

### ***News Bulletin***

## **Mismatch between Supply and Demand of Rare Earth Ores Continues to Affect Magnet Costs Significantly. Slight Easing Continues.**

May 1, 2012 Update

Rare Earth ore pricing continues to ease and flatten, continuing a trend that began in August 2011. Nevertheless, the price of Nd metal has risen almost eight-fold since January 2009 and is 41% higher than in January 2011. Dy metal (used to enhance the elevated temperature performance of the Nd based magnets) pricing has risen by about 1320% and over 400% over the same time-frames. Magnet materials based on Rare Earth material compositions have seen significant cost increases over the last 3 years due to the mismatch between supply and demand for the basic raw materials, and production quotas imposed by the Chinese government.

There have been calls in China to suspend or sharply reduce all production of Rare Earth powders for an indefinite period in order to comply with the Government's annual quotas, some of which have already been exceeded.

Magnet materials affected are the Neodymium Iron Boron and Samarium Cobalt families of materials, and these materials are not being quoted as firm and fixed over an extended period of time while this situation continues.

Rare Earth elements have seen a sharp increase in demand especially over the three years as an increasing number of high-tech and clean-tech products have incorporated their use.

Currently 97% of the world's commercial production of rare earth ores is located in China, which has imposed strict quotas on the export of these ores as its own demand for them is growing rapidly. Several mines around the world are in the process of being re-opened, most notably the Molycorp mine in California, as rising prices have made it economical to operate these mines. However, re-opening these mines is a long process and the supply side is not expected to catch up for some time. New sources for the rare earth ores are being evaluated and new mines explored and evaluated – again with long lead times to meaningful production. There is a strong effort by non-Chinese suppliers to diversify their sourcing of Rare Earths and to recycle materials.

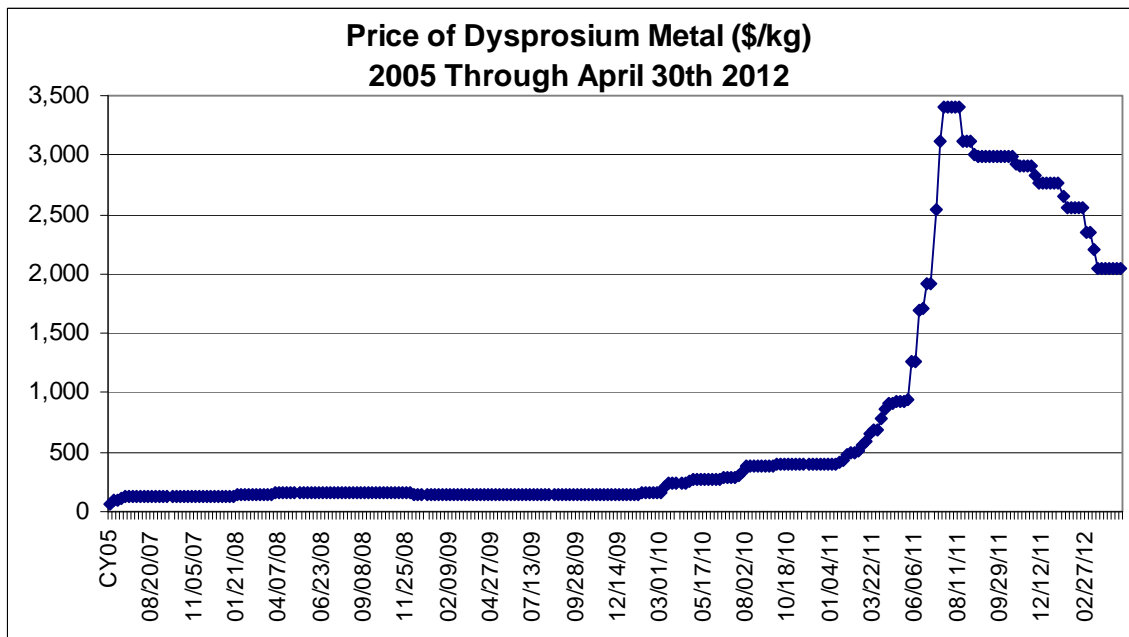
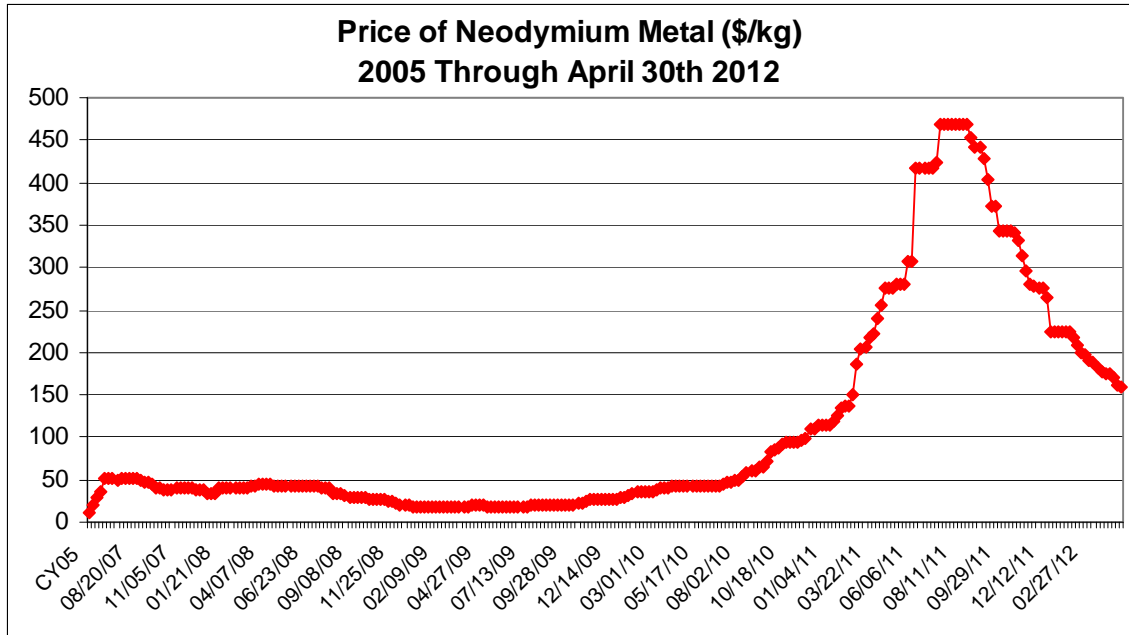
Rare Earths are a significant component of the Rare Earth families of magnets, and pricing for these magnets has risen by approximately 300% as compared to 12 months ago.

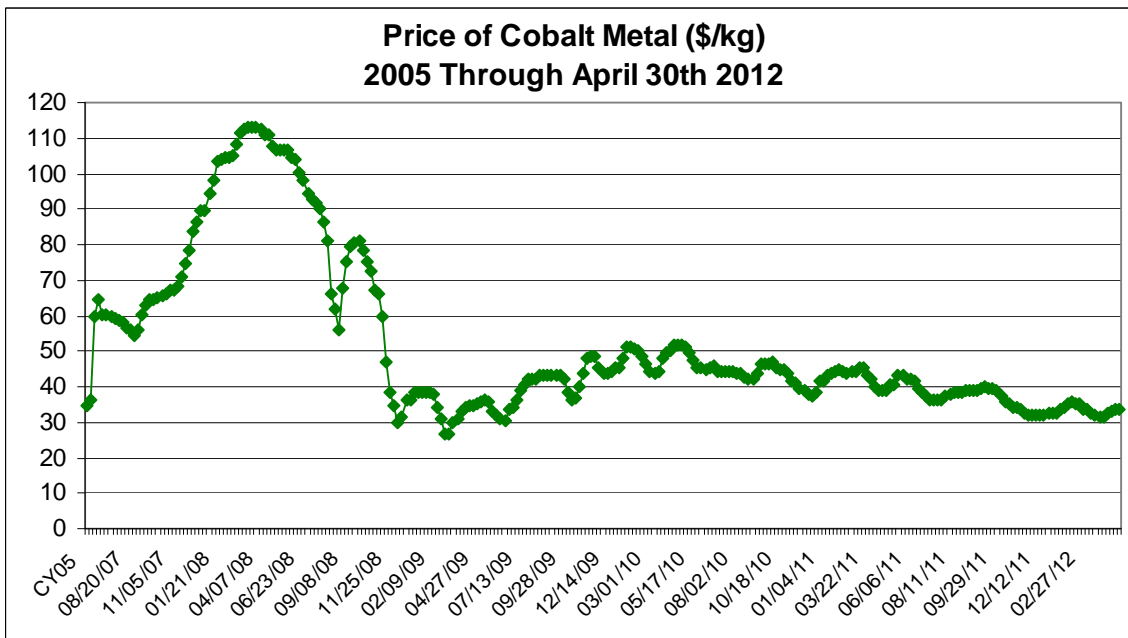
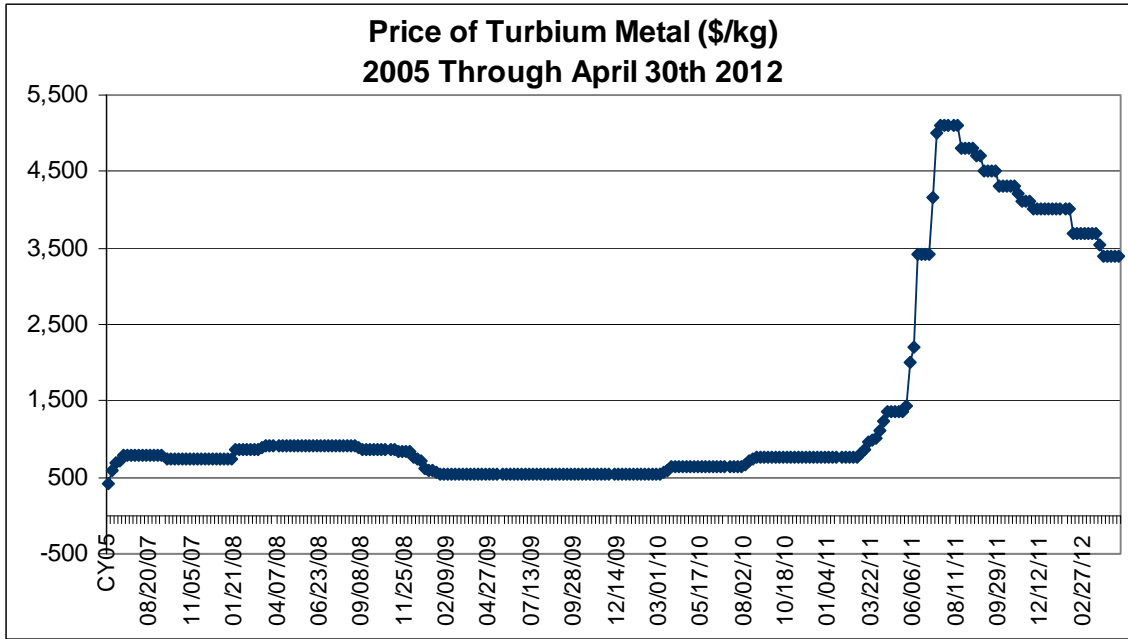
We will continue to source our materials as competitively as possible, and do everything we can to minimize the impact of these cost increases to our customers.

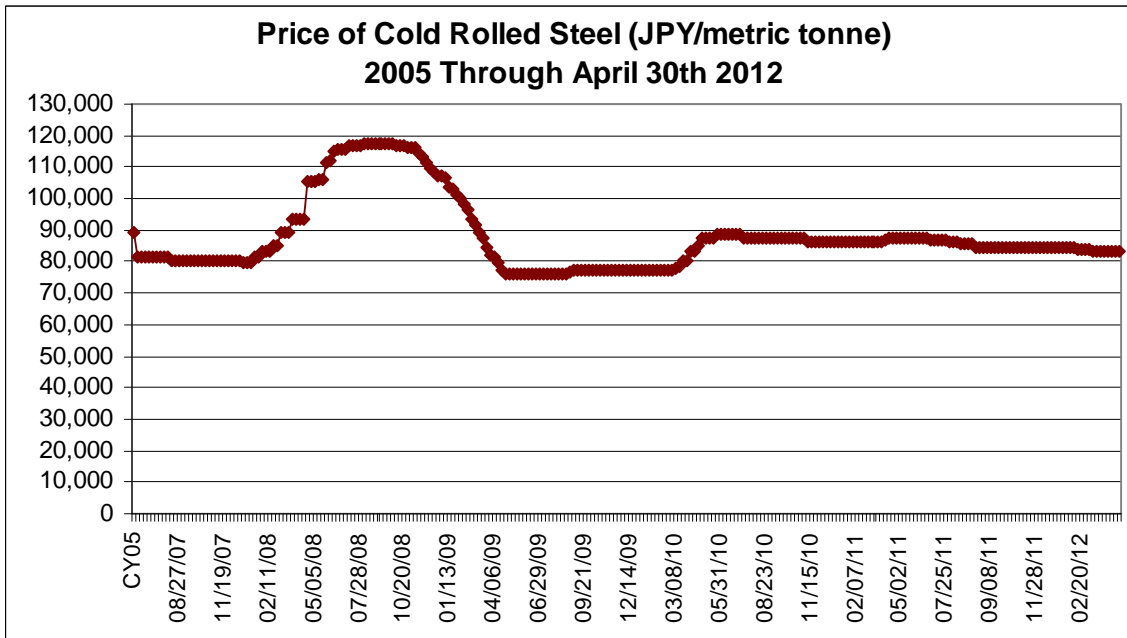
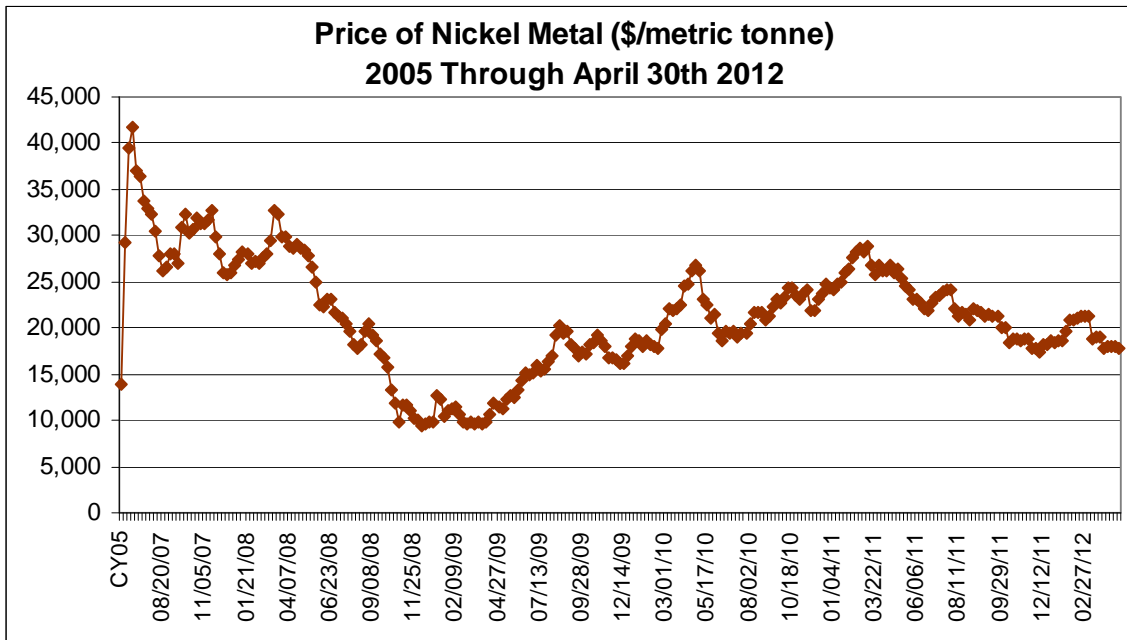
However, customers should be aware of the current spike and volatility in Rare Earth magnet pricing.

**Given the extremely volatile cost situation, our quotations will be valid for very short periods, and in some cases we may be unable to offer firm fixed pricing.**

We recognize the difficulties that this causes; however until the market stabilizes, the entire supply chain is forced to cope with the current conditions. We appreciate your understanding during this period.







### Price Change Percentages For Various Metals

| Metal                      | Neodymium | Dysprosium | Turbium | Cobalt | Nickel | Cold Rolled Steel |
|----------------------------|-----------|------------|---------|--------|--------|-------------------|
| <b>Priced Change Since</b> |           |            |         |        |        |                   |
| 01-Jan-12                  | -29%      | -26%       | -15%    | 4%     | -3%    | -2%               |
| 01-Jan-11                  | 41%       | 413%       | 342%    | -19%   | -26%   | -4%               |
| 01-Jan-10                  | 442%      | 1290%      | 530%    | -25%   | -5%    | 7%                |
| 01-Jan-09                  | 765%      | 1319%      | 467%    | -13%   | 40%    | -22%              |

(Data based on Asian Metals)

For more information please click on the links below:

[Mining Weekly March 18th 2011](#)

[Molycorp – the global outlook for production of rare earth ores](#)

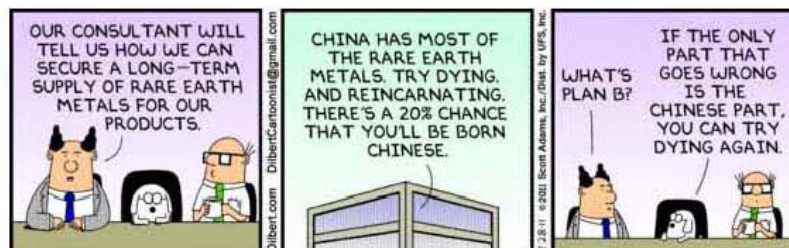
[Rare Earth Pricing Soar – Bloomberg October 2010](#)

[Article on combating China's quotas on export of Rare Earths – March 2011](#)

[Article on Rare Earth pricing and opportunities in the mining sector – March 2011](#)

[Rare Earth prices surge – article for New York Times – May 2011](#)

[High Rare Earth Pricing Force Hitachi, Toyota to Find Alternatives – August 2011](#)



*On the lighter side, Rare Earth discussions go mainstream – Dilbert February 28<sup>th</sup> 2011*