

ASX ANNOUNCEMENT

ARAFURA EXECUTES A\$200 MILLION CONVERTIBLE NOTE DOCUMENTS WITH THE NATIONAL RECONSTRUCTION FUND CORPORATION



12 May 2026

Arafura Rare Earths Limited (ASX: ARU) (Arafura or the Company) is pleased to announce that it has signed definitive and binding convertible note documentation with the National Reconstruction Fund Corporation (**NRFC**) for the issue of unsecured convertible notes (**Convertible Notes**) to the value of A\$200 million to support the development of the Nolans Project (**Nolans** or the **Project**).

HIGHLIGHTS

- **Arafura executes definitive note documentation with the National Reconstruction Fund Corporation for the issue of Convertible Notes to the value of A\$200 million**
- **The Convertible Notes will have a total tenor linked to maturity of the senior finance facilities for Nolans and a conversion period of seven years (non-convertible for first two years)**
- **Convertible at a conversion price of A\$0.476**
- **Binding equity related commitments together with equity previously raised by the Company for the development of Nolans now totals A\$911m**

The Company and the NRFC have now executed long form documentation in relation to the previously announced A\$200 million Convertible Notes, which supersede the binding term sheet signed in January 2025 (refer to the Company's ASX announcement dated 15 January 2025).

The Convertible Notes will have a total tenor linked to maturity of the senior finance facilities and a conversion period of seven years (non-convertible for the first two years). The Convertible Notes will be convertible at a conversion price of A\$0.476, and will be unsecured and subordinated to the project financing facilities for the Nolans Project.

The issue of the Convertible Notes remains subject to the satisfaction (or waiver) of certain conditions precedent, including:

- the Company approving a final investment decision in respect of the Nolans Project;
- the execution of the Senior Debt documents;
- the Company obtaining shareholder approval for the issue of the Convertible Notes;
- the Company receiving all funds which (together with the A\$200m from the NRFC) will fully fund the equity component of the Nolans Project; and
- other conditions as set out in Annexure A.

The conditions precedent must be satisfied by 11 May 2027 or such later date as agreed between the parties, and the Convertible Notes must be issued within 18 months of 11 May 2026 (the date of execution of the long form documents).

The Company will convene a general meeting of shareholders to seek approval for the issue of the Convertible Notes to NRFC, for the purposes of ASX Listing Rule 7.1.

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The key terms of the Convertible Notes remain materially consistent with those announced by the Company on 15 January 2025, and are set out in Annexure A.

During the construction period of Nolans, the sources of funding will be utilised in the following order:

1. Cash & ordinary equity
2. NRFC Convertible Notes
3. Senior Debt
4. Cost Overrun Account (COA) (to the extent required)
5. Subordinated Liquidity Facility (SLF) (to the extent required)

Please refer to presentation dated [xx] for detailed sources and uses of funds information.

Arafura's Managing Director Darryl Cuzzubbo said:

"Following the execution of EFA and GRMF equity investment agreements in March 2026, Arafura continues to deliver on its equity funding plan with the execution of the NRFC Convertible Note agreements. NRFC is a key stakeholder and foundational cornerstone investor which has been critical to the success of the Nolans funding. This funding will deliver on many of NRFC's core objectives including sovereign and supply chain resilience, economic diversification and decarbonisation in which rare earths play a key role.

The convergence of government support from Australia, Germany, Korea and Canada is not a coincidence. It is recognition that the world cannot afford to continue managing the risks of a single-source, single-processor rare earth supply chain. The result is a capital structure that reflects genuine alignment."

Overview of NRFC

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 is a corporate Commonwealth entity, established by the National Reconstruction Fund Corporation Act 2023 in September 2023.

-ENDS-

Further Information:

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Annexure A: Key terms of the Convertible Notes

Topic	Summary
Subscriber	National Reconstruction Fund Corporation
Securities	Unsecured convertible notes
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
Issue Date	The Convertible Notes will be issued following satisfaction or waiver of conditions precedent, at a time elected by the Company (which must be no later than 18 months after 11 May 2026, the date of execution of the long form documents)
Maturity Date	1 Business Day after the later of (a) the “Final Repayment Date” under the Common Terms Deed and (b) the “Termination Date” under the Subordinated Facility Agreement (each as at the date of signing of those documents).
Conversion Period	From 2 years after the Issue Date to 7 years after the Issue Date
Coupon	<p><u>From the Issue Date to 7 years after the Issue Date (until the Convertible Notes are converted):</u></p> <ul style="list-style-type: none"> • 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 (valued by reference to the 30 Trading Day VWAP prior to the last day of the relevant Quarterly Interest Period (QIP VWAP)) or by capitalising the Coupon into the aggregate Face Value <p><u>From 7 years after the Issue Date to the Maturity Date:</u></p> <ul style="list-style-type: none"> • 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 Senior Debt facilities for Nolans) or by the issue of new shares in Arafura (valued by reference to the QIP VWAP). To the extent that the Coupon cannot be satisfied by either, the Coupon will be capitalised into the aggregate Face Value
Conversion Price	A\$0.476, subject to customary adjustments for capital events and restructures.
Conversion Rights	NRFC may convert in full or in part during the Conversion Period, subject to a voting power threshold of 19.99%. If a conversion would cause this threshold to be exceeded, Arafura must seek shareholder approval under item 7 of section 611 of the <i>Corporations Act 2001</i> (Cth). If shareholder approval is not obtained, Arafura must redeem the outstanding Convertible Notes.
Issuer call	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 redemption of A\$20 million principal)
Security and ranking	<ul style="list-style-type: none"> • Unsecured • Subordinated to any existing or future project financing facilities for the development of Nolans • Permitted Distributions received by the Company from the Nolans project structure must be applied to pay amounts owed to the noteholder in priority to dividends and other debt repayments

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Use of Proceeds	Development and commissioning of Nolans and to fund incidental or ancillary corporate activities and overheads
Conditions Precedent	<p>As noted in the ASX announcement above plus:</p> <ul style="list-style-type: none"> • Execution of the Convertible Notes Deed Poll and subordination deed • Provision of certain documents evidencing satisfaction of certain conditions in the Senior Debt documents • Company receiving all approval required to commence construction of Nolans • Confirmation from ASX regarding ASX Listing Rule 6.1 (if required) • Delivery of any information requested to ensure compliance with AML/CTF laws <p>Note that the Convertible Notes Subscription Agreement automatically terminates if any Key Senior Finance Document is terminated prior to the Issue Date.</p>
Conditions Precedent end date	11 May 2027
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
Change of control	<ul style="list-style-type: none"> • On a change of control, the noteholder is entitled to convert its Convertible Notes. If the noteholder does not convert, Arafura must redeem all Convertible Notes. • On a change of control occurring outside the Conversion Period, the Conversion Price will be the relevant bid or offer price per Arafura share under the change of control event.
Indemnities	The Company has provided customary indemnities in favour of NRFC, subject to an aggregate liability cap of A\$200 million.
Negative covenants	<p>While the Convertible Notes are on issue, the Company must not (among other things and without the noteholder's consent):</p> <ul style="list-style-type: none"> • substantially change its business; • dispose of material assets; • incur material financial indebtedness ranking equal to or ahead of the noteholder; or • vary the terms of the Senior Finance Documents, the Company's constitution or rights attaching to the Company's Shares in a material way.
Events of default	<p>Events of default include:</p> <ul style="list-style-type: none"> • the conditions precedent to Financial Close under the Common Terms Deed not being satisfied by 30 April 2028 (or such later date agreed); • default by Arafura (or its material subsidiaries) of any payment obligation under the Convertible Notes; • any financial indebtedness under the Senior Finance Documents becomes due and payable prior to its maturity; • any other financial indebtedness in excess of \$10m not being paid when due; • material non-compliance with any material term of the Convertible Note documents, the Intercompany Documents or Senior Finance Documents, or any enforcement action being taken under any of those documents; • material breach of warranty; • liquidation of Arafura (or a material subsidiary); • Arafura being de-listed; and • Suspension from trading for more than a total of 10 consecutive trading days. <p>On an event of default that remains uncured, interest will accrue at a higher interest rate than the relevant coupon, and the noteholder may (at its election), declare amounts outstanding immediately due and payable, convert the Convertible Notes, or transfer the Convertible Notes without consent.</p>