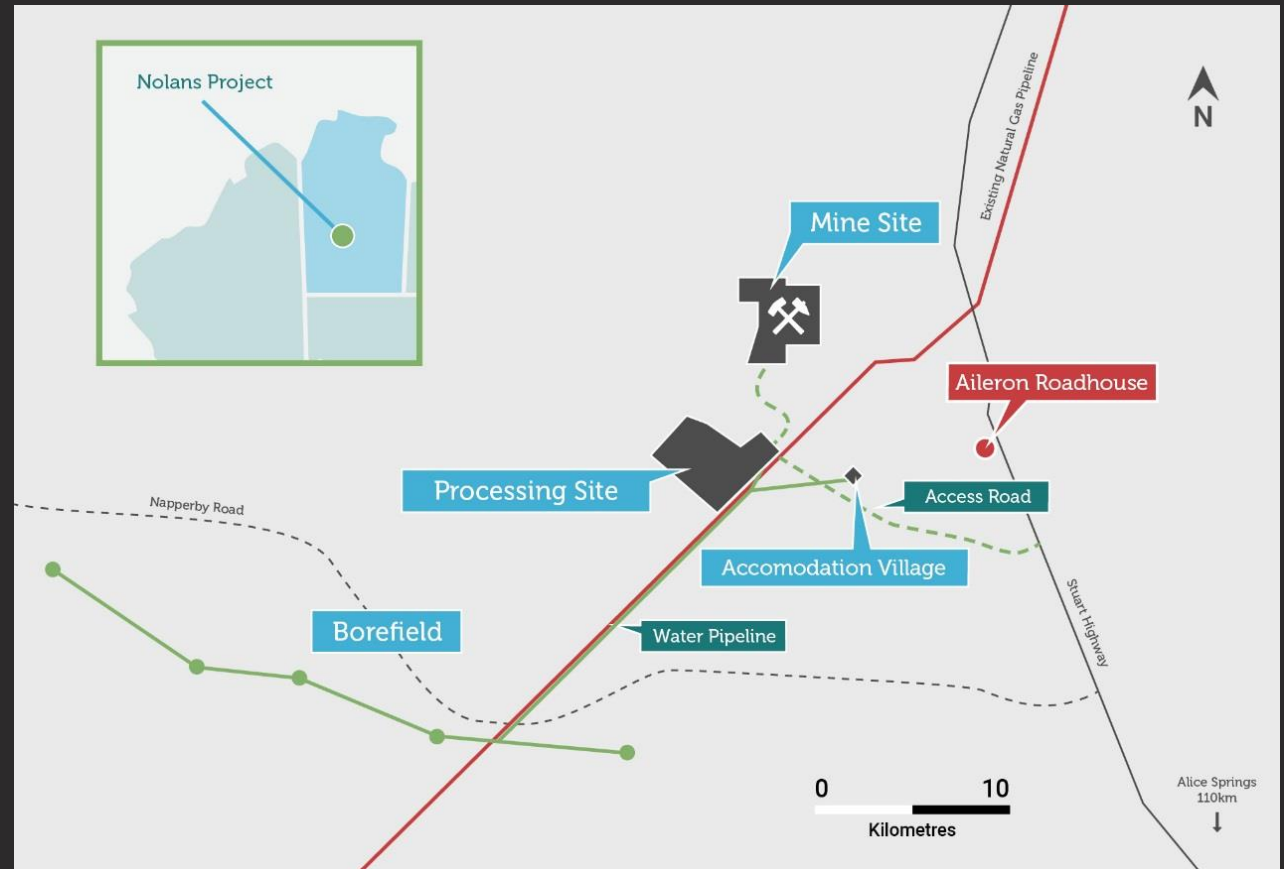


# Advanced Manufacturing Onsite

- > Ore to oxide at a single site
- > Permitted residue storage
- > traceable product & waste management certainty
- > aligned with downstream ESG expectations



- ➔ 5% of global NdPr oxide demand for energy transition applications
- ➔ Close to existing key infrastructure
- ➔ Key approvals in place: Mining Licence, Environmental and Native Title Agreement
- ➔ structured development over the 7 years has set Nolans up to be the next NdPr Oxide producer in the world



# Long Life Asset

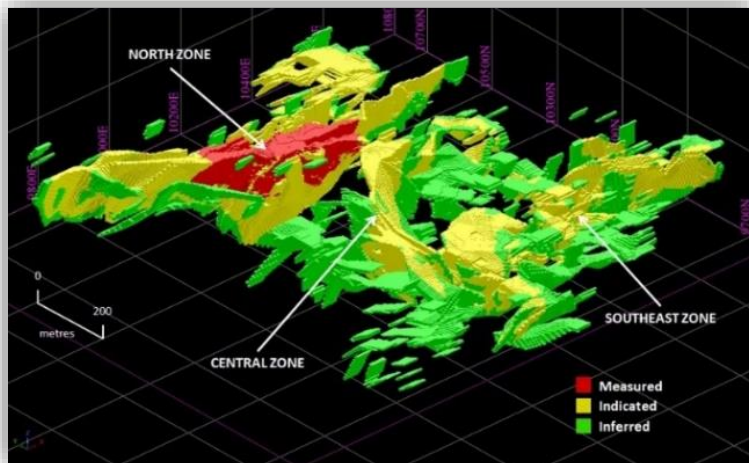
RESOURCES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P <sub>2</sub> O <sub>5</sub> %	NdPr ENRICHMENT %
Measured	4.9	3.2	13	26.1
Indicated	30	2.7	12	26.4
Inferred	21	2.3	10	26.5
<b>TOTAL</b>	<b>56</b>	<b>2.6</b>	<b>11</b>	<b>26.4</b>

As announced on 7 June 2017. 1% TREO cut-off grade. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd<sub>2</sub>O<sub>3</sub> and Pr<sub>6</sub>O<sub>11</sub>.

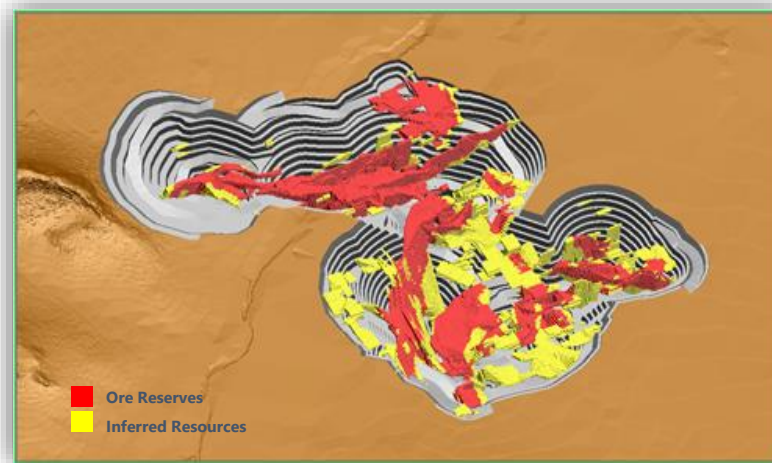
RESERVES	TONNES (m)	RARE EARTHS TREO %	PHOSPHATE P <sub>2</sub> O <sub>5</sub> %	NdPr ENRICHMENT %
Proved	5.0	3.0	13	26.2
Probable	24.6	2.8	13	26.5
<b>TOTAL</b>	<b>29.5</b>	<b>2.9</b>	<b>13</b>	<b>26.4</b>

As announced on 16 March 2020. Numbers may not compute exactly due to rounding. "NdPr enrichment" is the proportion of TREO comprising Nd<sub>2</sub>O<sub>3</sub> and Pr<sub>6</sub>O<sub>11</sub>.

## Mineral Resources



## Ore Reserves



# Geology

- ✓ World class strategic resource
- ✓ NdPr enriched
- ✓ Apatite hosted
- ✓ Discovered through airborne radiometrics
- ✓ 90km of drilling to develop 29 yrs of reserves and 38 yrs LOM
- ✓ Open at depth

# Offtake update



# Offtake



Binding offtake agreement entered into with Hyundai and Kia for up to 1,500 tpa oxide (or metal equivalent).

4 other groups in highly advanced negotiations representing 63% of Binding Offtake Target (Group 1).

Some may be displaced if other potential offtakers (Group 2) commit earlier.

**Arafura is targeting 85% of Planned Production<sup>1</sup> as binding offtake for FID (Binding Offtake Target).**

Offtake Discussion Group	Location	NdPr Oxide (tpa) <sup>2</sup>	% of Binding Offtake Target
<b>Secured Offtake (binding agreement)</b>			
Hyundai & Kia	Korea	1,500	40%
<b>Offtake under discussion<sup>3</sup></b>			
Highly Advanced offtake discussions (Group 1)	Japan & Europe	2,375	63%
Advanced offtake discussions (Group 2)	Europe & US	2,600	69%
<b>Total</b>		<b>6,475</b>	<b>172%</b>

Targeting NdPr users not aligned with *Made in China 2025 Strategy*

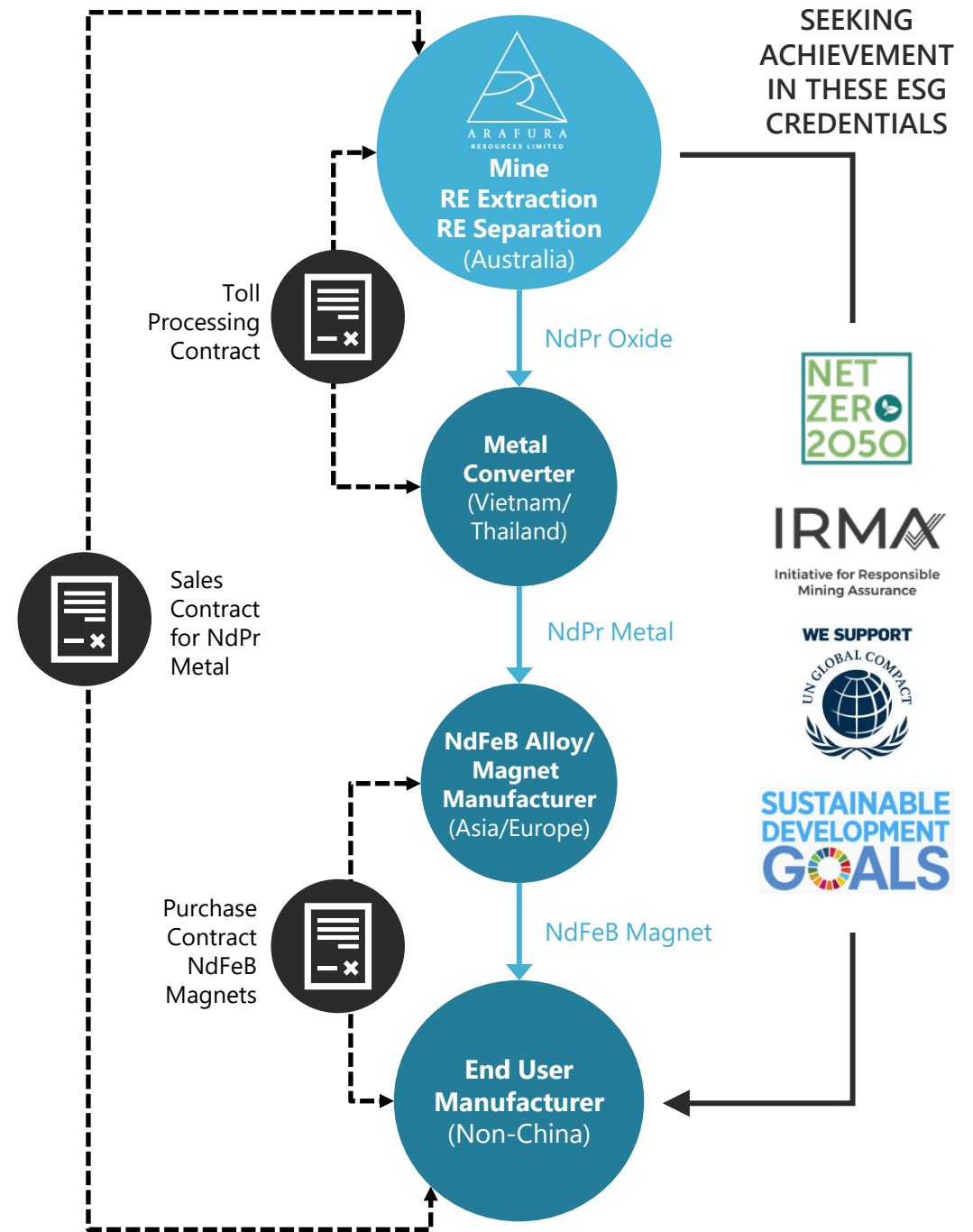
1. Planned Production refers to the average annual production from Nolans of 4,440 tpa (Refer ASX Announcement dated 11 May 2021).
2. Product may be supplied as NdPr Oxide or Metal equivalent.
3. The Company, at this stage, has no certainty as to the timing and likelihood of successfully concluding binding agreements being entered into.



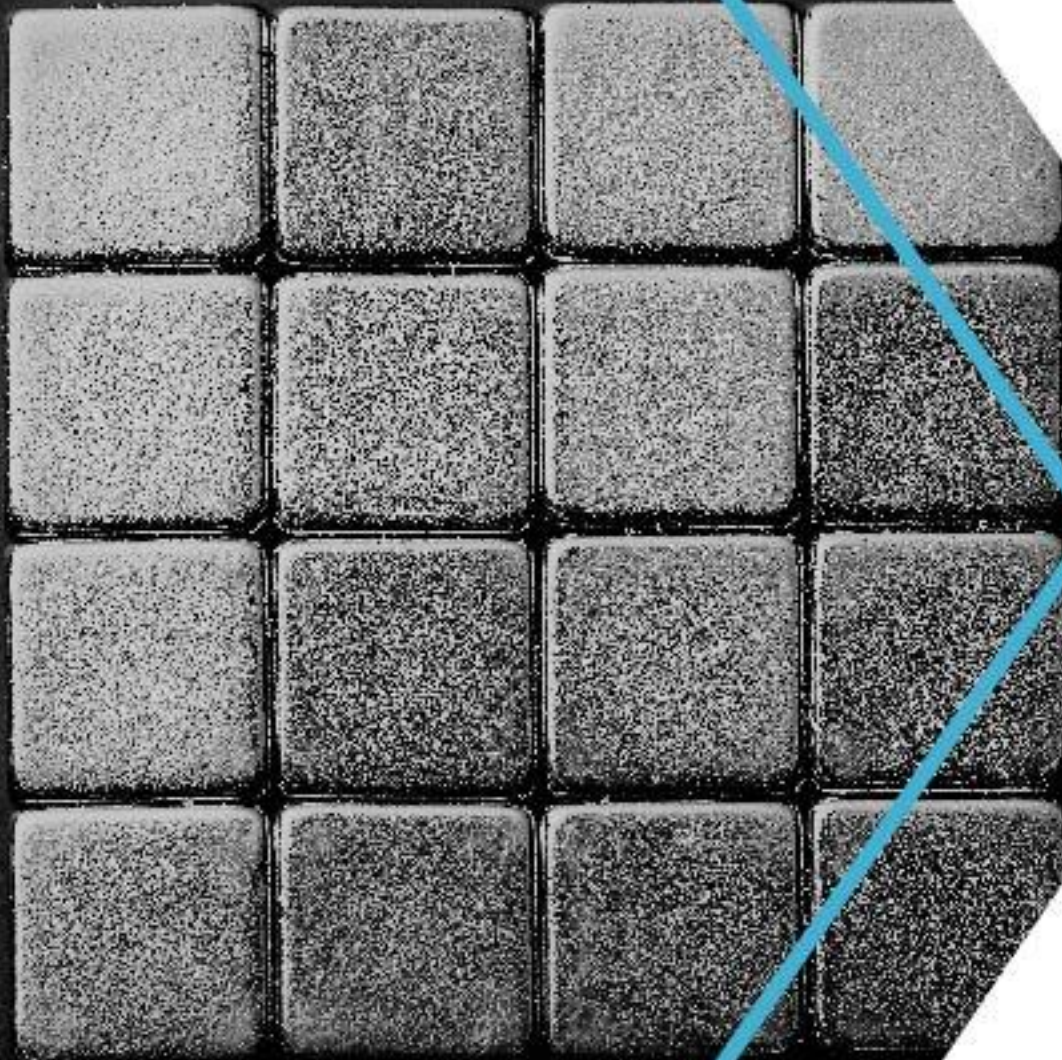
# Offtake & Supply Chain

Sustainable producer of NdPr to align to "Green Procurement" strategy

- ✓ Enables access to a sustainable NdPr feedstock where provenance is easily traceable.
- ✓ Optionality of oxide or toll processed metal conversion
- ✓ Enables access to a sustainable NdPr feedstock where provenance is easily traceable.
- ✓ Provenance will also be important in US and European markets



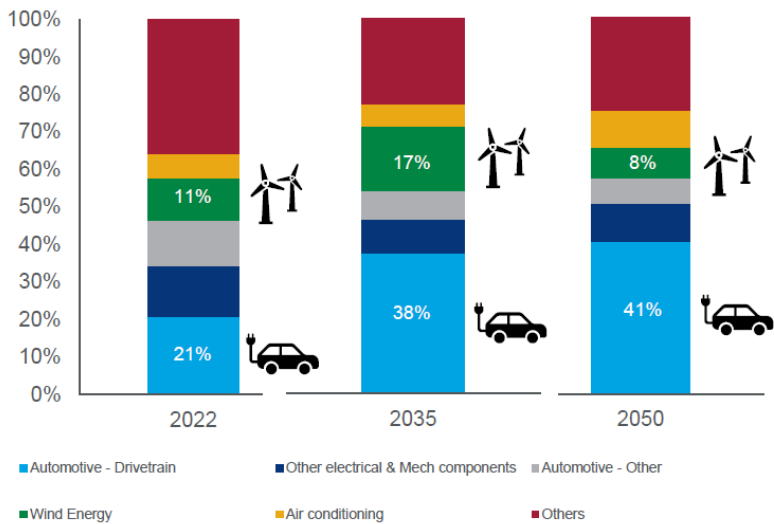
# NdPr Market



# NdPr for Magnets Critical Component in Clean Energy Sector

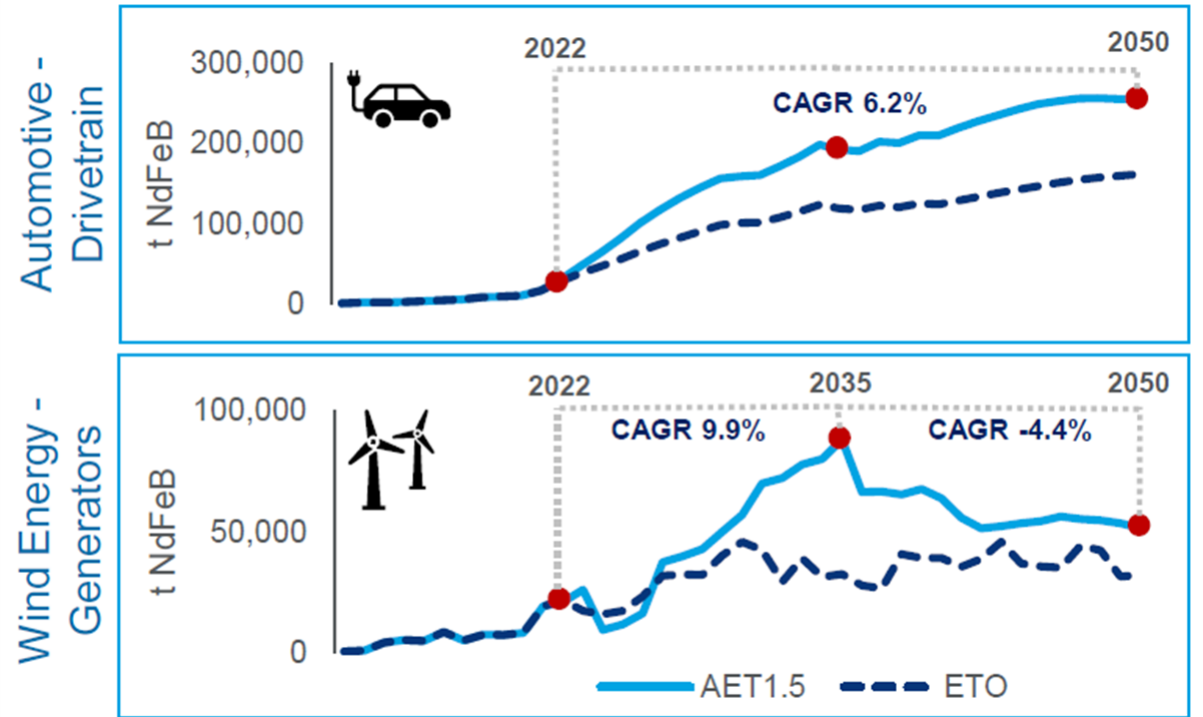
- Wood Mackenzie forecast an Accelerated Energy Transition (AET) 1.5 °C scenario (Global net zero by 2050) requires significant and prolonged ramping-up of RE production
- Security of supply will be challenged, sustained higher NdPr prices will be required to stimulate the development pipeline
- Drivetrain automotive and wind energy to represent 55% of magnet demand in 2035

NdFeB magnet demand by major end-use (AET1.5)



Source: Wood Mackenzie Business

Forecast supply gap emerging by 2030 represents in excess of **10 Nolans Projects**



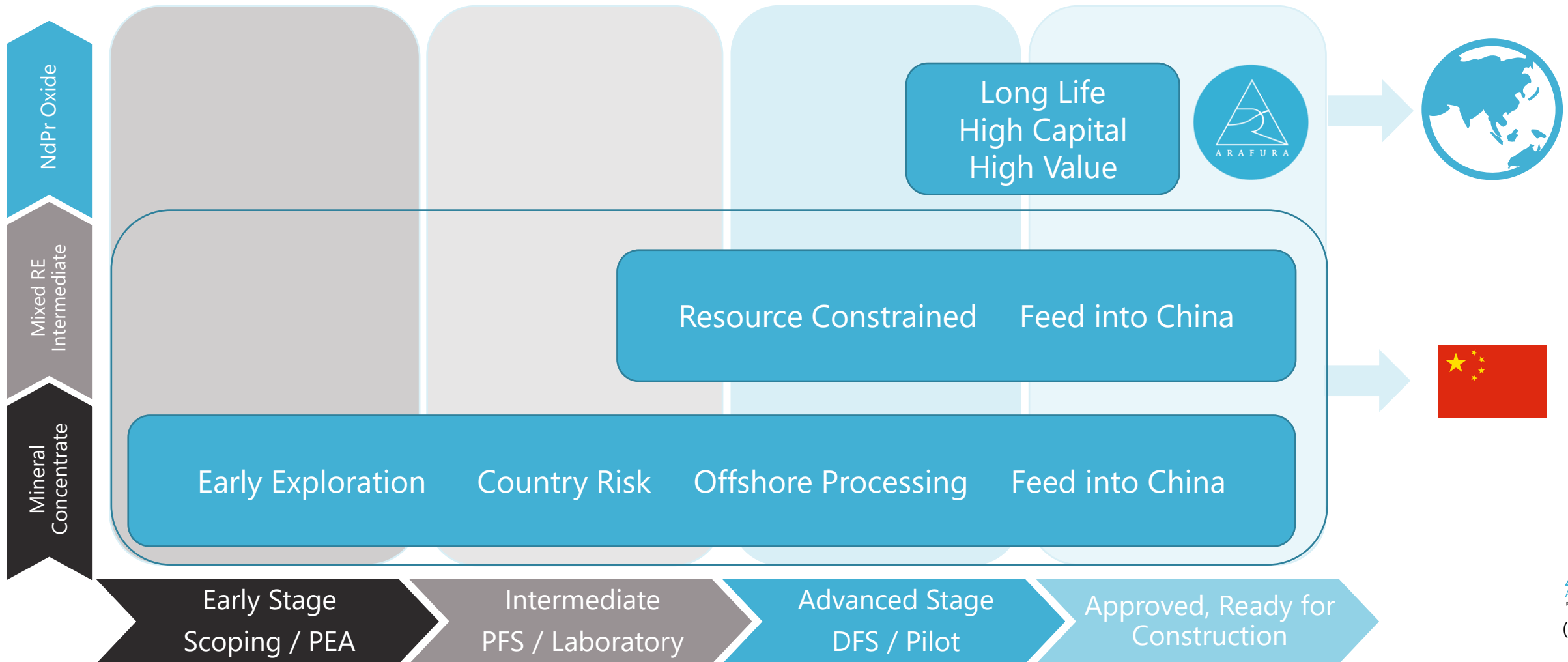
ETO = Energy Transition Outlook (Base Case)  
 AET1.5 = Accelerated Energy Transition 1.5°C (Scenario)

Source: Wood Mackenzie Business



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# NdPr Resource Project Pipeline



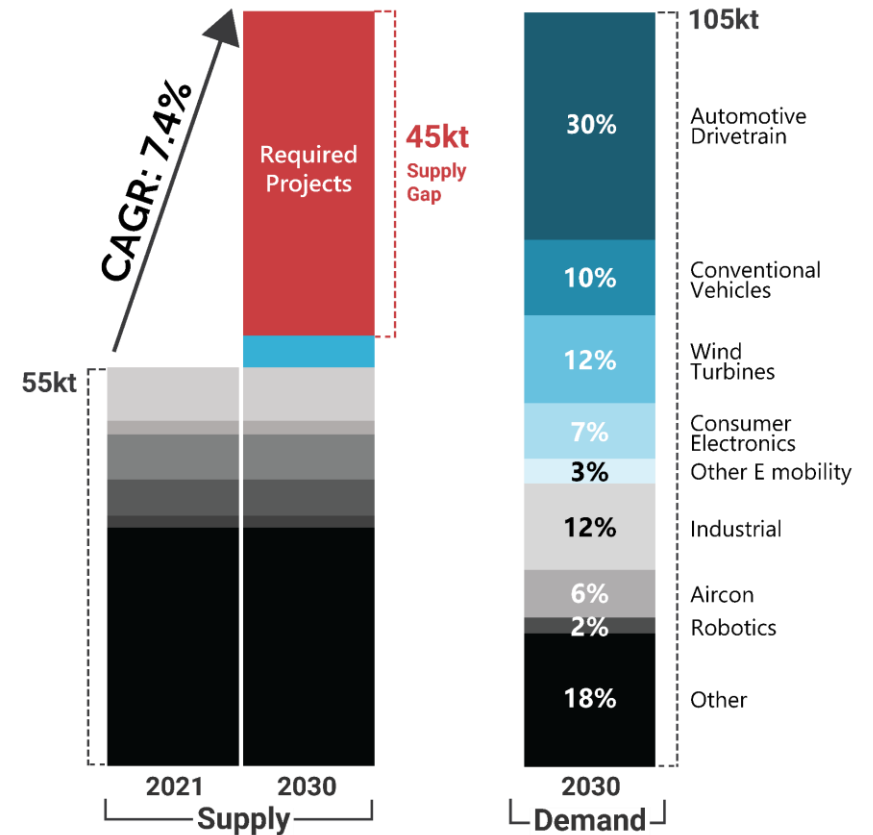


# NdPr Supply Gap

- ✓ New supply will lag significantly behind demand growth and only a handful of non - China NdPr projects will be in production in the next 5 years
- ✓ Tighter regulatory and policy controls will constrain China's ability to expand at the same pace and open new mines after a decade of environmental legacy issues
- ✓ China supply growth supports its own China 2025 strategy and downstream industry demand growth in Wind and NEV
- ✓ Supply gap will largely be concentrated with non-China NdPr users
- ✓ Significant competition for NdPr between offshore wind and EV makers

Investment in new projects is required to meet demand requirements

## NdPr Supply & Demand



Cumulative Annual Growth Rate (CAGR)



(ASX:ARU)

Source: Arafura internal Supply Demand forecast referencing Wood Mackenzie - Rare earth market Outlook to 2050, 2021; CRU - Rare Earth Market Study, 2020; General Administration of Customs of China via Baiinfo January 2022. Supply is primary supply and excludes secondary source of NdPr supply from waste magnet production.



# Offtake & link to Project Funding

8/11/2022

# Funding Structure

## Debt

- ✓ MLAs appointed, Societe Generale and NAB
- ✓ MLAs seeking to arrange US\$510m (inclusive of cost over run) debt financing
- ✓ Balance of the debt financing will be targeted through untied ECA funding and to the extent required additional MLA banks or via syndication
- ✓ NAIF & EFA will support A\$300m of debt subject to further DD and credit approval
- ✓ Offtake drives the participation of untied ECA funding

## Equity

- ✓ GE MoU & HMC HoA outlines a potential strategic investment in Arafura to be negotiated in conjunction with final offtake
- ✓ Strategic equity linked to other offtakes under discussion
- ✓ A\$30m MMI Grant reduced equity component

