

Australia's New Commitment to Funding Rare Earth and Critical Minerals Projects Opens up the AU\$3 Billion Defence Export Facility to Junior Explorers Searching for Financing Solutions

On 14 November 2019, the Australian government announced groundbreaking support to fund the rare earth and critical minerals sectors in Australia.

Throughout 2019, Australia and the US have been in talks to promote Australia's extraction and processing of rare earth minerals in order to diversify the global supply chain and break China's "stranglehold" on worldwide supply. Rare earth minerals, a group of 17 specific elements, are critical components of modern technology and are essential in various defence force applications. On the other hand, critical minerals are a variety of minerals prescribed as "critical" by the Australian government in its Critical Minerals Strategy. While which minerals are categorised as critical varies from time to time, they currently include notable minerals such as lithium, vanadium and cobalt, among others. It is intended that this latest financing commitment will fund projects that boost Australia's ability to extract and process rare earth and critical minerals in Australia and, in doing so, ensure that Australia can supply its domestic rare earth and critical minerals consumption, as well as positioning us as a key cog in the international supply chain.

Commencing in the New Year, rare earth and critical mineral projects will gain access to Australian government funding through Export Finance Australia (EFA), including access to the AU\$3 billion Defence Export Facility. From 1 January 2020, a specialised Critical Minerals Facilitation Office will open that will administer applications for investment, financing and market access in rare earth and critical minerals projects throughout Australia.

Favourable investment opportunities are essential to the successful development of rare earth. Despite having world-leading rare earth deposits, there are only a handful of rare earth projects currently operating in Australia. In light of recent global oversupply and tough competition from Chinese processors, rare earth projects currently operate on notably thin margins such that a number of Australian projects have struggled to secure funding and commence operations.

While the Northern Australia Infrastructure Fund (NAIF) has been available to fund rare earth and critical minerals projects for some time, the limitations of the NAIF, including its geographical restrictions to Northern Australia and the requirement that the fund is never the "sole holder of financial risk" in any project, means that not all rare earth and critical mineral deposits have previously been in a position to be funded.

While the exact EFA funding parameters have yet to be disclosed, it is intended that EFA will be in a position to finance projects that would otherwise remain unfunded through the NAIF or traditional commercial channels. To this end, the Hon Matt Canavan (Minister for Resources) stated that:

"We are determined to develop our rare earth and critical mineral assets for the benefit of Australia and our technology-driven industries. By allowing proponents to secure financing through both EFA and NAIF, we are enhancing opportunities for our critical mineral sector."

Australia's commitment to funding rare earth and critical mineral projects establishes a unique opportunity for actors within this space where current suppressed market conditions do not appear correlated with future forecast demand.

We will continue to monitor the eligibility criteria and application process as they are published by EFA and the Critical Minerals Facilitation Office when it commences.

We look forward to continuing working in, and supporting, critical minerals and rare earth miners looking for funding solutions – especially as technological changes point towards an exciting future for those investing in these sectors.

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