

ASX Announcement

Monthly NdPr Price Update

7 May 2018



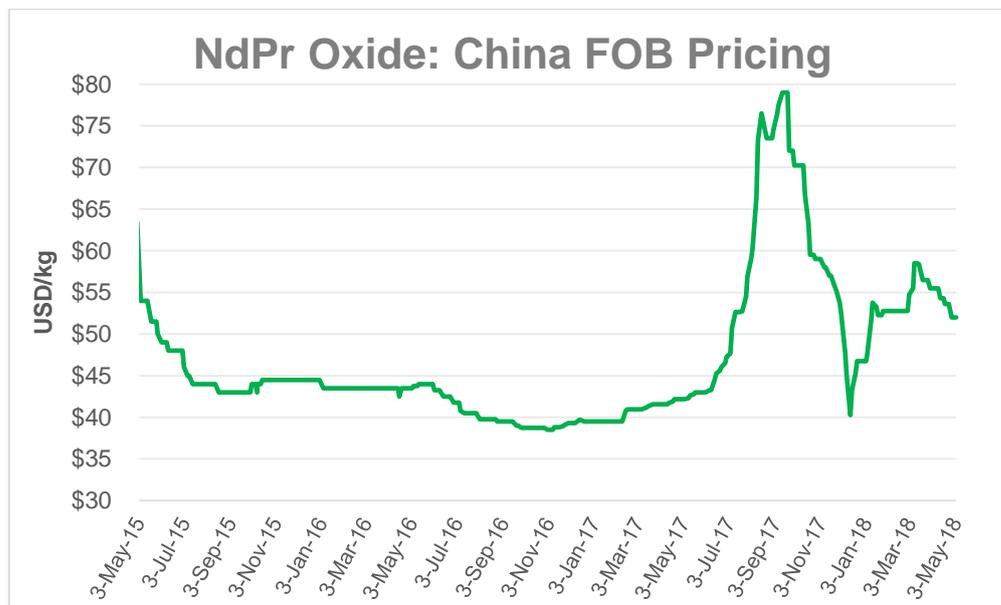
Arafura Resources Limited (ASX: ARU) (Arafura) is pleased to provide an update on neodymium-praseodymium (NdPr) rare earth prices.

In April the NdPr price opened at US\$55.50/kg and traded down to \$52.00/kg, closing down by US\$3.50/kg on the previous month's price.

On 25 April, China's Ministry of Industry and Information Technology (MIIT) announced a 40% increase in the China rare earth mining quotas for the first half of 2018. NdPr and other rare earth prices remained unchanged in early May after the release of the MIIT announcement. To date consensus among industry analysts is the impact on supply will not be significant, concluding the quota increase will move some existing supply from illegal production to legitimate production under the increased quota. The increase in material produced through the quota system will further improve product traceability and the effectiveness of China's ongoing scrutiny of environmental standards. There is also the expectation that more product produced under the quota will result in less producers circumventing the resources tax and better enable legitimate producers to pass this cost on.

NdPr is the main product Arafura anticipates producing from its 100%-owned Nolans project and the NdPr price is the key driver of Nolans project economics.

Figure 1: NdPr Oxide – China FOB Pricing¹



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About NdPr

NdPr is in short supply globally and is the critical raw material in the manufacture of ultra-strong, high-performance NdFeB permanent magnets, which are used extensively in the automotive industry for electric components such as seats, mirrors, wipers, steering and braking.

Importantly, the compound has also emerged as a key enabler of hybrid and electric vehicles as high-performance magnets play a key role in electric traction motors. While traditional petrol or diesel combustion engine motor vehicles each use approximately 0.7 kg of NdPr oxide, electric or hybrid vehicles require an additional 1 kg.

The increasing shift towards hybrid and electric drivetrain technologies among the world's leading automotive manufacturers is expected to continue to positively influence market fundamentals for NdPr.

About Arafura's Nolans NdPr Project²

Arafura's Nolans NdPr project, located 135 kilometres north-north-west of Alice Springs in Australia's Northern Territory, is supported by Mineral Resources of 56 million tonnes grading 2.6% total rare earth oxide (TREO) that contain approximately 382,000 tonnes of NdPr oxide. The project is forecast to produce 14,000 tonnes of TREO per annum, including 3,600 tonnes of NdPr oxide per annum, over a 30+ year mine life.

The Company is undertaking a comprehensive program of flowsheet piloting, has commenced a Definitive Feasibility Study, and awaits final environmental approval for the project from the Australian Government.

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For further information contact:

Gavin Lockyer
Managing Director
T: +61 8 6210 7666

Media enquiries:

Luke Forrestal
Media and Capital Partners
M: +61 411 479 144

¹ Market price information sourced from independent price reporting agency.

² Refer Arafura Resources ASX release 7 June 2017 for additional and qualifying information on the Mineral Resources that underpin the production target and provides the material assumptions on which the production target is based. Arafura confirms that all material assumptions underpinning the forecast financial information derived from its 14,000 tpa TREO production target and the production target itself, continue to apply and have not materially changed since the 7 June 2017 release.

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Table 1: Mineral Resources for the Nolans Bore deposit as at 7 June 2017 using a 1% TREO Cut-Off Grade.

Resources	Tonnes (Millions)	Rare Earths TREO %	Phosphate P ₂ O ₅ %	NdPr Enrichment %
Measured	4.9	3.2	13	26.1
Indicated	30	2.7	12	26.4
Inferred	21	2.3	10	26.5
Total	56	2.6	11	26.4

Note: Numbers may not compute due to rounding. "NdPr Enrichment" is the proportion of TREO comprising Nd₂O₃ and Pr₆O₁₁.

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Kelvin Hussey, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Hussey is a full-time employee of Arafura Resources Limited. Mr Hussey has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves. Mr Hussey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.