

ASX ANNOUNCEMENT

ARAFURA RECEIVES CONDITIONAL APPROVAL FOR UP TO US\$150 MILLION FROM KEXIM



1/07/2024

- Arafura announces up to US\$150 million of debt financing for the Nolans Project conditionally approved by The Export-Import Bank of Korea (KEXIM)
- The conditional credit approval comprises ~US\$75 million direct loan facility and a ~US\$75 million loan guarantee, both with a tenor of up to 10 years
- Funding signifies close strategic relationship between Arafura and Korea with more than one third of offtake from the Nolans Project allocated to Korean industry
- KEXIM approvals brings Arafura closer to the targeted US\$775 million senior debt funding¹ and a final investment decision on the Nolans Project
- International funding support continues to highlight the significance of the Nolans Project delivering a globally diversified NdPr supply chain

Arafura Rare Earths Limited (ASX: ARU) (“Arafura” or the “Company”) announces it has received conditional approval for debt financing of up to US\$150 million from The Export-Import Bank of Korea (KEXIM).

The financing comprises a direct loan facility of up to US\$75.1 million and a loan guarantee up to US\$74.9 million. Both facilities have a tenor of up to 10 years.

The KEXIM loan guarantee supports the credit approval process for commercial lenders and brings Arafura closer to its targeted US\$775 million senior debt funding required for the Nolans Project.

The conditional approval for up to US\$150 million of debt financing from KEXIM follows the Letter of Interest received in December 2023² in recognition of the importance of the Nolans Project in diversifying the global NdPr supply chain to underpin electrification of Korea’s automotive manufacturing sector.

Arafura entered into cornerstone binding offtake agreements with Hyundai Motor Company and Kia Corporation for the supply of up to 1,500 tonnes per annum of NdPr oxide when the Nolans Project achieves nameplate production capacity.³

Arafura continues to work with commercial lenders including KEXIM subsidiary, KEXIM Global (Singapore) for credit approval to participate under the Export Credit Agency (ECA) covered tranches and other senior debt facilities. 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 KEXIM facilities will be customary for arrangements of this nature.

¹ Senior debt funding excluding cost overrun and contingent instrument facilities

² Refer ASX Announcement dated 4 December 2023

³ Refer ASX Announcement dated 7 November 2022

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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	Conditionally approved
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⁽⁴⁾			
Untied Loan Guarantees (ECA Covered Tranches)				
Euler Hermes	Up to US\$100m ⁽⁵⁾		Untied loan guarantee	In-principle support received
KEXIM	Up to ~US\$75m		Untied loan guarantee	Conditionally approved
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) Excludes Contingent Instrument Facilities to support the provision of bank guarantees.

(5) 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).

Arafura Managing Director Darryl Cuzzubbo said:

“Hyundai and Kia are Arafura’s cornerstone customers and our strategic alliance with Korea has been fortified by KEXIM’s US\$150 million in financing support for the Nolans Project.

“Together, KEXIM and Arafura are embarking on the development of a diversified global NdPr supply chain to achieve a lower carbon future.

“Today’s announcement marks another significant milestone towards securing US\$775 million of senior debt. We remain steadfast on achieving a final investment decision this year.

“I look forward to working closely on our partnership with KEXIM.”

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About Korea Export-Import Bank (KEXIM)

The Export-Import Bank of Korea was established to facilitate the development of Korea's economy and enhance economic co-operation with foreign countries through the provision of financial support for export and import transactions, overseas investment projects, and the development of overseas natural resources. As an Export Credit Agency, KEXIM provides export credit to promote the export of capital goods such as ships and industrial plants, and high technology industries such as IT. It also provides credit to support overseas investments, overseas projects, and natural resource development projects. In September 2023, KEXIM expanded and overhauled the "Supply Chain Financing Program" to broaden the area of support to supply chain stabilization including the sector of critical minerals. In addition to its existing financing program, KEXIM also plans to launch the Supply Chain Resilience Fund in 3Q 2024, a separate account set up to support projects contributing to strengthening the supply chain of key industries including critical minerals.

KEXIM subsidiary, KEXIM Global is a Singapore based merchant bank with specific focus on initiatives that lead to global sustainability transition and regional growth.

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.

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Further Information:

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