

Panel Discussion

**"The Future Business Prospects
for Lynas and Molycorp"**

MAGNETICS 2014

The World's Premier Forum on Magnetic Applications, Technologies & Materials

JANUARY 29-30 • ORLANDO, FL

Panelists

- ***Walt Benecki*** – *Walter T. Benecki LLC*
- ***Dr. Stan Trout*** – *Spontaneous Materials*
- ***Ed Richardson*** – *Thomas & Skinner Inc.*
- ***Joanne Jia*** – *Hangzhou Permanent Magnet Group*

Disclosure

(Stock Ownership)

Panel Participant	Molycorp	Lynas
Walt Benecki	X	-
Stan Trout	X	-
Ed Richardson	-	-
Joanne Jia	-	-

5-Year Stock Performance

The 2011-12 REO Bubble Has Burst

Lynas



Molycorp



Key Comparisons

Molycorp – Mountain Pass

- REO Market Value - \$22/Kg.
- TREO – 6.6 %
- Lots of Cerium (SorbX™ ?)
- Start-up Challenges
- Production Rate ~ 15,000 T
- Major Global Integration
- 2013 Stock Collapse
- Losing Money – Negative CF

Lynas – Mount Weld

- REO Market Value - \$43/Kg.
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- Issues in Malaysia
- Temporary License (2014)
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Question #1

- **What will be the likely competitive balance be between Lynas and Molycorp?**
 - Molycorp has a much stronger “Chinese presence” than Lynas.
 - Molycorp has an in-house “Supply Chain”
 - Lynas has a “richer” REO composition.
 - Both companies must deal with compliance issues.

Recent China REO News

Source: Global Times - December 20, 2013

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- “In 2000, China was able to produce 8,000 tons of NdFeB permanent magnets. More than ten years later, production capacity has grown thirty times.”
- **“China has more than 110 rare earth melting and separating firms, with a combined annual production capacity of 300,000, but global demand for these minerals has stood at 120,000 tons on average over the past few years...”**

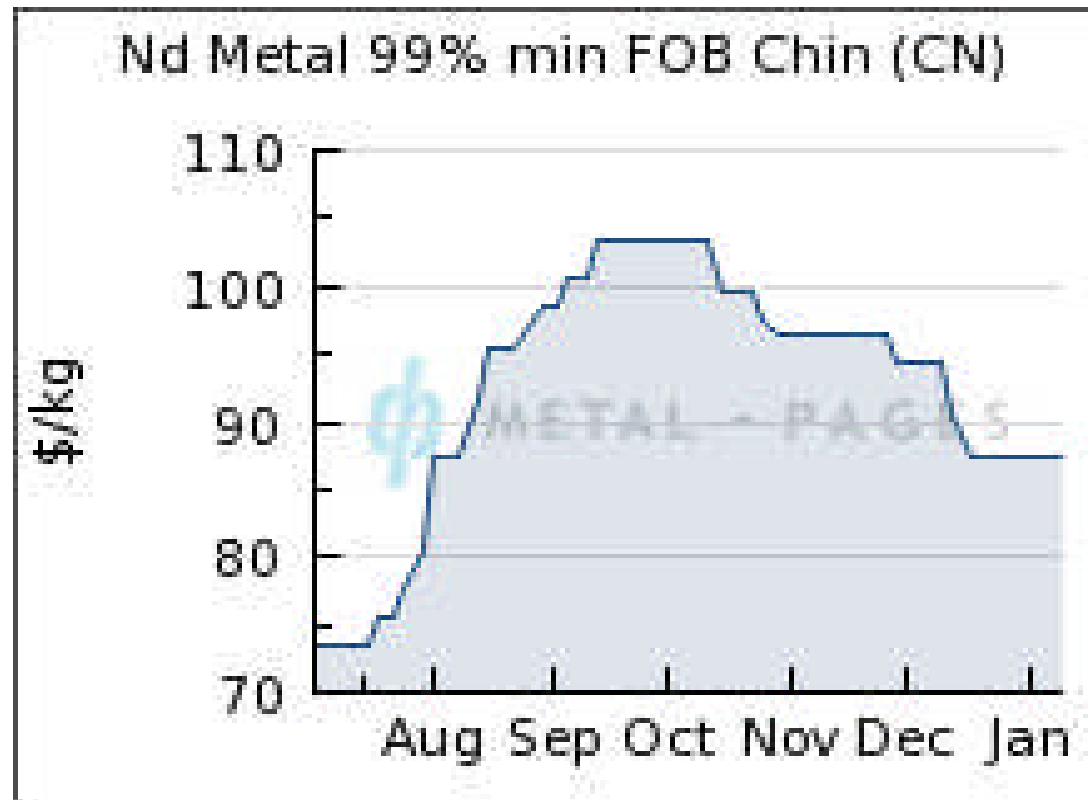
More China REO News

Source: Nigel Tunna, Metal Pages – January 21, 2014

- Many RE consumers have reduced their usage
- Chinese crackdown on smuggling has not been highly successful
- China supplies 90% of the RE's, but they only have 1/3 of the world reserves.
- Additional REO suppliers offer more market confidence
- Neodymium and Praseodymium prices may well be supported by future demand.

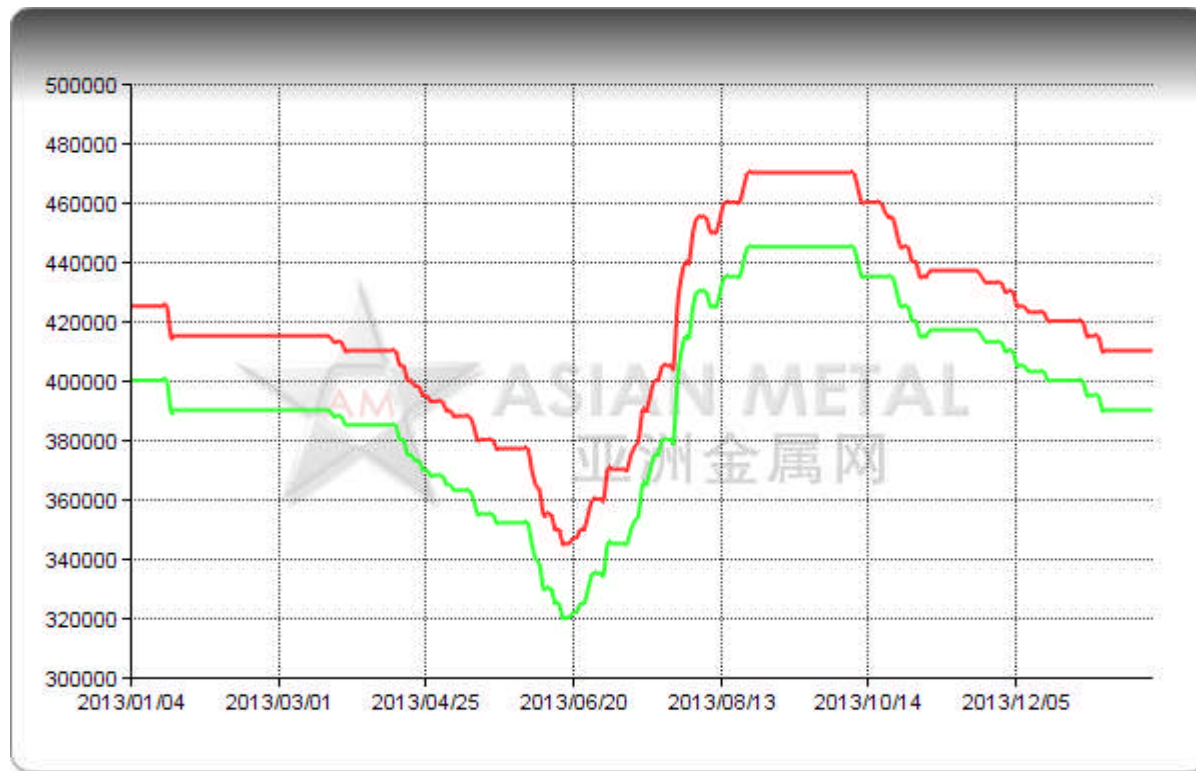
Recent Rare Earth Price Trend

Last 6 Months – Nd Metal (Metal Pages) \$/Kg



Recent Rare Earth Price Trend

Last 12 Months - PrNd Mischmetal (Asian Metal) RMB/1,000 Kg.



Question #2

- **The Chinese will likely attempt to exert influence regarding future REO prices.**
 - Consolidation of authorized REO mining operations
 - Recent pattern of reduced export allocations
 - Continued emphasis on environmental management
 - Continued pressure on “Rogue” operators & exporters

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- **Experts are expecting a 6-8% per year increase in global demand.**

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- Experts are expecting a 6-8% per year increase in global demand.
- **What is the panel’s expectations for Rare Earth price trends in the next 12-24 months?**

Question #3

- The vast majority of processing REO's into metals and alloys will likely continue to take place in China.
- China consumes 75+ % of the total REO supply.
 - They will continue to produce the majority of REO's.
 - They produce most of the REO “added value”.
 - Export allocations for 2014 might be reduced slightly.
- Does all this mean that China is still “in control”?

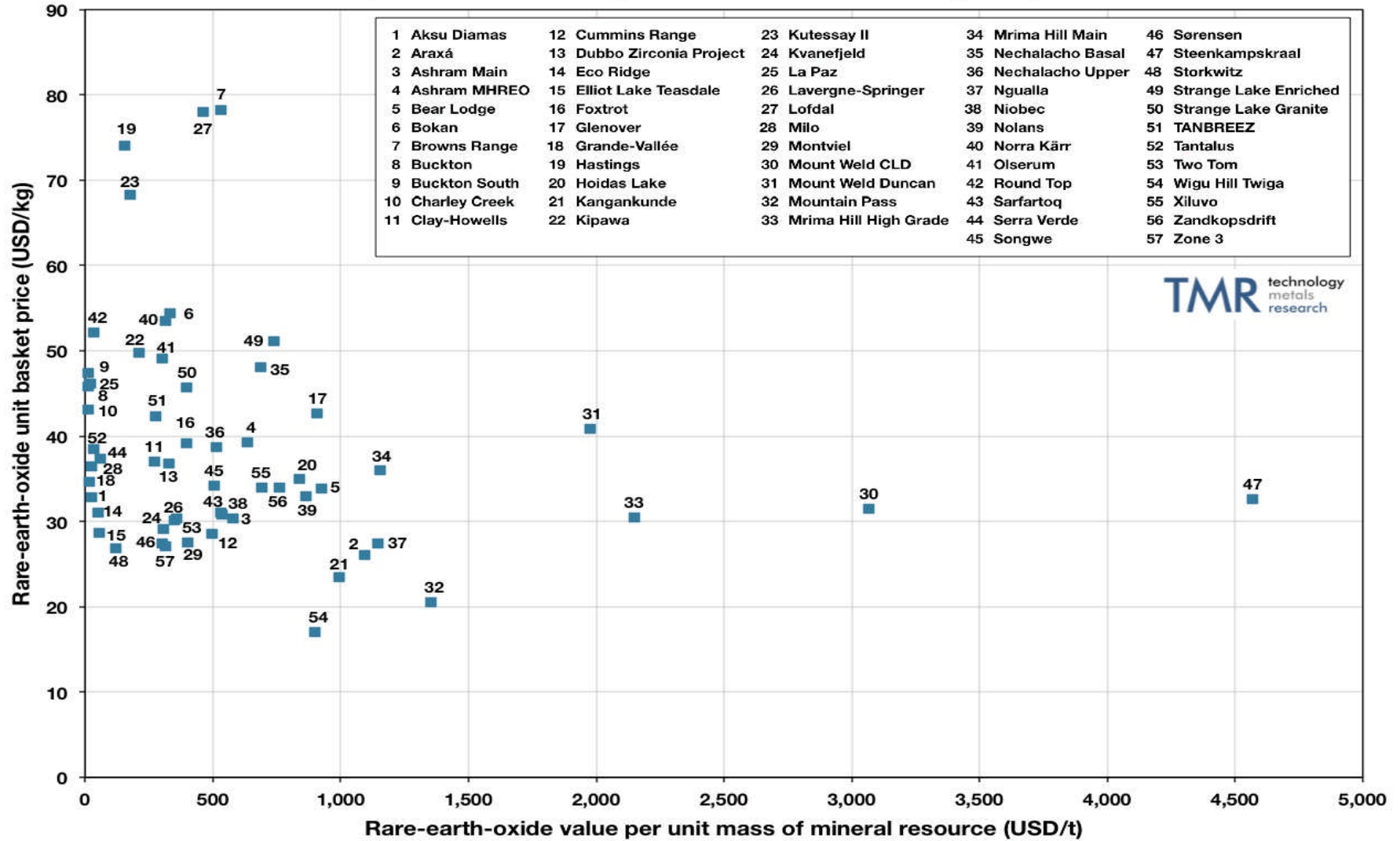
Question #4

- Both Molycorp and Lynas have dealt with recent start-up challenges and stock price declines.
- Questions persist regarding their ability to make the conversion from start-ups to profitable businesses?
- Do both companies have the overall strength to eventually get there?

Question #5

- **Dozens of “Hopefuls” beyond Lynas and Molycorp have been identified as potential players in the global REO industry.**

Value Metrics for Advanced Rare-Earth Projects (based on Metal Pages FOB China - Nov 2013 prices)



Question #5

- Dozens of “Hopefuls” beyond Lynas and Molycorp have been identified as potential players in the REO industry.
- **Is there anyone else out there that might evolve as a serious source of REO’s in the next 3-5 years?**

Summary

- **Its generally expected that demand for Rare Earths will continue to grow.**
- **We all (magnet producers & magnet users) want Lynas and Molycorp to be successful.**
 - **We need less dependence on China**
 - **More global supply = more favorable prices**
- **Thanks to our panelists....**

Questions from the Audience!

Thank You!

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