

Gavin Lockyer of Arafura on illegal rare earths and negotiating an offshore separation plant

December 6, 2015 – Gavin Lockyer, Managing Director for [Arafura Resources Ltd.](#) (ASX: ARU) in an interview with InvestorIntel Publisher Tracy Weslosky discuss illegal mining in China and the impact on the overall rare earth market and consequent pricing. Commenting on the numerous benefits from the recent Arafura mineral resource update, Gavin outlines further reductions in operating and capital costs while maintaining a strong cash balance of A\$13.5 million (September 2015). Further conversation includes the partnership discussions for an offshore rare earth separation plant and timeline for the receipt of terms for the Environmental Impact Statement (EIS).

Tracy Weslosky: Gavin you've been doing a lot of traveling. I know you were in Singapore recently. In looking at Dudley Kingsnorth's presentation, he talked about the global rare earth's industry being plagued by illegal production in China – can you tell us a little bit more about what happened Singapore and whether or not you deem this to be a real issue for Arafura presently?



Gavin Lockyer: Dudley's comments were certainly very interesting. I think one of the statistics was that 40% of NDPR was actually coming from the illegal trade. That's quite a large, obviously significant figure. I think it's quite evident that China's obviously doing the best they can to clean up the industry, but I think

more importantly there probably needs to be a push from the customer side of things to ensure that the chain of custody of where production is coming from should perhaps be coming into consideration. I think that will certainly, combined with the Chinese clamp down on illegal production, I think that will certainly help the rare earth industry outside of China and obviously a flow on effect on the process.

Tracy Weslosky: Of course, you know, one of the impacts of this particular issue has to do with pricing. Did they talk about solutions?

Gavin Lockyer: Well, I think the Chinese are trying to obviously secure supply for their own domestic demand. For us it certainly has been a major factor, more so from the supply side, where we're hearing that many Chinese producers are actually slowing down or stopping production all together at these prices. So, I think this will force more dramatic response maybe from the Chinese government in order to clamp down on that illegal mining even further. I'd suspect that next year a lot of that resolves itself just through natural attrition, feed stock drying up for those illegal plants and, as I said, if external customers start to demand a bit more of a chain of custody then I think that will certainly help to drive pricing in the right direction for us.

Tracy Weslosky: Speaking of the right direction, your mineral

resource update, can you give us an overview?

Gavin Lockyer: I think what was extremely pleasing about this mineral resource update was that it didn't cost us a cent in extra drilling. It came about as part of our environmental work whereby we have to identify the waste rock that sits around the actual ore itself...to access the complete interview, [click here](#)

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