ASX Announcement

Monthly NdPr Price Update

5 July 2018



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

In June the NdPr price opened at US\$51.70/kg, reaching a high during the month of US\$53.23/kg before closing at US\$53.00/kg.

ThomsonReuters has reported that State-owned Chinalco ordered a shutdown of its subsidiary Guangxi Rare Earth after inspectors identified an environmental breach resulting in water contamination. This follows officials at Chinalco's Lanzhou branch in May being reprimanded for similar breaches. Chinalco has requested all subsidiaries increase their efforts regarding environmental compliance.

China's Ministry of Industry & Information Technology (MIIT) released the Rare Earth Industry Development Plan in late October 2016 under the management of the big six RE groups. The restructure and regular reforms restricted mining rights and retired capacity along with a nationwide campaign to crack down on illegal rare earth mining and processing. New environmental protection procedures were introduced to promote sustainable development of the rare earths industry and environmental inspections began in all RE provinces.

Arafura's Nolans project has received environmental approval from both Northern Territory and Australian governments.

The favourable Chinese policies, together with strong magnet demand will underpin the NdPr oxide market.

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.









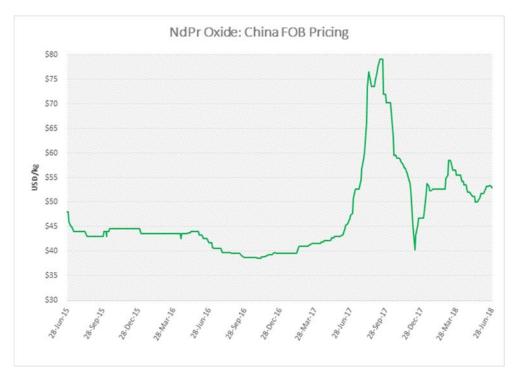


Figure 1: NdPr Oxide - China FOB Pricing 1

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 kilograms of NdPr oxide, electric or hybrid vehicles require an additional 1 kilogram.

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.

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 $^{^{1}}$ Market price information sourced from Argus Media, Shanghai Metals Market, and NdPr market participants.