

ASX ANNOUNCEMENT

ARAFURA CONFIRMS GERMAN EXPORT CREDIT AGENCY SUPPORT WITH EULER HERMES UNTIED LOAN GUARANTEE



4/07/2024

- **Euler Hermes conditionally approves up to US\$115 million of Untied Loan Guarantees in support of debt financing for the Nolans Project**
- **Agreement with Euler Hermes secures NdPr for German-based companies, including Siemens Gamesa**
- **Arafura continues to be recognised globally for its role in securing an ex-China global supply chain of NdPr**

Arafura Rare Earths Limited (ASX: ARU) (“Arafura” or the “**Company**”) is pleased to announce the German Government inter- ministerial committee (**IMC**) has issued conditional approval for up to US\$115 million in Untied Loan Guarantees from Euler Hermes Aktiengesellschaft (Euler Hermes) over a 10-year tenor.

Euler Hermes, the German export credit agency (**ECA**) has previously provided in-principle eligibility for untied loan guarantees (**UFK**)¹ for the Nolans Project (Refer ASX Announcement dated 29 March 2023).

Since then, the Company has been working closely with KfW IPEX-Bank (**KfW**) in its capacity as mandated lead arranger and ECA structuring bank for the completion of the due diligence process that included legal, technical and environmental and social aspects of the process to meet the eligibility criteria for untied loan guarantee debt support.

Loan documentation including the Common Terms Deed is being advanced with all lenders in conjunction with the commercial lenders’ credit approval work programs. All debt facilities are subject to the execution of formal documentation and other Conditions Precedent to financial close that are customary for arrangements of this nature.

Approval from Euler Hermes is the latest milestone in the Company’s debt-led strategy and is the final ECA approval required to complete the senior debt structure.

¹ UFK is part of the German Federal Government’s raw materials strategy and facilitates access to raw materials for German companies by securing loans related to raw material purchases. Arafura has signed an offtake agreement for NdPr from the Nolans Project with Siemens Gamesa Renewable Energy (refer ASX Announcement 11 April 2023).

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It follows the conditional Commonwealth Government approval for a US\$533 million debt financing package, which included a subordinated Standby Liquidity Facility (**SLF**) of up to US\$200 million under the Critical Minerals Facility (refer ASX Announcement 14 March 2024), conditional approval from Export Development Canada (**EDC**) for up to US\$300 million debt financing (refer to ASX Announcement dated 27 May 2024) and conditional approval from The Export-Import Bank of Korea (**KEXIM**) for up to US\$150 million debt financing (refer to ASX Announcement dated 1 July 2024).

The untied loan guarantee supports the credit approval process for commercial lenders and the Euler Hermes approval enables Arafura to finalise its targeted US\$775 million senior debt funding for the Nolans Project with the commercial lenders.

The Common Terms Deed for all loan facilities requires Arafura, prior to financial close, to have offtake agreements in place for a minimum 80 per cent of nameplate production² after project ramp up. For ECA-linked offtake, including Euler Hermes and KEXIM, Arafura must maintain ECA-linked offtake agreements for the term of the loan guarantee.

This announcement signifies Arafura's success in securing European export credit agency funding.

Arafura's Managing Director Darryl Cuzzubbo said:

"Today Arafura reached another significant milestone in announcing conditional approval of US\$115 million in untied loan guarantees from Euler Hermes.

"We continue to demonstrate the increasing geostrategic importance of the Nolans Project and developing a diversified global NdPr supply chain, this time by securing German export credit agency support.

"This agreement is linked to offtake with German-based companies, including our key customer Siemens Gamesa, who are global leaders in building wind turbines to advance the energy transition.

"We look forward to working closely with Euler Hermes as we progress the Nolans Project."

² Refer ASX Announcement dated 7 November 2022

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Indicative funding structure

The proposed senior debt facilities of US\$775 million comprise direct loans with ECAs and government agencies with commercial lenders supported by untied loan guarantees under the ECA covered tranches as shown below:

Table 1: 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	US\$75m	Debt financing	Conditionally approved	
ECA Covered Tranches	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\$115m	Untied loan guarantee	Conditionally approved	
KEXIM	Up to US\$75m	Untied loan guarantee	Conditionally approved	
Total Untied Loan Guarantees	Up to US\$190m⁽⁵⁾			

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

(2) Commercial bank tranches 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) Total untied loan guarantees and commercial tranche subject to change on finalisation of lenders allocations into the COF.

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

Conditional approvals from Australian and international ECAs provides leadership and momentum for the commercial lender group to complete credit approvals for the remaining senior debt facilities.

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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.

-ENDS-

Background on 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.

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.

Further information:

Investors

Shaan Beccarelli
Head of Corporate Affairs & Investor Relations
+61 455 559553
sbeccarelli@arultd.com

Media

Luke Forrestal
GRA Partners
+61 411 479 144
luke.forrestal@grapartners.com.au

Authorised by:

The Board of Directors
Arafura Rare Earths Limited