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Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Molycorp Inc. 2011 Analyst/Investor Event conference call. Today's presentation is being recorded October 20, 2011.

I would now like to turn the conference over to Brian Blackman. Please go ahead.

Brian Blackman: Thank you very much, Operator, and thank you very much for everyone participating on today's call for the Molycorp Investor/Analyst Day. I'd like to introduce Mark Smith, our President and CEO, to start the call, or start the presentation.

Mark Smith: Thanks, Brian. Welcome, everybody, and I hope you have a wonderful day out here. I've been out here yesterday and today and I tell you what, every time I come out here it's just a good day. There's a lot of things happening out there and we want to be very careful and debrief you before you go out that there are a lot of things happening out there and I hope that you see the changes from the last time that you were here if you came out this spring for the analyst day.

Before I get going, I wanted to introduce our senior management team who will also be giving part of the presentations for the Analysts part today. John Bassett, Senior Vice President Operations; Dr. John Burba, our Chief Technology Officer and Executive Vice President; Jim Allen, Chief Financial Officer; Doug Jackson, who's our Senior Vice President Business Development, Sales, and Marketing; and we also have John Ashburn here, who's our Executive Vice President and General Counsel. We'll meet some other folks who are here today. I think what we're going to try to do with this, because we're a little short on time, is to get through the presentation very quickly and we'll leave as much time as we can for questions here. But remember that this entire senior management team will be with you on the tour busses, so feel free to ask them any questions you want along the way. So I think we'll get everybody's questions taken care of.

I'd better leave this up there for longer than half a second. The Safe Harbor Statement, then we'll go over some information. Now, I'm going to go very fast, because if any of you have heard me before you've probably seen these slides a hundred times. But the rare earth elements on the left are the 10 commercial elements that Molycorp will be producing here, and that's past. Of course, we know about these properties that these rare elements allow, so we've got these numerous applications for the different rare earth products.

We use this slide as well to show the growing number of uses, and it still doesn't do any justice for the use of rare earths. The statement that we like to make is that they're just ubiquitous in our everyday

lives. We don't even know it because they're in just about everything or have something to do with everything we touch.

The group IMCOA forecast for demand and supply modified a little bit by Molycorp. They're now suggesting that between 2010 and 2020, end-use applications should be about 104% growth rate in the demand. That goes up to 255,000 metric tons of REO per year based on this demand forecast. Of course, you can see the—I'll use my laser pointer, by the way, that's green, and the red one would be europium. The laser pointer is now showing the magnet portion, of course, is one of the largest expected demand growth areas. That has not changed. We're looking at near double-digit growth rates for a number of the rarest forms, and this states well, well into the future. We hope (inaudible) know when it's going to stop. So this is the big driver behind Molycorp's mine to magnet business strategy.

The metal alloys also expected to grow quite substantially. Most of this is related to the nickel and hydride batteries with the hybrid vehicles.

Supply and demand again, modifying a little bit recently. We're also providing a little bit of color where we think supply and demand are going to be. So we have added that last estimate on the end which shows the forecast for all the way out to 2020. So again, very substantial growth. The bottom line is, is if we don't get a more diversified rare earth, something coming from somewhere other than China, we're going to experience very severe shortages of these materials.

The rest of the world continues to struggle with supply and demand, and forecasts again based on data from IMCOA as well as what we think the numbers are based on our own forecasting that we do here at Molycorp. And we've got I think it is five sales folks that are running around the world every day talking to customers and collecting intel from these customers daily. But we would suggest that the 2011 rest of the world demand would be somewhere between 48,000 and 53,000 tons this year. China on an apples-to-apples basis is putting about 21 to 22,000 tons of material out on the market for the rest of the world. Molycorp's producing somewhere between 4 and 6,000 tons this year. That leaves a very substantial deficit. That isn't changing. Supply and demand numbers are what they are, and they are not changing. And we continue to see the supply deficit affecting the markets.

All the access in China, they speak for themselves. They're continuing to reduce export quotas. They're actually enforcing production quotas, and this is something new for 2011. China has halved production quotas country for years. They've never really been enforced. Well, now they're enforcing them. They shut down three mines in the south China clay area. Minmetals shut down voluntarily. We got a report yesterday that Materials

has shut down their operations in China. They may keep those operations shut down until the end of the Chinese New Year. So we're starting to see the production quota issue really come home to a lot of these producers. And of course, we saw Baotao make the announcement I think it was earlier this week. The largest producer in the world shut down for a month. And that's not a production quota issue. That's what they want to do to keep the pricing environment a little higher.

Now, all that continues and we don't expect the rare earth export quota reduction to stop any time in the near future. Here's the Chinese current data that they used in January 2011 at a conference in Vancouver, showing what they think of their own demand growth in country. And of course, we've got this demand growth in China that's largely responsible for why they continue to reduce export quotas. They have their own needs they need to meet. And I think this slide is really representative of what kind of growth China expects and what kind of adjustments they have to make in their system in country to make sure they meet those growth demands.

Now, Molycorp has grown a lot in the last year. We kind of started out with the Mountain Pass facility, the corporate office out in Denver, Colorado. We now have a metals and alloys facility in Tolleson, Arizona. We also own the Silmet facility, what we call Molycorp Silmet. In Sillamäe, Estonia, and we just recently opened up an office in Tokyo, Japan, to provide more customer service to the very, very large market there. That's always been about 50% of Molycorp's sales, and Japan is the largest rare earth user outside of China, so it's a very important market to us. And many times, as we all, the management team, travel to Tokyo, it's not enough. The Japanese culture is normally they like a lot of interface with their suppliers, and we want to have people on the ground to interface with them every single day. We're seeing extremely positive results from that already.

We continue to tell the story of the kind of three things that you've got to have in the rare earth industry to be successful. One is you have to have a substantial ore grade. Mountain Pass of course is a world class deposit with an average ore grade of 8.24%. You have to have the ability to take the ore out of the ground, process it into the individual rare earth elements. Molycorp has almost 60 years of history on that. And let's remember too that we now have been running on a commercial scale, out of this plant which you will drive through today, and there's some new process technologies that we've been working on for four years now. That's provided us not only with a de-risking demonstration for these new technologies, but maybe more importantly than that we have operators out there now who have four more years of experience in this rare earth processing. And outside of China, those are the only operators that have been processing these materials for the last four years. So we think that that's a real plus for Molycorp.

And then finally, this is one that doesn't really get talked about a lot, but you're not going to be able to meet your customers' specs, because every customer has a different specification for their rare earth product that they want. A lot of the difficulty in meeting customer specs actually goes to the issue of radiation. And Molycorp knows how to meet the radiation specifications for their customers, and we can actually ship materials to Japan that they can accept because it meets those radiation specifications. Those radiation specifications have gotten very, very tight in the last 10 years. Just about two years ago that specification was one becquerel per gram. It's now 0.8 becquerels per gram. That's actually radiation levels that are below background in most every place in the world. So that's how difficult it is to meet customer specifications with these products, and we've got 60 years' experience here that allows us to do that.

Of course, we do have our mine-to-magnets supply chain strategy. We've got the first four parts of that supply chain where it's extraction, oxides, metals, alloys, well under hand right now to ownership of these two new facilities for what we've always done here at Mountain Pass, and we continue to work on establishing that JV partnership with Magnet Productions. A lot of work is going into those negotiations. I don't want to ever say that something's right around the corner, but we've been working on these negotiations for a long time and they're starting to hone in on the final issues. So we expect some good news later in the near future.

Big news today. And I hope I'm not disappointing anyone by letting you know that even though it's an exciting day and we love having you all out here, the timing was kind of fortuitous with this announcement with your visit here today. The Board of Directors has made a decision on some information that our management team prepared for them and presented to them at our board meeting the last two days. And it has to do with the acceleration of Project Phoenix, which was approved by the Board yesterday. Very exciting times. Molycorp presented the economic case for that, presented a marketing case for that, and the Board unanimously approved the acceleration of the project. Very exciting for us. We'll increase—we'll move in a positive direction the startup time for Project Phoenix by three months, and we'll be introducing an additional roughly 3,500 metric tons of product to the rest of the world next year as a result of this earlier startup. We will now achieve that 19,050 metric tons per year production rate three months earlier than what we had anticipated. So now in October 2012 we'll be producing at that rate. And \$114 million to cover the cost of that acceleration. I'll let John Bassett talk about that a little bit more. I know there's been some questions last night and this morning about that 114, so he'll talk about that a little bit. Any time you want to accelerate something, it's going to cost more money. John will give you some of the details on it.

We really think that this—the way that Dr. Burba and his team have redone the schedule for this project substantially de-risks our

startup efforts as well. The way the project was going to be started up before was basically you get mechanical completion July 1, and you hand the keys over to operations and they start turning on switches. Now, we're going to do it in a very sequenced approach which basically has the equivalent of 14 chemical plants that will have to be started up in this process, and doing it in a very sequential method as opposed to all at once. It's a very, very prudent way to de-risk your startup problems that you can have with large complex facilities like this. And John, maybe you can speak to that a little bit later. But it's a very good de-risking message as well.

And then the good news is also, some exciting stuff today, when we go out to the pit, and you overlook that pit. And by the way, the pit has never looked better. It is so clean and cut right now. It's just a beautiful thing, if you like mining. You're going to see a big orange cross out in the pit somewhere, so look for that. And that's where the first ore will be removed from the pit on Monday of next week. So we are actually going to be starting to remove fresh ore from the pit, stockpiling that, and getting it ready to be introduced into the mill. A pretty exciting time up here in that regard.

You've seen this slide before, so I won't spend a lot of time on the details. Mountain Pass has been here for 60 years almost, and a track record of producing over 20,000 metric tons per year. We've got a great group of employees out here. We're now up to 205 Molycorp employees out here, 840 employees in the company. We will probably have another 150 to 200 Molycorp employees out here within the next 12 months or so. We're ramping up very quickly; a world-class resource, bottom line.

One point I do want to make, too, you've probably all noticed a big sign as you drove in the gate, and that's the sign that I always look for as soon as I drive up to this facility that shows how many days Mountain Pass has gone without a lost time accident or restricted work duty case. We've now gone over six years, 2,291 days at this facility without a lost time accident. And I'd also like to note that we're probably 20,000 or 22,000 hours a month of core contractor time out here, and Project Phoenix has also gone with zero lost time accidents to date. So, safety is a value for our Company, and you see that we like to highlight it.

Molycorp Sillamäe, really good news out of there this morning. They just forced their first ingot of neodymium metal. So Molycorp is producing not only didymium metals at our Sillamäe facility, but we're also producing samarium metal at our Tolleson facility. So while we toll a lot of that metal production for now, bringing that—more and more of that in-house, this facility has about 550 employees. We've actually gone over half a year now without any lost time accidents. They did have an accident earlier this spring, and prior to that they had a four or five-year record without a lost time accident. So again, safety is very, very important at that facility. They've done a great job.

And we got a lot of good news starting to come out of Sillamäe. We're starting to understand what their technology capabilities are much better than what we did on the front end. This is really going to probably turn into one of our high technology, high purity production facilities for us as we move into the future here.

Tolleson, Arizona is a great facility as well, 26 employees down there. Of course, they're producing neodymium-iron alloys today. They're producing samarium-cobalt alloys today. They're producing samarium metal today. We'll grow that business starting in 2012. And they're also making a couple of other high technology alloys. This facility, 14 years without a lost time accident. You can see that safety is a real critical part of our life as part of the Molycorp family.

Our Molycorp office in Tokyo is—we don't actually have that whole building, it's just one office in there. But it is the first time we've done this as a Company, and we're already seeing these huge benefits from it, because of the daily interaction we have with all our customers.

We're seeing kind of a change in the Japanese market, which I think further, you know, supports having an office there. A lot of those Japanese customers historically always use the trading house to procure their rare earth elements. And what we're finding, especially this past summer when prices got to \$150 a kilogram for cerium, the Japanese buyers of these materials are now realizing that the trading house gets their 2 to 3% cut in there, too. Just as a matter of trying to control the prices of their rare earths, they're actually asking us if we will do direct business with them as opposed to a trading house. Molycorp's happy to do it either way, but having that customer service office here in Japan really helps us with that direct business that we can do.

With that I'll pass the baton over to John Bassett, Senior Vice President of Operations. I think for most of you this is probably the first time you've seen John. John just started with us in January of this year. But John and I go back 15 or so years of doing business together, so I'm glad to have him here as part of our staff.

John Bassett: Good morning. I'm going to give you a little orientation to Phoenix and try and help you out with our tour today.

First of all, I'd like to say a few things about the project in general. One, of course, we—I'm excited we got approval to accelerate the project. The project continues to be fully funded. And I think there is some questions about the price tag to do that acceleration. I've been associated with a lot of big projects over the years, and in my—it's been my experience that in general when you speed up a project, slow down a project,

stop a project, it costs you 15%. It just seems to be one of the rules of thumb that I have. And sure enough, that's what this turned out to be.

I also want to talk a little bit about how we mitigate our risk on this project. We have a very effective Steering Committee that oversees the construction management. And what we look for are—we try to identify problems early on and opportunities early on. And one of the opportunities we found was the potential to expedite this project. So the staged startup is also a mitigation issue. That's going to allow me to integrate my people in a very sequential way so that we can focus our work on just a few people and then move onto the next part.

The other thing that's very important for you to realize is the fact that we have been wanting a plant, a commercial plant, for four years. We've been trying out all the technologies; so we've been proving them out. So not only do they work, but we have experience with them.

This is a discussion of the production that will come out of Phase 1 and Phase 2. There's nothing particularly new in this chart. If you think about where we're going to be in 2012, you know, the guidance for here is 8 to 10,000 tons a year for 2012.

Here you can see the quarter-by-quarter growth of our rare earth equivalent production.

A list of products that we make, including a couple new ones this month. And unless anybody has questions on that I'll just move on.

Here's the—kind of an aerial view of what we're going to do today. First of all, I want to point out the interstate right here and our—practically our own private exit. Certainly makes access to the plant—it's a huge asset since we're so close to people and the structure and we can get people and things to the plant.

Today we will be touring this facility. Let me just walk you through the process flow. Of course, we start with the open pit mine here, and the ore that we bring out of there we'll bring it over to the crushing area. Then we will run it over to the mill. We'll pluck the rare earth material out of it. And we'll do some processing there. Some of the impurities and the non-ore will go back to the paste tailings facility. We'll slurry it up; we'll make it into kind of a toothpaste, and then we'll pump that out into the long-term storage area there. The rare earth ore that—the rare earths will be going to the new separation plant here to be separated into the final products.

Today on our tour we'll be on the upper right-hand edge of the pit, so you'll get a chance to look down the pit. We'll be just to the left of the paste storage site, and then we'll also get a chance to come down and look into where the separation plant is.

Here's a view of the—I'll run through some pictures here of—which actually are a little bit dated. It's very hard to keep these presentations up to date because it changes. So you might want to bring this along with you and you can see what has happened in two or three weeks.

Again, we'll be on the upper right-hand edge here, so we'll be able to look down into the pit, see what it looks like. You'll be able to see a little red X over here where we think—where we have some ore exposed.

This is a picture of the separations facility. This is the power plant here and it is in the next slide, and you'll notice that there's no stacks here. When you get out there you'll certainly see some stacks.

Here's a picture of the mill, including the ball mill foundation. You're starting to see some structure going up over that when you get out there.

The paste tailings plant; we'll get a chance to look up at that from the paste tailings area, lay-down area. And you'll get to see the magnitude of this paste tailings area. It's—the picture doesn't do it justice until you get out and look at it. And we'll be on the upper left-hand edge of this, looking down on it.

Thank you.

Dr. John L. Burba: Okay. Well, I'd like to talk with you a little bit about our approach to environmental technology innovations. I have a number of slides we'll try flip through. One of the things that we wanted to do—in fact, way back in 2004 Mark and I sat down in his office in Brea, California. We were talking about what would be necessary for Mountain Pass to ever be rebuilt and start up and be a viable facility. And we came up with these three key things. We have to be a low-cost producer in the whole world. We have to have independent control of our cerium because cerium is about 49% of our rare content. And then I think that this one is probably the key driver. We have to be environmentally superior. And the reason for that is the rare earth industry historically has been dirty. We're all aware of the issues that exist in China, in India, and France; there are just huge problems. We cannot afford to do that anymore.

So, our goal was to come up with all three of these things. And that's a pretty significant challenge. Most people will tell you that you could accomplish this one, maybe this one and this one. But to do all three

is—I know we've run into a fair amount of skepticism. So, I'm going to explain to you how that works.

Now, the thing that is key to try to accomplish something like this is actually set these in the ground early before you ever start doing anything. Because what happens then is once you have these principles they drive your thinking, driving the research, drive the engineering, and then carry you to where you want to be.

So, the things that are breakthrough technologies that we're employing is our immense salt recycle process. This allows us to convert our waste salts back into a reagent that virtually eliminates wastewater discharge. And in the mid '90s when this plant was running at roughly 20,000 tons per year, they were pumping out 850 gallons per minute and down the mountain into two great big huge evaporation ponds in the dry lake beds that you guys drove through. We won't be doing that now. In fact, we're not going to do—our goal is to have a zero wastewater discharge. We may have a very tiny amount that we'll have to pump out.

We have a solidified permanent tailing disposal system. These have been utilized previously by other mining companies—never in the rare earth industry, and we're taking this a step further in that our system actually has a polymer liner underneath the tailing so that we do not—we minimize absolutely the potential of water—impacted water leaking into the ground.

We also have a rainwater collection system that's being built into that so that any rainwater that touches the tailing is processed back up into our water treatment plant and we use it as process water. So, we're not going to be discharging impacted water at all. Won't be going to the Water Board and saying please give us a variance on this allowable discharge. We're just going to incorporate it right into the process.

We're incorporating a combined heat and power plant that is run on natural gas. This will lower our emissions dramatically. Later you can ask Scott Honan and he can tell you how much it lowers the emissions, but it's incredible.

And the other thing is it reduces our electricity costs from roughly \$0.16 a kilowatt hour to something in the neighborhood of \$0.035 a kilowatt hour. Plus, we get steam, and we need the steam for our processing.

And then we have some very high efficiency processing techniques that we're keeping as trade secrets that allow us to do things in very different ways than the rest of the world does it. And one of these

techniques is probably saving us about \$120 to \$130 million in capital, plus it's going to cut out a lot of costs.

This gives you a—this is a little cartoon. And believe me, this isn't—doesn't show all the lines. But this cartoon shows you a little bit about how it—our environmental systems work. We mine; it goes into the mill. We have the extraction and purification. Rare earth separation into products, while we provide hydrochloric acid and sodium hydroxide to these units, they produce salt water, and it comes back here, goes back to the salt purification system, goes back to the salt recovery unit, and hydrochloric acid and hydroxide come back. We add some salt because some of—we will be selling some chlor-alkali products to keep everything in balance. And so that's the way the salt recovery works. The mill, things come down to this paste tailings facility.

The net result of all of this, I told you how we want to do the environmental piece of it, is on the costs. Because of our low-cost power and the steam that we're doing, our raw material is actually natural gas, not hydrochloric acid and sodium hydroxide. And because of that, we're projecting an operating cost of about \$2.77 per kilo. And we just went through another re-up on this, and our engineering firms are still sticking with this number. And I think even our operations guys have come from a different direction, and they're right in this ballpark. So, we're feeling great confidence that we're going to be low-cost producers.

So, what we need; we need heavy rare earths. Now Mountain Pass is known as a light and mid range rare earth deposit. We have heavies in our deposit but they're not very high concentrations. So the question is, what are we going to do to supply dysprosium, terbium, europium into the industry? Well, we have a four-prong approach to this. Because one of the things that we have learned over the years and, as Mark said, we've all been in this industry and other industries for a long time.

The goal of being successful is to always back yourself up as many ways as possible. So we don't have one approach to dealing with the heavy rare earths, we actually have four. And so the first thing is we have a very active recycling method that we're putting together, both magnets and phosphors. And we're—we have partners that we're working with on this, and so we intend to collect these recycled materials and reuse them. That's a very wise use of scarce rare earth materials.

Next thing is to increase efficiency, or efficient use of heavy rare earth elements. And dysprosium is the one that everybody thinks about with respect to magnetics. It's critical to stabilize in neodymium-iron-boron magnets when we want them at elevated temperature. What we've done is we're looking for technologies that require less dysprosium in traditional applications. So Boulder Wind is a company that has developed a permanent magnet

generator for wind turbines that describes a—that requires no dysprosium; none. They've got a very clever design. We looked at it and decided that this was really a good technology play, and so we have—we decided—we made an investment. We also are working with Ames Laboratory, part of the DOE, to look at—to identify new, more effective ways of creating magnets that require less dysprosium and, therefore, are more effective.

The next thing is we have developed a cracking technology. This is a dissolution technology that will allow us to accept virtually any mineral type into our process and do it in an environmentally-acceptable way. So if we find an ore body someplace else, we can bring an ore concentrate in, we can run it right into our existing process. We don't have to build a whole new process to deal with it. It just drops right in and goes right through. So, we think that this will be very effective.

And then the fourth one, and this is the one everybody's interested in, is identification of new rare earth resources.

So I'll speak just a minute more about Boulder Wind Power. This was a—we think—as I said, we think this is a very significant play. For us, if you take a look at the permanent magnet generators, the wind turbines, all of the ones that are being built today have significant quantities of dysprosium. And that's because the generators get hot and there are a lot of A-currents that will be magnetized with magnets. A big issue. But what Boulder has done is they've learned how to virtually eliminate the heavy currents and built a very effective, clever cooling system into their generator. When you consider the number of magnets that are projected going into wind turbines, this is as good as a whole dysprosium mine. So, we think this is going to be a huge deal because you can put very simple magnets into those turbines. It's going to be less expensive and, you know, they're seeing even more efficiency out of these particular—this particular design than others.

So, you know, we're really pumped on this, and it's an example of the kinds of technologies that we're looking for.

On the heavy rare earth deposits, we approached this in the same way that we approach the design of Mountain Pass. We put together some fundamental requirements that we operate on. First of all, we have to have an adequate ore grade, which we define as 2%. Less than that you start becoming very uneconomic and you start increasing the size of your environmental footprint. Rare earth distribution has to be skewed towards heavies and must be amenable to environmentally sound production and economically feasible. So, we're tapping into 59 years of history. We have an enormous database made up of files of all sorts of rare earth deposits all over the world. In fact, there's virtually nothing that has been in the news that we didn't already have a file on. And all those folks have contacted us and very few of

them reach our screening criteria. So what we do have is we have—excuse me, I went the wrong direction. That’s what happens when you try to push a laser.

What we do have is four prospects—and we have actually more than this—at least four of the top of our list, all of which have rare earth upside content greater than 4% and very significant heavy rare earth content. All have mineralizations that can be processed at the Mountain Pass facility.

Okay, these were first announced by Molycorp earlier this month. So, one of these deposits is one that’s within roughly four miles of where we are right now. We would—we’ll be able to truck the mineral directly into our process. The mineralogy is very amenable to our processing. And the nice thing about it is that it’s nice ore grade and it’s got a very good distribution of heavy rare earth. It’s over 1.6% terbium, 0.5% dysprosium, and I might add that this is an unusual mineralization, because typically those ratios would be reversed. Typically you’ll see dysprosium two to three times greater than terbium. So, this was an interesting thing. 0.9% europium, and it’s also very good in neodymium, praseodymium, and then it’s lower in cerium and lanthanum. We have a surface occurrence that extends over 10,000 feet, and as I mentioned, we can process it easily.

So the next steps that we’ve got to do is completing some surveys, which I believe are done now. Our drilling program is starting. We have to estimate the extent of the mineralization, conduct having metallurgical tests, make sure the stuff will float, develop a mining plan, and get all of our permitting out of the way. We think that this is going to be a very simple process because with these kind of ore grades we won’t need to move a lot of that rock. And so we think that we have a chance of seeing this come online very quickly.

Thank you.

Doug Jackson: Okay, thank you John. I’m going to go ahead and skip through the first couple of slides. Mark discussed these earlier, so there’s really no point and I want to get straight to what I know is most—foremost in your mind just based on some of the discussions we’ve already had last night.

The supply and demand balances over time, again Mark covered those. I think the number that’s probably the most significant for you to focus on is the difference between where it’s headed and where it is now and just think about that in context of the world’s production capabilities and our expansion.

A few minutes on just the key things that are happening in the market that are important for you to understand. First is just

looking at the way the market functions today between the in-country--what we call internal China price--and the export price. And the one thing important for you to know is that the way these indexes—and there's two of them that are published today—are actually built is that in-country there is a survey of buyers and sellers. There's no traded market, but there is a survey, so at least there's some price discovery on both sides. But when it comes to the export piece, it's just a formula build-up. They're not surveying buyers and sellers. They're taking in-country China, adding an estimate for the value of the quota, and then adding export taxes. So, it's really not—they're not surveying buyers and sellers, so it's a technical build-up. So it doesn't necessarily—it, in fact, doesn't really represent what we would consider to be “the market” for an export perspective.

So, that's one issue I think it's important to understand. The other that's important is that there is a differential between in-country and export which does create a large economic incentive for industries to move their production to China. I think that's intentionally done from an industrial policy perspective in China, but it definitely creates an economic incentive. And I think what—so basically, it's—you're thinking about western producers moving and they're motivated to potentially move production there. There's a technology risk on the IP, the intellectual property that customers are concerned with, but there is an economic incentive there, certainly.

Also, I think my other bullet here is just talking about competitiveness between western producers that are still outside of China versus companies that are in China and exporting, like FCC catalyst producers, other catalyst producers. And for us, obviously, our focus is on the western world, so it's very important our customers have an ability to stay competitive versus in-country China producers that they meet at the export level. Okay? Our belief is for a lot of these reasons, as well as just the fundamental supply and demand balances, is that the prices—the in-country and the export prices will converge over time. We've already started to see that. And that will then eliminate some of these economic incentives that will ensure that our customers can remain competitive.

So, the question is, you know, kind of what, where will exports come down and, you know, what is the magnitude of each movement. But our belief is that we're going to see most of the activity will be related to in-country China prices widely converging at the export level.

The other thing that's just absolute price levels, obviously, with the kind of price levels we saw say, four or five months ago, along with the constraints, supply constraints accessing the material, forgetting the price level, obviously leads to—has led to some demand destruction or substitutions. The good news for us is we've been spending a lot of time talking to our customers and we believe strongly that that demand comes back at the kind of price levels that we see in the future. So, for instance, if you talk to a

glass polish producer, he'll tell you that that demand comes back at kind of the \$40 per kilo level, which is kind of where we're headed on the cerium space. So this demand destruction has generally been short term, and we expected that to be the case.

John Burba earlier talked about access to dysprosium. That's a critical issue, particularly in the magnetic space, particularly automotive and small magnet space. We think we have a solution in the wind turbine space, but in the small magnet, then dysprosium is a key issue.

We talked already a little bit, Mark did as well, about the supply and demand scenario, but what's really happening in China, which is frightening, is their rapid consolidation of production levels. So, you know, as of about a year ago, they were using the quota system to kind of constrain exports. But now what's happening is that there's been such a production—a consolidation of the production level, the valve is really now at the producer—at the producer level, which gives them a way to ensure that the production quotas are met over time. That also gives them a—by consolidating the producer base, it gives them a way to constrain or reign in the illegal mining activity, which some people estimate was as much as 45K lbs last year in-country.

The good news for the rest of the world as far as supply, is that Molycorp is actually now we can say is ahead of schedule. So, that's very important to give our customers confidence that there's—relief is coming.

On the demand side, what's clear is that these materials, at the oxide level in China, are being upgraded in two other products; finished goods, if you will. The industrial policy around production of electric vehicles, bicycles, wind turbines is driving the demand for these materials to be produced and upgraded, and also just the general GDP growth, of course, is larger than say, the western world.

Outside of China we still see significant growth that's reflected in the charts both Mark and I showed. So, we still see significant growth, particularly at the kind of forecasted price level that we see in the next five to 10 years. And this ability for Molycorp to supply, that stability is going to lead to customer confidence. So long term, I think that the main message is we see the supply and demand balance remaining favorable from a producer perspective.

Just a couple minutes on contracts, because we talked about this while you were here in April, I guess it was. We talked about this. I just want to give you kind of a snapshot of where we stand today. The green here reflects contracts that are signed and in place. They reflect all current supply, as well as supply from the new facilities. Then we have about another 10

percentage points of contracts that are in the final stages, and the definition there means that the commercial level price, terms, and so forth, and we just—it's kind of final legal review from the customer's side, if you will.

Then we have a—and this is important. We have a slight, if you will, volume in the XSORBX space, in the cerium space for XSORBX for that technology. And that—it's turning out to be—you've heard about it, you know a lot about it, but it's turning out to be very interesting, and we think there's a lot of applications there. It's very important for us to have material available for those customers in that space and to support that. It does a couple things for us. It's interesting from a—just a pure price and supply perspective, but it also takes cerium out of the typical rare earth space and puts it in the water treatment space, which gets it out of the kind of supply and demand mix when it comes to the rare earth space versus the water treatment. So, that is—we consider that reserve sold for the XSORBX space.

And then we have this larger slice here called, for the sake of this discussion, qualification. Here we're having discussions with multiple customers related to the volumes that reflect that. One thing I want to make a point for you on is this last bullet here. I think talking with some of you and others that it's generally underappreciated the time it takes to qualify your materials for customers. The typical process in Japan will take six months. The way it works is that fortunately for us we have production both in here and in Sillamäe, so we're able to get our materials qualified as part of the contracting process. Okay? So, that's the first phase and that can take months. We've been working on kind of this slice and also this slice for about three or four months now.

What happens is that you get your materials qualified, that gets you a contract subject to final qualification from a new or different facility. So then once our facilities are up and running there's another qualification process to sort of get the final stamp of yes, you can now supply. This is generally underappreciated, I would say, and not fully understood by the marketplace in general, so I wanted to highlight that for you because it's a big issue. But again, we're lucky that we have production, can actually show the customer something, and then we can talk about what's it going to mean, you know, versus the new facility.

Generally we're quite pleased with how things are going here. Also, I really just want to add that customer reaction has been very positive to the heavies timeline to be able to deliver because they're just waiting for the western world to come to the rescue, if you will, so we're—we haven't talked to customers yet, obviously, but some of the initial reaction from the press release that came out is that they're like wow, this is great, when can we—how much sooner does this mean we can get this material. So, we're really excited from the commercial perspective to have that additional leverage we've got.

Mark Smith: Okay. Unfortunately, we're running out of time because we like to talk about what we do too much. But we're going to all be on one bus to do the tour. So we're going to ask that Jim go through the financial update while we're on the bus going through there. And, you know, I don't mean to take away his thunder, but it's all pretty boring anyway, because we can't really tell you anything about third quarter yet. So, he's going to tell you about what you've already seen, which is second quarter, and being fully funded for Project Phoenix. So, Jim, if you don't mind trying to get up in front so we go through the financial part. And then all of the management team except for myself is going to be on that tour, available for questions. Ask them anything you want.

And have a good time. Enjoy yourselves out there. Make sure that you always stay with your tour guide for safety during the tour. Get a hard hat, glasses. You're okay with your shoes because you're just here for a short period of time. Make sure that if you hear any alarm go off, if you find your tour guide, he will guide you where you need to go to be safe. So it's all about safety. Enjoy yourselves. Enjoy seeing everybody and we look forward to spring Analyst Day as well. Thank you.