ASX ANNOUNCEMENT

ARAFURA RECEIVES A$200 MILLION INVESTMENT COMMITMENT FROM THE NATIONAL RECONSTRUCTION FUND CORPORATION

15 January 2025

- **Arafura executes binding term sheet for A$200 million of Convertible Notes with the National Reconstruction Fund Corporation (NRFC) in support of the development of the Nolans Project**
- **The Convertible Notes will have a total tenor of 15 years and a conversion period of seven years (non-convertible for first two years)**
- **Convertible at a 40% premium to the reference price, which will be determined by the future equity raising required to fully fund and develop the Nolans Project**
- **Key milestone reached in securing government seeded funds with a mandate of value-add in resources**
- **Expected to be a catalyst for additional equity funding for the Nolans Project and attract additional strategic investment to deliver Australia's first ore-to-oxide rare earths processing operation**

Arafura Rare Earths Limited (**ASX: ARU**) (**Arafura** or the **Company**) is pleased to announce that it has signed a binding term sheet with the National Reconstruction Fund Corporation (**NRFC**) for a A$200 million investment commitment in Arafura to support the development of the Nolans Project (**Nolans**).

The NRFC investment will take place through the issue of unsecured convertible notes (**Convertible Notes**) with a face value of A$200 million (**Face Value**). The Convertible Notes have a conversion period of seven years with a non-convertible period of two years (**Conversion Period**). During the Conversion Period, interest on the outstanding Face Value will accrue at the rate of the 3-month Bank Bill Swap Yield (**BBSY**) + 3.0 percent per annum (**Coupon**). The Coupon will be payable quarterly by the issue of new shares or by capitalising the Coupon into the Face Value. There will be no cash interest payable during the Conversion Period.

At the NRFC's election during the Conversion Period, the Convertible Notes will convert into fully paid ordinary shares in Arafura (**Shares**) at a fixed conversion price which will represent a 40 per cent premium to the Reference Price, which will be determined by the future equity raising required to fully fund and develop the Nolans Project (**Equity Financing**).

This Equity Financing is expected to be announced at or around the time that the Company makes a Final Investment Decision (**FID**) for Nolans. The Company will make further announcements regarding its Equity Financing in due course.

If the Convertible Notes do not convert to Shares, the margin on the Coupon will increase by 3.0 percent (i.e. to the rate of 3-month BBSY + 6.0 percent per annum). The maturity date for the Convertible Notes will be 15 years from the date of issue of the Convertible Notes. At maturity, the Face Value and any accrued interest will, subject to the project finance facility terms, be redeemable in cash.

The issue of the Convertible Notes is subject to a number of conditions, including the Company and the NRFC finalising and executing long-form documentation, Arafura obtaining required shareholder approvals (including for the purposes of ASX Listing Rule 7.1), Arafura successfully completing its Equity Financing and key offtake

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arrangements being in place. Subject to satisfaction (or waiver) of the conditions, it is expected that the Convertible Notes will be issued at or around completion of the Equity Financing.

A summary of the key terms of the Convertible Notes is contained in Annexure A.

Commenting on the NRFC investment, Arafura's Managing Director, Darryl Cuzzubbo, said:

"I am immensely proud to confirm a A$200 million commitment from the NRFC, which demonstrates the strategic and economic importance of Nolans to the Northern Territory, and Australia more broadly.

This is indeed a significant day for Arafura and the Nolans Project.

This deal has been months in the making and de-risks the equity funding required for the development of Nolans.

On behalf of the Board and management of Arafura, I would like to thank both the NRFC and the Commonwealth Government for their continued support and look forward to the next steps of achieving a final investment decision on Nolans Project in the first half of this year."

Commenting on the NRFC investment, NRFC Chairman, Martijn Wilder AM, said:

"Rare earth minerals are strategically important resources that are crucial to modern economies and the global transition to net zero. Arafura's Nolans Project demonstrates the enormous contribution that Australia can make to the global supply of rare earth minerals and the considerable opportunities for Australia to add value to the raw materials that it mines."

About the National Reconstruction Fund Corporation (NRFC)

The NRFC invests to diversify and transform Australia's industry and economy. It has A$15 billion to invest using direct loans, equity investments and loan guarantees. The NRFC can invest in seven priority areas including value-add in resources; transport; medical science; defence capability; renewables and low emission technologies; value-add in agriculture, forestry and fisheries; and enabling capabilities.

The NRFC's role is to invest in Australian businesses and projects that design, refine and make to transform capability, grow jobs and a skilled workforce, and diversify our economy. The NRFC is a corporate Commonwealth entity, established by the *National Reconstruction Fund Corporation Act 2023* ("**NRFC Act**") in September 2023.

Investor call
An investor call has been scheduled for **12:30pm AEDT / 9:30am AWST** today, Wednesday 15 January 2025. Please register to join the call clicking on the following link:
https://s1.c-conf.com/diamondpass/10044638-8d4f8g.html

-ENDS-

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Authorised by:
The Board of Directors of Arafura

Annexure A: Key terms of the Convertible Notes

Topic	Summary
Face Value	• The aggregate principal amount of the Convertible Notes is A$200 million, divided into 200 Convertible Notes each with a Face Value of A$1 million
Maturity Date	• 15 years after the Issue Date
Conversion Period	• From 2 years after the Issue Date to 7 years after the Issue Date
Coupon	From the Issue Date to 7 years after the Issue Date (until the Convertible Notes are converted): • Rate equal to three-month BBSY plus 3.0% per annum • Accrues daily and payable quarterly • Payable at the election of Arafura by the issue of new shares in Arafura or by capitalising the Coupon into the aggregate Face Value From 7 years after the Issue Date to the Maturity Date: • Rate equal to three-month BBSY plus 6.0% per annum • Accrues daily and payable quarterly • Payable at the election of NRFC in cash (to the extent that it is permitted under Arafura's project financing facilities for Nolans) or by the issue of new shares in Arafura. To the extent that the Coupon cannot be satisfied by either, the Coupon will be capitalised into the aggregate Face Value
Conversion Price	• Fixed conversion price, representing a 40 percent premium to the Reference Price, subject to adjustments
Reference Price	• The TERP (Theoretical Ex-Rights Price) of Arafura shares calculated under the proposed equity raising that will be required to fund the remaining equity component for the development of Nolans
Conversion Rights	• At any time during the Conversion Period in either full or part, subject to NRFC not holding a relevant interest in Arafura that would contravene section 606 of the Corporations Act 2001 (Cth)
Redemption rights (with cash)	• At any time after the Conversion Period, Arafura may redeem the Convertible Notes in cash either in full or in part (subject to a minimum principal of A$20 million)
Security and status	• Unsecured • Subordinated to any existing or future project financing facilities for the development of Nolans
Use of Proceeds	• Development and commissioning of Nolans
Conditions Precedent	• Subject to range of conditions precedent, including (among others): – Both parties executing long-form transaction documents and entering into relevant agreements; – Arafura successfully securing all funding required for the development of Nolans; – Arafura resolving to approve a final investment decision for the development of Nolans; and – Key offtake arrangements in place. • Other conditions precedent are customary to arrangements of this nature.
Transferability	• NRFC may transfer the Convertible Notes to a Qualifying Transferee (being a Commonwealth entity or a bank/financial institution meeting certain criteria) at any time without the prior written consent of Arafura