

RARE EARTH MARKET OUTLOOK: BASE CASE PRICE FORECASTS FROM 2017 THROUGH 2025

Adamas Intelligence: Critical Metals and Minerals Research

In December 2016, Chinese authorities announced yet another round of domestic rare earth supply chain inspections as part of Beijing's ongoing effort to reduce illegal rare earth production and enforce environmental standards in the nation.

In what has been perhaps the most thorough and comprehensive review to-date, the ongoing inspections have covered more than 400 companies operating in 23 provinces, with an explicit focus on 180 companies involved in mining, processing, and trading of rare earth products.

The ongoing inspections follow the recent consolidation of China's rare earth enterprises into six large groups – a move that has done little to reduce the number of rare earth businesses operating in China – but has been effective in centralizing industry control, increasing government oversight, and strengthening the pricing power of China's major rare earth producers, as evidenced by major price increases for most rare earth oxides in China year-to-date.

In light of moderated production, normalized inventory levels, thinning spot supplies, and increased government oversight and enforcement in China, we have increased our near-term price forecasts for most rare earth oxides, but maintain the majority of our long-term forecasts, with some important exceptions.

Essential reading for:

- Informed investors and financiers
- Technology, material, and chemical developers
- Exploration and mineral development companies
- Government agencies and advisory boards
- NGOs and global think-tanks
- Research organizations
- Advisory firms

Lead Analyst:

Ryan Castilloux
Founding Director / Industry Analyst

rcastilloux@adamasintel.com
+1 347-708-0054

www.adamasintel.com

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This report contains "forward-looking statements" – that is, statements related to future events. In this report, forward-looking statements address our expectations of future rare earth production, supply, demand, consumption, and pricing within parameters defined by stated scenarios, and often contain words such as "forecast", "project", "expect," "anticipate," "intend," "plan," "believe," "seek," "see," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. A number of future uncertainties exist that could cause actual results to be materially different than those expressed in our forward-looking statements. Readers are responsible for assessing the relevance and accuracy of these forward-looking statements. Adamas Intelligence will not be liable for any loss, damage, cost, or expense incurred or arising by any reason of any person or business using or relying on forward-looking statements in this report.

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